

DAYTON INDEPENDENT SCHOOL DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Kentucky State Committee for School District Audits
Members of the Board of Education
Dayton Independent School District
Flemingsburg, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dayton Independent School District (District) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue

as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension schedules, and OPEB schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and combining and individual school activity fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and combining and individual school activity fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
January 27, 2026

As management of the Dayton Independent School District (District) we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information found within the body of this report.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of the District were more than its liabilities and deferred outflows at the close of the most recent fiscal year by (\$3,940,481) (net position). The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations to citizens and creditors, was a deficit of (\$3,364,860). The District is committed to provide postemployment benefits to its employees. As a result, the District has recognized substantial liabilities in the financial statements for these benefits. As of year-end, the District has liabilities of for postemployment benefits of \$4,566,617 which caused the deficit balance in the unrestricted net position. The District's total net position changed by (\$647,736).

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to the financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, district and school administration, business and plant operations, student transportation, and operation of non-instructional services. Fixed assets and debt is also supported by taxes and intergovernmental revenues. The government-wide financial statements can be found on pages 9-10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is the state mandated accounting system including a chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The proprietary fund is for food service operations. The fiduciary fund is a trust fund established by benefactors to aid in student education, welfare, and teacher support. All other activities of the District are included in the governmental funds. The basic governmental fund financial statements can be found on pages 11-17 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-53 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Assets				
Current assets	\$ 7,761,330	\$ 4,378,186	\$ 108,519	\$ 110,458
Noncurrent assets	15,103,914	7,281,152	54,021	93,212
Total assets	22,865,244	11,659,338	162,540	203,670
Deferred outflows	1,647,006	2,000,601	124,230	168,529
Liabilities				
Current liabilities	1,818,939	1,439,904	238	-
Noncurrent liabilities	23,991,817	12,150,196	558,527	636,287
Total liabilities	25,810,756	13,590,100	558,765	636,287
Deferred inflows	2,146,353	2,518,683	223,627	290,671
Net position				
Net investment in capital assets	(5,048,108)	(862,888)	37,850	79,521
Restricted	4,968,109	713,876	(533,472)	(634,280)
Unrestricted	(3,364,860)	(2,299,832)	-	-
Total net position	\$ (3,444,859)	\$ (2,448,844)	\$ (495,622)	\$ (554,759)

Change in Net Position

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Revenues:				
Local revenue sources	\$ 4,772,911	\$ 4,483,982	\$ 40,736	\$ 123,635
State revenue sources	8,453,513	7,887,820	51,785	127,751
Federal revenue sources	1,799,386	3,338,425	712,500	752,376
Total revenues	\$ 15,025,810	\$ 15,710,227	\$ 805,021	\$ 1,003,762
Expenses:				
Instruction	7,819,066	8,038,354	-	-
Student support	1,449,443	1,507,095	-	-
Instruction staff	750,950	1,275,570	-	-
District administrative	621,151	691,661	-	-
School administrative	856,529	821,203	-	-
Business support	503,517	472,801	-	-
Plant operation	1,366,378	1,389,759	-	-
Student transportation	412,376	291,258	-	-
Food service	9,030	22,253	692,510	904,387
Day care	52,668	14,341	124,472	113,496
Community service	432,754	257,728	-	-
Land/site acquisitions	523,313	1,282,853	-	-
Building construction	-	48,296	-	-
Building improvements	78,252	230,027	-	-
Interest on long-term debt	888,424	287,906	-	-
Total expenses	\$ 15,763,851	\$ 16,631,105	\$ 816,982	\$ 1,017,883
Transfers	31,168	23,222	(31,168)	(23,222)
Change in net position	\$ (706,873)	\$ (897,656)	\$ (43,129)	\$ (37,343)

GOVERNMENTAL FUND FINANCIAL ANALYSIS

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the District's government funds reported combined fund balances of \$6,768,938 a change of \$3,257,276 from the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,879,153. The total general fund balance changed (\$841,596).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the District had \$6,286,387 in capital assets net of depreciation. Net capital assets changed by -\$53,238,321 .

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Land	\$ 1,295,022	\$ -		
Land improvements	(52,424)	5,906,956	\$ -	\$ -
Buildings and improvements	5,035,923	21,806,198	3,147	-
Technology equipment	89,378	198,177	16,248	108
Vehicles	119,750	836,494	-	-
General equipment	576,173	723,924	464,298	217,444
Construction in progress	33,894	29,835,407	-	-
Total capital assets, net	\$ 5,802,694	\$ 59,307,156	\$ 483,693	\$ 217,552

Long-Term Obligations

At the end of the fiscal year, the District had \$24,652,556 in long-term liabilities. Long-term liabilities increased (\$42,102,711).

	Governmental Activities		Business-Type Activities	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Bonds payable	\$ 19,980,148	\$ 53,811,766	\$ -	\$ -
Operating leases	105,514	127,020	-	-
Financed purchases	-	127,020	-	-
Compensated absences	558,804	313,033	-	-

GENERAL FUND BUDGET

Kentucky state statutes and the Kentucky Department of Education require school districts to adopt a budget that has a minimum 2% contingency. The District adopted a general fund budget that had a contingency of 10%.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

General fund revenue (excluding transfers in) for the District for 2026 is budgeted to decrease approximately \$430,000, mainly due to decreased on-behalf revenue and revenue in-lieu of taxes. Expenditures are budgeted to decrease approximately \$330,000 from the prior year mainly due to lower wage costs and on-behalf costs. The 2026 budget has an 8% contingency.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Officer, Anthony Hughey, 200 Clay Street, Dayton, KY 41074.

Dayton Independent School District
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 6,932,353	\$ 107,244	\$ 7,039,597
Receivables	828,977	-	828,977
Inventory	-	1,275	1,275
Noncurrent assets			
Net OBEP asset - CERS	68,940	16,171	85,111
Right of use assets, net	102,934	-	102,934
Capital assets, net	14,932,040	37,850	14,969,890
Total assets	22,865,244	162,540	23,027,784
Deferred outflows of resources			
OPEB related	1,229,270	27,895	1,257,165
Pension related	417,736	96,335	514,071
Total deferred outflows of resources	1,647,006	124,230	1,771,236
Liabilities			
Current liabilities			
Accounts payable	165,580	238	165,818
Unearned revenue	826,812	-	826,812
Accrued interest payable	165,808	-	165,808
Lease liability	24,341	-	24,341
Bonds payable	636,398	-	636,398
Noncurrent liabilities			
Compensated absences	558,804	-	558,804
Lease liability	81,173	-	81,173
Bonds payable	19,343,750	-	19,343,750
Net OPEB liability - TRS	1,627,000	-	1,627,000
Net pension liability	2,381,090	558,527	2,939,617
Total liabilities	25,810,756	558,765	26,369,521
Deferred inflows of resources			
OPEB related	1,863,217	157,212	2,020,429
Pension related	283,136	66,415	349,551
Total deferred inflows of resources	2,146,353	223,627	2,369,980
Net position			
Net investment in capital assets	(5,048,108)	37,850	(5,010,258)
Restricted (deficit)	4,968,109	(533,472)	4,434,637
Unrestricted (deficit)	(3,364,860)	-	(3,364,860)
Total net position (deficit)	\$ (3,444,859)	\$ (495,622)	\$ (3,940,481)

The notes to the financial statements are an integral part of this statement.

Dayton Independent School District
Statement of Activities
Year Ended June 30, 2025

	Expenses	Charges for Services	Operating Grants and Contribution	Capital Grants and Contributions	Revenue over Expenses
Governmental Activities					
Instruction	\$ 7,819,066	\$ 125	\$ 3,105,210	\$ -	\$ (4,713,731)
Support services:					
Student	1,449,443	-	517,358	-	(932,085)
Instructional staff	750,950	-	342,126	-	(408,824)
District administration	621,151	-	111,724	-	(509,427)
School administration	856,529	-	262,598	-	(593,931)
Business	503,517	-	147,811	-	(355,706)
Plant operation	1,366,378	-	132,483	-	(1,233,895)
Student transportation	412,376	-	184,268	-	(228,108)
Food service	9,030	-	-	-	(9,030)
Day care	52,668	-	40,482	-	(12,186)
Community service	432,754	-	372,201	-	(60,553)
Land/site acquisitions	523,313	-	-	-	(523,313)
Building construction	-	-	-	-	-
Building improvements	78,252	-	-	-	(78,252)
Interest on long-term debt	888,424	-	-	85,645	(802,779)
Total governmental activities	15,763,851	125	5,216,261	85,645	(10,461,820)
Business-Type Activities					
Food service	692,510	38,274	764,285	-	110,049
Day care	124,472	85,953	31,233	-	(7,286)
Total business-type activities	816,982	124,227	795,518	-	102,763
Total school district	\$ 16,580,833	\$ 124,352	\$ 6,011,779	\$ 85,645	(10,359,057)

	Governmental Activities	Business-Type Activities	Total
Revenue over expenses	\$ (10,461,820)	\$ 102,763	\$ (10,359,057)
General Revenues			
Property taxes	3,715,119	-	3,715,119
Motor vehicle taxes	308,331	-	308,331
State and federal aid	(51,930)	-	(51,930)
SEEK	4,856,771	-	4,856,771
Federal direct revenue	146,152	-	146,152
Investment earnings	242,613	2,462	245,075
Other	506,723	-	506,723
Gain / (loss) on asset disposal	-	(14,920)	(14,920)
Transfers	31,168	(31,168)	-
Total general revenues	9,754,947	(43,626)	9,711,321
Change in net position	(706,873)	59,137	(647,736)
Net position (deficit) - beginning of year, as restated	(2,737,986)	(554,759)	(3,292,745)
Net position (deficit) - end of year	\$ (3,444,859)	\$ (495,622)	\$ (3,940,481)

Dayton Independent School District
Balance Sheet – Governmental Funds
June 30, 2025

	General Fund	Special Revenue Fund	Building Fund	Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 1,555,786	\$ 432,843	\$ 360,800	\$ 4,333,437	\$ 249,487	\$ 6,932,353
Receivables	420,465	408,512	-	-	-	828,977
Total assets	\$ 1,976,251	\$ 841,355	\$ 360,800	\$ 4,333,437	\$ 249,487	\$ 7,761,330
Liabilities						
Accounts payable	\$ 53,600	\$ 14,332	\$ 18,606	\$ 69,821	\$ 9,221	\$ 165,580
Unearned revenue	-	826,812	-	-	-	826,812
Total liabilities	53,600	841,144	18,606	69,821	9,221	992,392
Fund balances						
Restricted	-	122,033	342,194	4,263,616	240,266	4,968,109
Assigned	43,498	(137,209)	-	-	-	(93,711)
Unassigned	1,879,153	15,387	-	-	-	1,894,540
Total fund balances	1,922,651	211	342,194	4,263,616	240,266	6,768,938
Total liabilities and fund balances	\$ 1,976,251	\$ 841,355	\$ 360,800	\$ 4,333,437	\$ 249,487	\$ 7,761,330

The notes to the financial statements are an integral part of this statement.

Dayton Independent School District
 Reconciliation of the Balance Sheet – Governmental Funds
 to the Statement of Net Position
 June 30, 2025

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Total fund balances - governmental funds	\$ 6,768,938
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	14,932,040
Deferred outflow and inflow of resources are applicable to future periods and, therefore, are not reported in the funds.	
Deferred outflows - OPEB	1,229,270
Deferred outflows - pensions	417,736
Deferred inflows - OPEB	(1,863,217)
Deferred inflows - pension	(283,136)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Accrued interest payable	(165,808)
Lease liability	(105,514)
Bonds payable	(19,980,148)
Compensated absences	(558,804)
Net OPEB liability (asset)	(1,558,060)
Net pension liability	(2,381,090)
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Net position of governmental activities	\$ (3,444,859)

The notes to the financial statements are an integral part of this statement.

Dayton Independent School District
Statement of Revenues, Expenditures and Changes in Fund
Balances – Governmental Funds
Year Ended June 30, 2025

	General Fund	Special Revenue Fund	Building Fund	Construction Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues						
From local sources:						
Property taxes	\$2,981,548	\$ -	\$ 733,571	\$ -	\$ -	\$ 3,715,119
Motor vehicle taxes	308,331	-	-	-	-	308,331
Earnings on investments	229,459	13,154	-	-	-	242,613
Tuition	125	-	-	-	-	125
Other local revenue	46,248	103,261	-	-	357,214	506,723
Intergovernmental state:						
SEEK	3,864,829	-	915,150	-	76,792	4,856,771
On-behalf	2,836,681	-	-	-	85,645	2,922,326
Other	80,028	594,388	-	-	-	674,416
Intergovernmental federal	-	1,653,234	-	-	-	1,653,234
Federal direct	146,152	-	-	-	-	146,152
Total revenues	10,493,401	2,364,037	1,648,721	-	519,651	15,025,810
Expenditures						
Instruction	6,051,552	1,376,609	-	-	346,655	7,774,816
Support services:						
Student	1,347,058	137,873	-	-	-	1,484,931
Instruction staff	621,941	144,711	-	-	-	766,652
District administrative	634,326	-	-	-	-	634,326
School administrative	885,406	-	-	-	-	885,406
Business support	456,847	77,208	-	-	-	534,055
Plant operation	1,015,305	71,186	-	-	40,874	1,127,365
Student transportation	264,903	159,310	-	-	-	424,213
Food service	9,030	-	-	-	-	9,030
Day care	12,186	40,482	-	-	-	52,668
Community services	49,978	372,201	-	-	15,100	437,279
Land/site acquisition	2,035	-	364,239	8,181,250	-	8,547,524
Building improvements	-	-	-	78,252	-	78,252
Debt service						
Principal	-	-	-	-	735,000	735,000
Interest	-	-	-	-	810,152	810,152
Total expenditures	11,350,567	2,379,580	364,239	8,259,502	1,947,781	24,301,669
Excess of revenues over (under) expenditures	(857,166)	(15,543)	1,284,482	(8,259,502)	(1,428,130)	(9,275,859)
Other financing sources (uses)						
Transfers in	31,168	15,598	-	-	1,459,507	1,506,273
Transfers out	(15,598)	-	(1,459,507)	-	-	(1,475,105)
Bond premiums	-	-	-	600,942	-	600,942
Bond issuance costs	-	-	-	(283,975)	-	(283,975)
Bond proceeds	-	-	-	12,185,000	-	12,185,000
Total other financing sources (uses)	15,570	15,598	(1,459,507)	12,501,967	1,459,507	12,533,135
Net change in fund balances	(841,596)	55	(175,025)	4,242,465	31,377	3,257,276
Fund balances - beginning	2,764,247	156	517,219	21,151	208,889	3,511,662
Fund balances - end of year	\$ 1,922,651	\$ 211	\$ 342,194	\$ 4,263,616	\$ 240,266	\$ 6,768,938

The notes to the financial statements are an integral part of this statement.

Dayton Independent School District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances – Governmental Funds
 to the Statement of Activities
 Year Ended June 30, 2025

Net change in fund balances - total governmental funds \$ 3,257,276

Amounts reported for governmental activities in the statement
 of activities are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those asset is
 allocated over their estimated useful lives and reported as
 depreciation expense.

Capital outlay	8,321,106
Depreciation expense	(486,782)

The issuance of long-term debt provides current financial resources
 to governmental funds, but the proceeds increase long-term liabilities
 in the statement of net position. (12,785,942)

Repayment of long-term debt are expenditures in the governmental
 funds, but the repayment reduces long-term liabilities in the
 statement of net position. 766,398

Some expenses reported in the statement of activities do not require
 current financial resources and, therefore, are not reported as
 expenditures in the funds.

Lease amortization	(2,580)
Change in accrued interest payable	(109,670)
Change in compensated absences	(72,648)
Change in OPEB liabilities and deferred amounts	322,449
Change in pension liabilities and deferred amounts	83,520

Change in net position of governmental activities	<u>\$ (706,873)</u>
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The notes to the financial statements are an integral part of this statement.

Dayton Independent School District
Statement of Net Position – Proprietary Fund
June 30, 2025

	Food Service	Day Care	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 106,493	\$ 751	\$ 107,244
Inventories for consumption	1,275	-	1,275
Total current assets	107,768	751	108,519
Noncurrent assets			
Net OPEB asset - CERS	16,171	-	16,171
Capital assets, net	37,850	-	37,850
Total noncurrent assets	54,021	-	54,021
Total assets	161,789	751	162,540
Deferred outflows of resources			
OPEB related	27,895	-	27,895
Pension related	96,335	-	96,335
Total deferred outflows of resources	124,230	-	124,230
Liabilities			
Current liabilities			
Accounts payable	238	-	238
Total current liabilities	238	-	238
Long-term liabilities			
Net OPEB liability	-	-	-
Net pension liability	558,527	-	558,527
Total long-term liabilities	558,527	-	558,527
Total liabilities	558,765	-	558,765
Deferred inflows of resources			
OPEB related	157,212	-	157,212
Pension related	66,415	-	66,415
Total deferred inflow of resources	223,627	-	223,627
Net position			
Net investment in capital assets	37,850	-	37,850
Restricted	(534,223)	751	(533,472)
Total net position (deficit)	\$ (496,373)	\$ 751	\$ (495,622)

The notes to the financial statements are an integral part of this statement.

Dayton Independent School District
Statement of Revenue, Expenses, and Changes
In Fund Net Position – Proprietary Fund
Year Ended June 30, 2025

	Food Service	Day Care	Total
Operating revenues			
Food service	\$ 38,274	\$ -	\$ 38,274
Tuition	-	85,953	85,953
Total operating revenues	38,274	85,953	124,227
Operating expenses			
Salaries and wages	264,592	79,102	343,694
Employee benefits	16,723	40,022	56,745
Purchased services	41,952	524	42,476
Materials and supplies	341,904	4,824	346,728
Other operating expenses	588	-	588
Depreciation	26,751	-	26,751
Total operating expenses	692,510	124,472	816,982
Operating loss	(654,236)	(38,519)	(692,755)
Non operating revenues			
Operating grants - state	2,591	16,538	19,129
On-behalf revenue	49,194	14,695	63,889
Operating grants - federal	679,676	-	679,676
Donated commodities	32,824	-	32,824
Gain / (loss) on sale of assets	(14,920)	-	(14,920)
Transfers out	(31,168)	-	(31,168)
Interest income	2,462	-	2,462
Total other financing sources (uses)	720,659	31,233	751,892
Net change in fund balances	66,423	(7,286)	59,137
Fund balances - beginning of year	(562,796)	8,037	(554,759)
Fund balances - end of year	\$ (496,373)	\$ 751	\$ (495,622)

The notes to the financial statements are an integral part of this statement.

Dayton Independent School District
Statement of Cash Flows – Proprietary Fund
Year Ended June 30, 2025

	Food Service	Day Care	Total
Cash flows from operating activities			
Cash received:			
From food service sales	\$ 38,274	\$ -	\$ 38,274
From tuition	-	93,600	93,600
Cash paid:			
To employees	(383,065)	(119,124)	(502,189)
To suppliers	(343,260)	(4,824)	(348,084)
For operating expenses	(42,540)	(524)	(43,064)
Cash transfer	(31,168)	-	(31,168)
Net cash used in operating activities	(761,759)	(30,872)	(792,631)
Cash flows from noncapital financing activities			
Non operating grants	764,285	31,233	795,518
Net cash provided by noncapital financing activities	764,285	31,233	795,518
Cash flows from investing activities			
Interest on investments	2,462	-	2,462
Net cash provided by investing activities	2,462	-	2,462
Net increase in cash	4,988	361	5,349
Cash - beginning of year	101,505	390	101,895
Cash - end of year	<u>\$ 106,493</u>	<u>\$ 751</u>	<u>\$ 107,244</u>
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	\$ (654,236)	\$ (38,519)	\$ (692,755)
Adjustments to reconcile operating loss to net cash in operating activities			
Depreciation	26,751		26,751
Transfers out	(31,168)		(31,168)
Changes in:			-
Receivables	-	7,647	7,647
Inventory	(359)		(359)
Payables	238		238
Other	1,235		1,235
Deferred outflows	44,299		44,299
Deferred inflows	(67,044)		(67,044)
Net OPEB liability	(3,715)		(3,715)
Net pension liability	(77,760)		(77,760)
Net cash used in operating activities	<u>\$ (761,759)</u>	<u>\$ (30,872)</u>	<u>\$ (792,631)</u>
Noncash activities			
Commodities received from federal	<u>\$ 32,824</u>	<u>\$ -</u>	<u>\$ 32,824</u>
On-behalf payments received state	<u>\$ 49,194</u>	<u>\$ -</u>	<u>\$ 49,194</u>

The notes to the financial statements are an integral part of this statement.

NOTE 1: ACCOUNTING POLICIES

Reporting Entity

The Dayton Independent Board of Education (Board), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Dayton Independent School District (District). The District receives funding from local, state and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Board. The financial statements presented herein do not include funds of groups or organizations, which although associated with the school system, have not originated with the Board; such as Band Boosters, Parent-Teacher Associations, and others.

The financial statements of the District include those separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Dayton Independent Board of Education Finance Corporation – The Board authorized the establishment of the Dayton Independent Board of Education Finance Corporation (Corporation), (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS 58.180) as an agency of the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

The District’s basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government.

The statement of net position presents the financial condition of the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to determine legal compliance. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds, if any, are presented in a single column.

Governmental Fund Types

The *General Fund* is the primary operating fund of the District. This used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Kentucky. This is a major fund of the District.

The *Special Revenue Fund* accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report. This is a major fund of the District.

The *District Activity Fund* is a special revenue fund that accounts for funds received at the school level.

The *School Activity Fund* is a special revenue fund that accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the *Uniform Program of Accounting for School Activity Funds*.

The *Capital Outlay Fund* is the Support Education Excellence in Kentucky (SEEK) fund and receives those funds designated by the state as capital outlay funds and is restricted for use in financing projects identified by the district's facility plan.

The *Building Fund* is the Facility Support Program of Kentucky (FSPK) fund and accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District

The *Construction Fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The *Debt Service Fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, as required by state law.

Proprietary Fund Types (Enterprise Funds)

The *Food Service Fund* accounts for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. This is a major fund of the District.

Measurement Focus and Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The District also reports a fiduciary fund which focuses on net position and changes in net position.

Fund Financial Statements

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if they are collected within sixty days of year end. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

However, debt service expenditures as well as expenditures related to long-term compensated absences and postemployment benefits are recorded only when payment is due.

Assets, Liabilities, Deferred Inflows/Outflows, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with an initial maturity date of ninety days or less.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

The District is authorized by state statute to invest in the following subject to additional requirements of KRS 66.480:

- Obligations of the United States and of its Agencies and instrumentalities
- Certificates of Deposit
- Bankers Acceptances
- Commercial Paper
- Bonds and Securities of other State and Local Governments
- Mutual Funds, Exchange Traded Funds, Individual Equity Securities and High-quality Corporate bonds managed by a professional investment manager

Investments

Investments with a maturity of less than one year are stated at cost. Investments with a maturity greater than one year are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Receivables

Accounts receivables are presented, when necessary, net of an allowance for doubtful accounts. No allowance has been recorded for the current fiscal year.

Capital Assets

General capital and leased assets are those assets that generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported in both the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets are depreciated except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings	50 Years
Improvements	20 Years
Infrastructure	40 Years
Vehicles	7 Years
General equipment	7 Years

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows

Deferred outflows of resources represent a consumption of net position that applies to a future period, and therefore, are deferred until that time. The District recognized deferred outflows of resources related to pensions and other postemployment benefits on the government-wide financial statements.

Payables and Accrued Liabilities

All payables and accrued liabilities are reported on the government-wide financial statements and fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences, contractually required pension and OPEB contributions that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations are recognized as a liability on the governmental fund financial statements when due.

Compensated Absences

Compensated absences are payments to employees for accumulated sick leave. These amounts also include the related employer's share of applicable taxes and retirement contributions. District employees may accumulate unused sick leave up to a specified amount depending on their date of hire. Sick leave is payable to employees upon termination or retirement at 30.00% of the current rate of pay on the date of termination or retirement. The District uses the termination method to calculate the compensated absences amounts. The entire compensated absence liability is reported on the government-wide financial statements. The current portion is the amount estimated to be used in the following year. An expenditure is recognized in the governmental fund as payments come due each period, for example, as a result of employee resignations and retirements. Compensated absences not recorded at the fund level represent a reconciling item between the fund level and government-wide presentations.

Long-Term Obligations

All long-term debt to be repaid from governmental resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds, notes, and lease liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Long-term debt for governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as an other financing source and payment of principal and interest are reported as expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County Employee Retirement System (CERS) and additions to/deductions from CERS' fiduciary net position have been determined on the same basis of as they are reported by CERS. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Deferred Inflows

Deferred inflows of resources represent an acquisition of net position that applies to a future period and, are therefore, deferred until that time. The District recognized deferred inflows of resources related to pension and other postemployment benefits on the government-wide financial statements. In the governmental funds, certain revenue transactions have been reported as unavailable revenue. Revenue that is earned by not available is reported as a deferred inflow of resources until such time as the revenue becomes available.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted net assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use by external parties or by law through enabling legislation.

Unrestricted net position is the amount of net amount of assets, deferred outflows, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable. Amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Restricted. Amounts that can be spent only for specific purposes because of constitutional provisions, enabling legislation, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed. Amounts that can be used only for specific purposes determined by a formal action by the District board, which is the highest level of decision-making authority. These amounts cannot be used for any other purpose unless the District board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned. Amounts that are designated for a specific purpose. The intent of an assigned fund balance is expressed by either the District board, or a subordinate high-level body such as a finance committee, or an official, such as the superintendent that has the authority to assign amounts to be used for specific purposes.

Unassigned. All amounts not included in other spendable classifications.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance, and then to committed, assigned, and unassigned fund balances in that order.

Revenues and Expenditures/Expenses

Property Taxes

Property taxes are levied in September on the assessed value listed as of the prior January 1 for all the real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The District levies a utility gross receipts license tax on telephone communication services, cablevision services, electric power, water, and gas furnished within the District's boundaries.

Revenues

Amounts reported as program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE 1: ACCOUNTING POLICIES (CONTINUED)

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on the decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, where are presented as internal balances.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from those estimates. Estimates that are particularly susceptible to significant change in the near term are related compensated absences, pension liability and OPEB liability.

Budgetary Information

Budget information is presented for the General Fund and other funds with a Board approved budget. This budgetary data is prepared on the modified accrual basis of accounting. Budgetary revenues represent original estimates modified for any adjustments approved by the Board during the fiscal year. Budgetary expenditures represent original appropriations adjusted for transfers and additional appropriations approved during the fiscal year. Once the budget is approved, it can be amended by approval of the Board.

Subsequent Events

The District evaluated subsequent events for potential recognition and disclosure through January 27, 2026, the date the financial statements were available to be issued.

NOTE 2: CASH

At year end, the District’s bank balance was \$5,032,203 and the carrying amount was \$7,039,597. The bank balance was fully covered by FDIC insurance and collateralized securities held by the financial institution, but not in the name of the District.

Cash and cash equivalents at year end consisted of the following:

<u>Account</u>	
Checking account	\$ 5,032,203
Savings account	335,000
Cash with fiscal agents	3,001,967
Total bank balances	8,369,170
Outstanding items	(1,329,573)
<u>Book balance</u>	<u>\$ 7,039,597</u>

Cash balances were reported in the following funds:

Governmental funds	\$ 6,932,353
Proprietary fund	107,244
<u>Total funds</u>	<u>\$ 7,039,597</u>

Custodial credit risk- deposits. This is the risk that, in the event of a bank failure, the District’s deposits may not be returned to it. The District’s deposit policy for custodial credit risk requires compliance with state statute depository restrictions.

NOTE 3: RECEIVABLES

The District reported the following receivables:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Taxes	\$ 420,465	\$ -	\$ 420,465
Accounts	-	45,401	45,401
Intergovernmental - state	-	1,074	1,074
Intergovernmental - federal	-	362,037	362,037
	<u>\$ 420,465</u>	<u>\$ 408,512</u>	<u>\$ 828,977</u>

The District believes that all the receivables are fully collectible and no allowance has been reported.

NOTE 4: CAPITAL ASSETS

Capital assets activity for the year is summarized below:

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
Governmental Activities				
Land	\$ 1,295,022	\$ -	\$ -	\$ 1,295,022
Land improvements	99,756	-	-	99,756
Buildings and improvements	14,125,507	126,936	-	14,252,443
Technology equipment	1,060,315	-	77,520	982,795
Vehicles	576,536	-	158,283	418,253
General equipment	949,157	12,920	-	962,077
Construction in progress	33,894	8,181,250	-	8,215,144
Total at historical cost	18,140,187	8,321,106	235,803	26,225,490
Less accumulated depreciation				
Land and improvements	152,180	2,368	24	154,524
Buildings and improvements	9,089,584	398,699	-	9,488,283
Technology equipment	970,937	28,979	77,519	922,397
Vehicles	456,786	20,298	167,600	309,484
General equipment	372,984	45,778	-	418,762
Total accumulated depreciation	11,042,471	496,122	245,143	11,293,450
Capital assets - net	\$ 7,097,716	\$ 7,824,984	\$ (9,340)	\$ 14,932,040

	Balance 7/1/2024	Increases	Decreases	Balance 6/30/2025
Business-type Activities				
Buildings and improvements	\$ 165,279	\$ -	\$ 47,900	\$ 117,379
Technology equipmenmt	9,332	-	-	9,332
Vehicles	41,156	-	-	41,156
General equipment	334,758	-	87,175	247,583
Total at historical cost	550,525	-	135,075	415,450
Less accumulated depreciation				
Buildings and improvements	167,492	2,348	70,068	99,772
Technology equipmenmt	5,636	3,696	-	9,332
Vehicles	28,376	3,735	-	32,111
General equipment	269,500	16,972	50,087	236,385
Total accumulated depreciation	471,004	\$ 26,751	\$ 120,155	377,600
Capital assets - net	\$ 79,521	\$ (26,751)	\$ 14,920	\$ 37,850

NOTE 3: CAPITAL ASSETS – CONTINUED

Depreciation was charged to the following functions:

	<u>Governmental</u>	<u>Business-type</u>
Instruction	\$ 169,688	\$ -
Student support	2,582	-
Business support	1,325	-
Plant operations	299,677	-
Student transportation	13,439	-
Community service	71	-
Food service	-	26,751
	<u>\$ 486,782</u>	<u>\$ 26,751</u>

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NOTE 5: LONG-TERM LIABILITIES

Long-term liability activity for the year is summarized below:

Issue	Balance			Amount		
	July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year	Long- Term
Bonds payable, net	\$ 7,960,604	\$ 12,785,942	\$ 766,398	\$ 19,980,148	\$ 636,398	\$ 19,343,750
Operating leases	128,674	-	23,160	105,514	24,341	81,173
Compensated absences	197,014	361,790 *	-	558,804	-	558,804
Net OPEB liability	1,836,000	-	209,000	1,627,000	-	1,627,000
Net pension liability	2,545,146	-	164,056	2,381,090	-	2,381,090
Total long-term liabilities	\$ 12,667,438	\$ 13,147,732	\$ 1,162,614	\$ 24,652,556	\$ 660,739	\$ 23,991,817

* Addition includes GASB 101 implementation. See note 14.

Business-type Activities	Balance			Amount		
	July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year	Long- Term
Net pension liability	\$ 636,287	\$ -	\$ 77,760	\$ 558,527	\$ -	\$ 558,527
Total long-term liabilities	\$ 636,287	\$ -	\$ 77,760	\$ 558,527	\$ -	\$ 558,527

Note 5a: Compensated absences

Employees accrued sick time and personal leave based on classification and years of service. The accrued time is available for use as needed. Upon retirement from the school system, employees will receive from the District an amount equal to 30.00% of the value of accumulated sick leave. Under GASB 101, the District has accrued a compensated absence liability for the amount that is more likely than not to be used for time of or otherwise paid. The compensated absences at year end is \$558,804

NOTE 5: LONG-TERM LIABILITIES – CONTINUED

Note 5b: Bonds Payable

The District issues general obligations bonds to provide funds for the acquisition of equipment and the construction of facilities. The bonds are direct obligations and pledge the full faith and credit of the District. General obligations outstanding at year end are as follows:

<u>Issue</u>	<u>Proceeds</u>	<u>Rates</u>	<u>June 30, 2024</u>
Series 2013	\$ 1,735,000	1.400% - 3.000%	\$ 1,085,000
Series 2016	1,645,000	2.000% - 4.000%	1,340,000
Series 2019REF	90,000	2.000% - 3.000%	560,000
Series 2019 B	1,320,000	2.000% - 2.500%	795,000
Series 2021REF	730,000	0.600% - 1.700%	455,000
Series 2022	3,500,000	1.250% - 3.000%	3,170,000

Bond activity for the year is as follows:

<u>Issue</u>	<u>Balance</u> <u>July 1, 2024</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2025</u>	<u>Due Within</u> <u>One Year</u>	<u>Long-</u> <u>Term</u>
Series 2013	\$ 1,175,000	\$ -	\$ 90,000	\$ 1,085,000	\$ 90,000	\$ 995,000
Series 2016	1,380,000	-	40,000	1,340,000	40,000	1,300,000
Series 2019 REF	695,000	-	135,000	560,000	135,000	425,000
Series 2019 ECB	835,000	-	40,000	795,000	40,000	755,000
Series 2021 REF	525,000	-	70,000	455,000	70,000	385,000
Series 2022	3,285,000	-	115,000	3,170,000	115,000	3,055,000
Series 2024	-	12,185,000	245,000	11,940,000	115,000	11,825,000
Total bonds payable	7,895,000	12,185,000	735,000	19,345,000	605,000	18,740,000
Bond premium	65,604	600,942	31,398	635,148	31,398	603,750
Total bonds, net	\$ 7,960,604	\$ 12,785,942	\$ 766,398	\$ 19,980,148	\$ 636,398	\$ 19,343,750

NOTE 5: LONG-TERM LIABILITIES – CONTINUED

Debt service requirements for the District’s general obligation bonds are as follows:

	Dayton Independent School District		School Facility Construction Commission		Total Debt Service
	Principal	Interest	Principal	Interest	
2026	\$ 689,928	\$ 778,890	\$ 70,072	\$ 15,573	\$ 1,554,463
2027	627,892	751,702	72,108	13,536	1,465,238
2028	650,795	727,848	74,205	11,440	1,464,288
2029	673,600	703,092	76,400	9,243	1,462,335
2030	704,480	676,643	35,520	6,982	1,423,625
2031-2035	3,957,317	2,934,481	157,683	18,338	7,067,819
2036-2040	4,892,012	2,006,061	42,988	1,287	6,942,348
2041-2045	4,140,000	934,212	-	-	5,074,212
2046-2050	2,480,000	252,600	-	-	2,732,600
Total payments	\$ 18,816,024	\$ 9,765,529	\$ 528,976	\$ 76,399	\$ 29,186,928
			Total principal payments		\$ 19,345,000
			Total interest payments		9,841,928
			Total debt service		\$ 29,186,928

Note 5c: Operating Leases

The District has entered into a lease for equipment that is classified as an operating lease. Lease activity for the year is as follows:

Issue	Balance			Balance June 30, 2025	Amount	
	July 1, 2024	Additions	Reductions		Due Within One Year	Long- Term
US Bank 2024	\$ 128,674	\$ -	\$ 23,160	\$ 105,514	\$ 24,341	\$ 81,173

Lease contract payments are as follows:

	Principal	Interest	Payment
2026	\$ 24,341	\$ 4,603	\$ 28,944
2027	25,586	3,358	28,944
2028	26,896	2,048	28,944
2029	28,691	253	28,944
	<u>\$ 105,514</u>	<u>\$ 10,262</u>	<u>\$ 115,776</u>

Right-of-use asset related to the lease is as follows:

Right-of-use asset	\$ 128,674
Accumulated amortization	<u>25,740</u>
Right-of-use asset, net	<u>\$ 102,934</u>

NOTE 6: PENSION PLANS

The District participates in the following retirement systems:

County Employees' Retirement System (CERS)

CERS is a component unit of the Commonwealth of Kentucky and covers employees whose position does not require a college degree or teaching certification. See Note 6a.

Teachers Retirement System (TRS)

TRS is a blended component unit of the Commonwealth of Kentucky and covers employees whose position requires teaching certification or otherwise requires a college degree. See Note 6b.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS and TRS financial report.

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NOTE 6a – CERS PENSION PLAN

Plan Description

Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (“KRS”) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits Provided

CERS provides retirement, death, and disability benefits to plan members. District employees participating in CERS are provided benefits through the nonhazardous plan. Employees are vested in the plan after five years of service. For retirement purposes, non-hazardous employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years of service or 65 years old At least 5 years of service and 65 years old, or At least 25 years of service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 At least 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 Not available

Contributions

Employees – Tier 1 plan members are required to contribute 5% of their creditable compensation. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute an additional 1%.

Employers – The contribution rate for the current year was 19.71% The District made all required contributions for fiscal year in the amount of \$355,879

NOTE 6a – CERS PENSION PLAN - CONTINUED

Pension Liability

At June 30, 2025, the District reported a liability of \$2,939,617 for its proportionate share of the net pension liability for CERS. The net pension liability for the plan was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The District's proportion of the net pension liability for CERS was based on the District's share of 2024 contributions to the pension plan relative to the 2024 contributions of all participating employers determined by the actuary. At June 30, 2024, the District's proportion was 0.0492%

Pension Expense

For the year ended June 30, 2025, the District recognized pension expense of \$219,126 related to CERS

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 142,283	\$ -	
Change of assumptions	-	132,813	
Change in investment experience	-	189,001	
Change in proportionate share of contributions	15,909	27,737	
	158,192	<u>\$ 349,551</u>	<u>\$ (191,359)</u>
Subsequent contributions	<u>355,879</u>		
Total	<u>\$ 514,071</u>		

The contributions subsequent to the measurement date of \$355,879 will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of (\$191,359) will be recognized in pension expense as follows:

Year ending June 30	Net Deferral
2026	\$ (120,150)
2027	43,566
2028	(72,654)
2029	<u>(42,121)</u>
	<u>\$ (191,359)</u>

NOTE 6a – CERS PENSION PLAN - CONTINUED

Actuarial Assumptions

The total pension liability, net pension liability, and sensitivity information as of June 30, 2024 were based on an actuarial valuation date of June 30, 2023. The total pension liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2024, using generally accepted actuarial principles.

There have been no assumption, method, or plan provisions that would materially impact the total pension liability since June 30, 2023.

The significant actuarial assumptions are:

Employer fiscal year end	2025	Employer fiscal year end
Plan year end	2024	Plan year end
Payroll growth rate	2.00%	Inflation
Investment return	6.50%	Salary increases
Inflation	2.30%	Investment return

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

NOTE 6a – CERS PENSION PLAN - CONTINUED

Discount rate

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
District's proportionate share of the CERS net pension liability	\$ 3,789,647	\$ 2,939,617	\$ 2,234,317

NOTE 6b – TRS PENSION PLAN

Plan Description

Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (TRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. TRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. TRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits Provided

For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Participants that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary.

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

NOTE 6b – TRS PENSION PLAN - CONTINUED

Contributions

Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.855% of their salaries to the System. University employees are required to contribute 10.400% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 8.185% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 16.105% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Pension Liability

The District did not report a liability for the District's proportionate share of the net pension liability for TRS because the Commonwealth of Kentucky provides the pension support directly to TRS on behalf of the District. The State's proportionate share of the TRS net pension liability associated with the district is \$23,245,960 .

Pension Expense

For the year ended June 30, 2025, the District recognized pension expense of \$1,510,908 related to TRS. The District also recognized revenue of \$1,510,908 for TRS support provided by the Commonwealth.

Deferred Outflows of Resources and Deferred Inflows of Resources

The District did not report any deferred outflows of resources and deferred inflows of resources related to the TRS plan.

Actuarial Assumptions

The assumption for the municipal bond index rate increased from 3.66% to 3.94%.

The significant actuarial assumptions are:

Employer fiscal year end	2025
Plan year end	2024
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

NOTE 6B – TRS PENSION PLAN - CONTINUED

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.70%	5.50%
Emerging Markets Equity	5.30%	6.10%
Fixed Income	15.00%	1.90%
High Yield Bonds	2.00%	3.80%
Other Categories	8.00%	3.60%
Real Estate	7.00%	3.20%
Private Equity	7.00%	8.00%
Cash	2.00%	1.60%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

NOTE 7: OPEB PLAN

The District participates in the following retirement systems:

County Employees' Retirement System (CERS)

CERS is a component unit of the Commonwealth of Kentucky and covers employees whose position does not require a college degree or teaching certification. See Note 7a.

Teachers Retirement System (TRS)

TRS is a blended component unit of the Commonwealth of Kentucky and covers employees whose position requires teaching certification or otherwise requires a college degree. See Note 7b.

OPEB plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CERS and TRS financial report.

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Note 7a: CERS OPEB Plan

Plan Description

The CERS Insurance fund is a cost-sharing, multiple-employer defined benefit OPEB plan which provides group health insurance benefits for plan members that are regular full-time members employed in positions of each participating county, District, and school board, and any additional eligible local agencies electing to participate in the System. OPEB benefits may be extended to beneficiaries of plan members under certain circumstances. The Plan is administered by the CERS Board of Trustees and is divided into a divided into non-hazardous duty and hazardous duty classifications.

Benefits Provided

The CERS Insurance hospital and medical benefits to eligible plan members receiving benefits from CERS. The eligible non-Medicare retirees are covered by the Department of Employee Insurance (DEI) plans. Premium payments are submitted to DEI. The KRS board contracts with Humana to provide health care benefits to the eligible Medicare retirees. The CERS Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance.

For health insurance purposes, employees are grouped into three tiers based on hire date:

Tier 1	Participation date Unreduced retirement Reduced retirement	Before September 1, 2008 27 years of service or 65 years old At least 5 years of service and 65 years old, or At least 25 years of service and any age
Tier 2	Participation date Unreduced retirement Reduced retirement	September 1, 2008 to December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 At least 10 years of service and 60 years old
Tier 3	Participation date Unreduced retirement Reduced retirement	After December 31, 2013 At least 5 years of service and 65 years old, or Age 57 and sum of service years plus age equal 87 Not available

Contributions

Employee Contributions. Tier 1 plan members are not required to contribute. Employees who begin participation on or after September 1, 2008 (Tier 2 and Tier 3) are required to contribute 1.0% of creditable compensation to an account created for payment of health insurance benefits.

Employer Contributions – The contribution rate for the current year was 0.00% The District made all required contributions for the fiscal year in the amount of \$0

Note 7a: CERS OPEB Plan – Continued

OPEB Liability

At June 30, 2025, the District reported an asset of \$85,111 for its proportionate share of the net OPEB liability for CERS. The net OPEB liability for the plan was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard actuarial procedures. The District's proportion of the net OPEB liability was based on the District's share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024 the District's proportionate share was 0.0492%

OPEB Expense

For the year ended June 30, 2025, the District recognized OPEB expense of (\$218,997) related to CERS.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ 47,219	\$ 669,659	
Change of assumptions	77,121	60,055	
Change in investment experience	-	77,669	
Change in proportionate share of contributions	22,476	20,046	
	<u>146,816</u>	<u>\$ 827,429</u>	<u>\$ (680,613)</u>
Subsequent contributions	-		
Total	<u>\$ 146,816</u>		

The contributions subsequent to the measurement date of \$0 will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of will be recognized in pension expense as follows:

<u>June 30</u>	<u>Deferral</u>
2026	\$ (277,616)
2027	(207,097)
2028	(186,852)
2029	(9,048)
	<u>\$ (680,613)</u>

Note 7a: CERS OPEB Plan – Continued

Actuarial assumptions

The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2023. The total OPEB liability was rolled forward from the valuation date to the plan’s fiscal year ending June 30, 2024, using generally accepted actuarial principles

The discount rate used to calculate the total OPEB liability increased from 5.93% to 5.99%. The total OPEB liability as of June 30, 2024 is determined using these updated assumptions.

Employer fiscal year end	2025
Plan year end	2024
Payroll growth rate	2.00%
Investment return	6.25%
Inflation	2.30%
Salary increase	3.30% - 10.30%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Public equity	50.00%	5.90%
Private Equity	10.00%	11.73%
Core Bonds	10.00%	2.45%
Specialty credit/high yield	10.00%	3.65%
Cash	0.00%	1.39%
Real Estate	7.00%	4.99%
Real Return	13.00%	5.15%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Note 7a: CERS OPEB Plan – Continued

Discount rate

The discount rate used to measure the total pension liability was 5.99%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net OPEB liability calculated using the discount rate as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	4.99%	5.99%	6.99%
District's proportionate share of the CERS net OPEB liability (asset)	\$ 115,080	\$ (85,111)	\$ (253,433)

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the CERS net OPEB liability (asset)	\$ (204,768)	\$ 85,111	\$ 54,280

Note 7b: TRS OPEB Health Insurance Plan

Plan Description

District and other employees whose positions require at least a college degree are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined OPEB pension plan with a special funding situation established to provide retirement, health, and life insurance benefits for local school districts and other public educational agencies in the state.

TRS provides post-employment healthcare benefits to eligible members and dependents. The TRS Health Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation, funded by employer and member contributions.

Benefits Provided

To be eligible for medical benefits, the member must have retired either for service or disability and have the required amount of service credit. The plan offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the TRS Medicare Eligible Health Plan.

Contributions

Local school districts contribute 3.00% of members' salaries and the state contributes the net cost of the health insurance premiums. The District made all required contributions for the fiscal year in the amount of \$158,349 .

OPEB Liability

At June 30, 2025, the District reported a liability of \$1,627,000 for its proportionate share of the net OPEB liability for TRS . The net OPEB liability for the plan was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard actuarial procedures. The District's proportion of the net OPEB liability was based on the District's share of 2024 contributions to the OPEB plan relative to the 2024 contributions of all participating employers, actuarially determined. At June 30, 2024 the District's proportionate share was 0.07299%.

OPEB Expense

For the year ended June 30, 2025, the District recognized pension expense of related to TRS and on-behalf revenue of for TRS support provided by the Commonwealth.

Note 7b: TRS OPEB Health Insurance Plan - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow	Deferred Inflow	Net Deferral
Change in liability experience	\$ -	\$ 489,000	
Change of assumptions	414,000	-	
Change in investment experience	-	52,000	
Change in proportionate share of contributions	538,000	652,000	
	952,000	<u>\$ 1,193,000</u>	<u>\$ (241,000)</u>
Subsequent contributions	158,349		
Total	<u>\$1,110,349</u>		

The contributions subsequent to the measurement date of \$158,349 will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of will be recognized in pension expense as follows:

June 30	Deferral
2026	\$ (92,000)
2027	28,000
2028	(15,000)
2029	(81,000)
2030	(79,000)
Thereafter	(2,000)
	<u>\$ (241,000)</u>

Note 7b: TRS OPEB Health Insurance Plan - Continued

Actuarial Assumptions

There were no changes in the actuarial assumptions from the prior year. Assumptions used to determine the net OPEB liability are as follows:

Employer fiscal year end	2025
Plan year end	2024
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap U.S. Equity	35.40%	5.00%
Small Cap U.S. Equity	2.60%	5.50%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	9.00%	1.90%
High Yield Bonds	8.00%	3.80%
Other Categories	9.00%	3.70%
Real Estate	6.50%	3.20%
Private Equity	8.50%	8.00%
Cash	1.00%	1.60%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Note 7b: TRS OPEB Health Insurance Plan - Continued

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

Sensitivity of District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the District's proportionate share of the net OPEB liability calculated using the discount rate as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	6.10%	7.10%	8.10%
District's proportionate share of the TRS net OPEB liability	\$ 2,161,000	\$ 1,627,000	\$ 1,184,000

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the District's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the TRS net OPEB liability	1,099,000	1,627,000	2,283,000

Note 7c: Combined Deferred Outflows of Resources and Deferred Inflows of Resources

The combined CERS and TRS OPEB deferred outflows of resources and deferred inflows of resources are as follows:

	<u>Outflow</u>	<u>Inflow</u>	<u>Deferral</u>
Change in liability experience	\$ 47,219	\$ 1,158,659	
Change of assumptions	491,121	60,055	
Change in investment experience	-	129,669	
Change in proportionate share of contributions	<u>560,476</u>	<u>672,046</u>	
	1,098,816	<u>\$ 2,020,429</u>	<u>\$ (921,613)</u>
Subsequent contributions	<u>158,349</u>		
Total	<u>\$1,257,165</u>		

The contributions subsequent to the measurement date of \$158,349 will be recognized as a reduction of the net pension liability in the subsequent year. The net deferral of (\$921,613) will be recognized in pension expense as follows:

<u>June 30</u>	<u>Deferral</u>
2026	\$ (369,616)
2027	(179,097)
2028	(201,852)
2029	(90,048)
2030	(79,000)
Thereafter	<u>(2,000)</u>
	<u>\$ (921,613)</u>

Note 7d: TRS OPEB Life Insurance Trust

Plan Description

District and other employees whose positions require at least a college degree are provided OPEBs through the Teachers' Retirement System of the State of Kentucky (TRS) - a cost-sharing multiple-employer defined OPEB pension plan with a special funding situation established to provide retirement, health, and life insurance benefits for local school districts and other public educational agencies in the state.

TRS provides life insurance benefits to retired and active members. The TRS Life Insurance Trust is a cost-sharing multiple-employer defined benefit plan with a special funding situation.

Benefits Provided

TRS provides a life insurance benefit of \$5,000 for members who are retired for service or disability and \$2,000 for active contributing members who began participating before January 1, 2022. For TRS 4 members, the life insurance benefit payable upon the death of a member is \$5,000 for active contributing members and \$10,000 for retired or disabled members.

Contributions

The state contributes 0.08% of members' salaries for the life insurance trust. Local school districts do not contribute to the plan.

OPEB Liability

The District did not report a liability for the District's proportionate share of the net OEBP liability for TRS because the Commonwealth of Kentucky provides the OPEB support directly to TRS on behalf of the District. The State's proportionate share of the TRS net OPEB liability associated with the district is .

OPEB Expense

For the year ended June 30, 2025, the District recognized pension expense of related to TRS and on-behalf revenue of for TRS support provided by the Commonwealth.

Deferred Outflows of Resources and Deferred Inflows of Resources

The District did not report any deferred outflows of resources and deferred inflows of resources related to the TRS plan.

Note 7d: TRS OPEB Life Insurance Trust - Continued

Actuarial Assumptions

There were no changes in the actuarial assumptions from the prior year. Assumptions used to determine the net OPEB liability are as follows:

Employer fiscal year end	2025
Plan year end	2024
Inflation	2.50%
Salary increases	3.00% to 7.50%
Investment return	7.10%
Post-retirement adjustment	1.50%
Municipal bond index rate	3.94%
Single equivalent interest rate	7.10%

Long-term expected rate of return

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the tables below.

Asset Class	Target Allocation	Long-term Expected Nominal Return
Large Cap U.S. Equity	40.00%	5.00%
Developed International Equity	15.00%	5.50%
Emerging Markets Equity	5.00%	6.10%
Fixed Income	21.00%	1.90%
Other Categories	5.00%	3.70%
Real Estate	7.00%	3.20%
Private Equity	5.00%	8.00%
Cash	2.00%	1.60%
Expected real return	100.00%	
Long-term inflation assumption		2.50%

Note 7d: TRS OPEB Life Insurance Trust - Continued

Discount rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. The long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

NOTE 8: ON-BEHALF

For the year ended June 30, 2025, payments made by the Commonwealth of Kentucky on behalf of the District for insurance benefits, retirement benefits, technology, and debt service. The following amounts were recorded in the Statement of Activities and the Statement of Revenue, Expenditures, and Changes in Fund Balance:

Fund	
General	\$ 2,836,681
Debt service	85,645
Food service	49,194
Community service	14,695
	<u>\$ 2,986,215</u>

Type	
Retirement	\$ 1,510,908
Medical insurance fund	135,032
Life insurance fund	4,042
Health insurance less federal reimbursement	1,178,406
Life insurance	1,552
Administrative fee	12,400
HRA/Dental/Vision insurance	32,550
Technology	25,680
Debt service	85,645
	<u>\$ 2,986,215</u>

NOTE 9: FUND TRANSFERS

The following transfers were made during the year:

From	To	Purpose	Amount
General fund	Special revenue	Matching funds	\$ 15,598
Building	Debt service	Debt service	1,459,507
Food service	General fund	Indirect cost	31,168
		Total transfers	\$ 1,506,273

Transfers are reported in financial statements as follows:

	Transfers In	Transfers Out	Net Transfer
Governmental funds	\$ 1,506,273	\$ 1,475,105	\$ 31,168
Proprietary fund	-	31,168	(31,168)
	\$ 1,506,273	\$ 1,506,273	\$ -

NOTE 10: CONTINGENCIES

Grants. The District receives funding from federal and state agencies in the form of grants. These funds are to be used for designated purposes only. If the federal or state grantor finds that funds have not been used for the intended purposes, the grantor may request a refund of monies advanced or refuse to reimburse the District for its expenditures. The amount of such future refunds and unreimbursed expenditures, if any, is not expected to be significant. Continuation of the District’s grant programs is contingent upon the grantors satisfaction that the funds provided are being spent as intended and the grantors intent to continue their programs.

Litigation. The District is party to various legal proceedings which normally occur in governmental operations. It is neither possible to determine the outcome of these proceedings nor possible to estimate the effects adverse decisions may have on the future expenditures or revenue sources of the District. In the opinion of District management and its legal counsel these legal proceedings are not likely to have a material adverse impact on the accompanying financial statements. Therefore, no provision for any liability that may result upon adjudication of any cases has been made in the accompanying financial statements

NOTE 11: RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The District has obtained insurance coverage through a commercial insurance company. In addition, the District has effectively managed risk through various employee education and prevention programs. All risk general liability management activities are accounted for in the General Fund. Expenditures and claims are recognized when probable that a loss has occurred, and the amount of loss can be reasonably estimated.

Management estimates that the amount of actual or potential claims against the District as of June 30, 2025, will not materially affect the financial condition of the District. Therefore, the General Fund contains no provision for estimated claims. No claim has exceeded insurance coverage amounts in the past three fiscal years.

NOTE 12: DEFICIT FUND BALANCES AND CURRENT YEAR DEFICITS

There are no funds that have a deficit balance at the end of the fiscal year.

The following funds had a current year net decrease in fund balance:

General fund	\$ (841,596)
Special revenue fund	\$ (14,133)
Building fund	\$ (175,025)
District activity fund	\$ (850)
Student activity fund	\$ (3,691)

NOTE 13: ADJUSTEMENTS TO AND RESTATEMENTS OF BEGINNING BALANCES

During the fiscal year, the District restated the beginning net position for implementation of GASB 101 as follows:

	6/30/2024 Net Position / Fund Balance As previously reported	Change in Accounting Principle	Change to or Within the Reporting Entity	Error Correction	6/30/2024 Net Position / Fund Balance As adjusted / corrected
Government-wide					
Governmental activities	\$ (2,488,844)	\$ (289,142)	\$ -	\$ -	\$ (2,777,986)
Business-type activities	(554,759)	-	-	-	(554,759)
Total primary government	<u>\$ (3,043,603)</u>	<u>\$ (289,142)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,332,745)</u>
Governmental funds	<u>\$ 3,511,662</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,511,662</u>
Proprietary funds	<u>\$ (554,759)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (554,759)</u>

NOTE 14: CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2024, the District implemented Government Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* and GASB Statement No. 101, *Compensated Absences*.

GASB 100 will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability. In addition, the display and note disclosure requirements will result in more consistent, decision-useful, understandable, and comprehensive information for users about accounting changes and error corrections. The implementation of GASB 100 did not have any effect on beginning net position/fund balance.

GASB 101 will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The implementation of GASB 101 caused the beginning net position of governmental activities to decrease by \$289,142.

REQUIRED SUPPLEMENTARY INFORMATION

Dayton Independent School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
From local sources:				
Property taxes	\$ 2,575,479	\$ 2,575,479	\$ 2,981,548	\$ 406,069
Motor vehicle taxes	250,000	250,000	308,331	58,331
Earnings on investments	100,000	100,000	229,459	129,459
Tuition	-	-	125	125
Other local revenue	19,400	19,400	46,248	26,848
Intergovernmental state:				
SEEK	4,121,662	4,121,662	3,864,829	(256,833)
On-behalf	2,489,319	2,489,319	2,836,681	347,362
Other	14,900	14,900	80,028	65,128
Intergovernmental federal				
Federal direct	100,000	100,000	146,152	46,152
Total revenues	9,670,760	9,670,760	10,493,401	822,641
Expenditures				
Instruction	5,845,951	5,845,951	6,051,552	(205,601)
Support services:				
Student	1,294,024	1,294,024	1,347,058	(53,034)
Instruction staff	672,826	672,826	621,941	50,885
District administrative	638,522	638,522	634,326	4,196
School administrative	847,225	847,225	885,406	(38,181)
Business support	488,050	488,050	456,847	31,203
Plant operation and maintenance	1,047,404	1,047,404	1,015,305	32,099
Student transpiration	234,795	234,795	264,903	(30,108)
Food service	19,953	19,953	9,030	10,923
Day care	7,550	7,550	12,186	(4,636)
Community services	31,314	31,314	49,978	(18,664)
Land/site acquisition	-	-	2,035	(2,035)
Contingency	1,295,256	1,295,256	-	1,295,256
Total expenditures	12,422,870	12,422,870	11,350,567	1,072,303
Excess of revenues over (under) expenditures	(2,752,110)	(2,752,110)	(857,166)	1,894,944
Other financing sources (uses)				
Transfers in	56,000	56,000	31,168	(24,832)
Transfers out	(10,550)	(10,550)	(15,598)	(5,048)
Total other financing sources (uses)	45,450	45,450	15,570	(29,880)
Net change in fund balances	(2,706,660)	(2,706,660)	(841,596)	1,865,064
Fund balances - beginning	2,706,660	2,706,660	2,764,247	57,587
Fund balances - end of year	\$ -	\$ -	\$ 1,922,651	\$ 1,922,651

Dayton Independent School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
Revenues				
From local sources:				
Earnings on investments	\$ -	\$ -	\$ 13,154	\$ 13,154
Other local revenue	-	-	103,261	103,261
Intergovernmental state:				
Other	529,717	529,717	594,388	64,671
Intergovernmental federal	985,148	985,148	1,653,234	668,086
Total revenues	1,514,865	1,514,865	2,364,037	849,172
Expenditures				
Instruction	1,197,764	1,197,764	1,376,609	(178,845)
Support services:				
Student	73,022	73,022	137,873	(64,851)
Instruction staff	76,743	76,743	144,711	(67,968)
Business support	2,700	2,700	77,208	(74,508)
Plant operation and maintenance	59,666	59,666	71,186	(11,520)
Student transportation	-	-	159,310	(159,310)
Day care	-	-	40,482	(40,482)
Community services	161,720	161,720	372,201	(210,481)
Total expenditures	1,571,615	1,571,615	2,379,580	(807,965)
Excess of revenues over (under) expenditures	(56,750)	(56,750)	(15,543)	41,207
Other financing sources (uses)				
Transfers in	56,077	56,077	15,598	(40,479)
Transfers out	(49,911)	(49,911)	-	49,911
Total other financing sources (uses)	6,166	6,166	15,598	9,432
Net change in fund balances	(50,584)	(50,584)	55	50,639
Fund balances - beginning	-	-	-	-
Fund balances - end of year	\$ (50,584)	\$ (50,584)	\$ 55	\$ 50,639

Budget Process

The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary accounting method and GAAP are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

In accordance with state law, the District prepares a general school budget based upon the amount of revenue to be raised by local taxation, including the rate of levy and from estimates of other Local, State and Federal revenues. The budget contains estimated expenditures for current expenses, debt service, capital outlay and other necessary expenses. The budget must be approved by the Board.

The District must formally and publicly examine estimated revenues and expenditures for the subsequent fiscal year by January 31 of each calendar year.

The District must prepare an annual allocation to schools by March 1 of each year for the following fiscal year. This allocation must include the amount for certified and classified staff based on the District's staffing policy and the amount for instructional supplies, materials, travel and equipment.

The District must adopt a tentative working budget for the subsequent fiscal year by May 30 of each year. This budget must contain a minimum 2.00% contingency.

Finally, the District must adopt a final working budget and submit it to the Kentucky Department of Education by September 30 of the current fiscal year.

The Board has the ability to amend the working budget.

Budget Variances

General Fund

General fund revenues were \$822,641 more than budget and expenditures were \$222,953 more than budget (excluding contingency).

Special Revenue Fund

Special revenue fund revenues were \$849,172 more than budget and expenditures were \$807,965 more than budget.

Schedule of District's Proportionate Share of the Net Pension Liability - CERS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	District's covered payroll	District's proportionate share of the net pension liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2024	0.0492%	\$ 2,939,617	\$ 1,609,486	182.64%	61.61%
2024	2023	0.0496%	\$ 3,181,433	\$ 1,503,714	211.57%	57.48%
2023	2022	0.0487%	\$ 3,520,674	\$ 1,455,904	241.82%	52.42%
2022	2021	0.0469%	\$ 2,992,283	\$ 1,312,381	228.00%	55.95%
2021	2020	0.0498%	\$ 3,823,224	\$ 1,352,244	282.73%	47.81%
2020	2019	0.0497%	\$ 3,496,056	\$ 1,343,179	260.28%	50.45%
2019	2018	0.0468%	\$ 2,850,872	\$ 1,243,533	229.26%	53.54%
2018	2017	0.0461%	\$ 2,696,443	\$ 1,123,109	240.09%	53.32%
2017	2016	0.0442%	\$ 2,179,334	\$ 1,060,537	205.49%	55.50%
2016	2015	0.0471%	\$ 2,024,238	\$ 1,052,781	192.28%	59.97%
2015	2014	0.0446%	\$ 1,449,000	\$ -	#DIV/0!	66.80%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ 355,879	\$ 355,879	\$ -	\$ 1,805,576	19.71%
2024	\$ 375,654	\$ 375,654	\$ -	\$ 1,609,486	23.34%
2023	\$ 351,869	\$ 351,869	\$ -	\$ 1,503,714	23.40%
2022	\$ 308,215	\$ 308,215	\$ -	\$ 1,455,904	21.17%
2021	\$ 315,518	\$ 315,518	\$ -	\$ 1,312,381	24.04%
2020	\$ 325,249	\$ 325,249	\$ -	\$ 1,352,244	24.05%
2019	\$ 288,514	\$ 288,514	\$ -	\$ 1,343,179	21.48%
2018	\$ 238,509	\$ 238,509	\$ -	\$ 1,243,533	19.18%
2017	\$ 209,010	\$ 209,010	\$ -	\$ 1,123,109	18.61%
2016	\$ 180,927	\$ 180,927	\$ -	\$ 1,060,537	17.06%

Schedule of District's Proportionate Share of the Net Pension Liability - TRS

Year ended June 30	Measurement period June 30	District's proportion of the net pension liability	District's proportionate share of the net pension liability	State's proportionate share of the net pension liability associated with the District	District's covered payroll	District's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2025	2023	0.0000%	\$ -	\$ 23,245,960	\$ 5,771,467	0.00%	60.36%
2024	2023	0.0000%	\$ -	\$ 24,422,033	\$ 5,526,867	0.00%	57.62%
2023	2022	0.0000%	\$ -	\$ 24,787,158	\$ 4,635,300	0.00%	56.41%
2022	2021	0.0000%	\$ -	\$ 18,522,407	\$ 5,141,994	0.00%	65.59%
2021	2020	0.0000%	\$ -	\$ 19,635,506	\$ 5,006,400	0.00%	58.27%
2020	2019	0.0000%	\$ -	\$ 18,173,923	\$ 4,759,401	0.00%	58.76%
2019	2018	0.0000%	\$ -	\$ 18,310,857	\$ 4,803,543	0.00%	59.30%
2018	2017	0.0000%	\$ -	\$ 37,116,653	\$ 4,607,500	0.00%	39.83%
2017	2016	0.0000%	\$ -	\$ 40,720,474	\$ 4,629,144	0.00%	35.22%
2016	2015	0.0000%	\$ -	\$ 30,776,138	\$ 4,544,045	0.00%	42.49%
2015	2014	0.0000%	\$ -	\$ 29,749,812	\$ -	#DIV/0!	45.59%

Schedule of District's Contributions - TRS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ -	\$ -	\$ -	\$ 5,278,300	0.00%
2024	\$ -	\$ -	\$ -	\$ 5,771,467	0.00%
2023	\$ -	\$ -	\$ -	\$ 5,526,867	0.00%
2022	\$ -	\$ -	\$ -	\$ 4,635,300	0.00%
2021	\$ -	\$ -	\$ -	\$ 5,141,994	0.00%
2020	\$ -	\$ -	\$ -	\$ 5,006,400	0.00%
2019	\$ -	\$ -	\$ -	\$ 4,759,401	0.00%
2018	\$ -	\$ -	\$ -	\$ 4,803,543	0.00%
2017	\$ -	\$ -	\$ -	\$ 4,607,500	0.00%
2016	\$ -	\$ -	\$ -	\$ 4,629,144	0.00%

Dayton Independent School District
Schedule of District's Share of Net OPEB Liability and Contributions - CERS
June 30, 2025

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability (asset)	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.0492%	\$ (85,111)	\$ 1,609,486	-5.29%	104.89%
2024	2023	0.0496%	\$ (68,453)	\$ 1,503,714	-4.55%	104.23%
2023	2022	0.0487%	\$ 960,963	\$ 1,455,904	66.00%	60.95%
2022	2021	0.0498%	\$ 898,279	\$ 1,312,381	68.45%	58.41%
2021	2020	0.0498%	\$ 1,203,509	\$ 1,352,244	89.00%	51.67%
2020	2019	0.0497%	\$ 835,864	\$ 1,343,179	62.23%	60.44%
2019	2018	0.0468%	\$ 831,067	\$ 1,243,533	66.83%	57.62%
2018	2017	0.0461%	\$ 926,104	\$ 1,123,109	82.46%	52.39%

Schedule of District's Contributions - CERS

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ -	\$ -	\$ -	\$ 1,805,576	0.00%
2024	\$ -	\$ -	\$ -	\$ 1,609,486	0.00%
2023	\$ 50,975	\$ 50,975	\$ -	\$ 1,503,714	3.39%
2022	\$ 84,150	\$ 84,150	\$ -	\$ 1,455,904	5.78%
2021	\$ 60,787	\$ 60,787	\$ -	\$ 1,312,381	4.63%
2020	\$ 65,953	\$ 65,953	\$ -	\$ 1,352,244	4.88%
2019	\$ 54,528	\$ 54,528	\$ -	\$ 1,343,179	4.06%
2018	\$ 53,053	\$ 53,053	\$ -	\$ 1,243,533	4.27%
2017	\$ -	\$ -	\$ -	\$ 1,123,109	0.00%

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Medical Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.0730%	\$ 1,627,000	\$ 1,449,000	\$ 5,771,467	28.19%	59.81%
2024	2023	0.0754%	\$ 1,836,000	\$ 1,547,000	\$ 5,526,867	33.22%	52.97%
2023	2022	0.1048%	\$ 2,602,000	\$ 855,000	\$ 5,583,409	46.60%	47.75%
2022	2021	0.0753%	\$ 1,616,000	\$ 2,738,000	\$ 5,141,994	31.43%	51.47%
2021	2020	0.0737%	\$ 1,860,000	\$ 3,350,000	\$ 5,006,400	37.15%	32.58%
2020	2019	0.0704%	\$ 2,060,000	\$ 3,724,000	\$ 4,759,901	43.28%	32.58%
2019	2018	0.0178%	\$ 2,481,000	\$ 4,619,000	\$ 4,803,543	51.65%	25.54%
2018	2017	0.0718%	\$ 2,561,000	\$ 4,653,000	\$ 4,670,750	54.83%	21.18%

Schedule of District's Contributions - TRS Medical Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ 158,349	\$ 158,349	\$ -	\$ 5,278,300	3.00%
2024	\$ 173,144	\$ 173,144	\$ -	\$ 5,771,467	3.00%
2023	\$ 165,806	\$ 165,806	\$ -	\$ 5,526,867	3.00%
2022	\$ 139,059	\$ 139,059	\$ -	\$ 5,583,409	2.49%
2021	\$ 130,126	\$ 130,126	\$ -	\$ 5,141,994	2.53%
2020	\$ 122,561	\$ 122,561	\$ -	\$ 5,006,400	2.45%
2019	\$ 127,374	\$ 127,374	\$ -	\$ 4,759,901	2.68%
2018	\$ 123,045	\$ 123,045	\$ -	\$ 4,803,543	2.56%
2017	\$ -	\$ -	\$ -	\$ 4,670,750	0.00%

Schedule of District's Proportionate Share of the Net OPEB Liability - TRS Life Insurance Plan

Year ended June 30	Measurement period June 30	District's proportion of the net OPEB liability	District's proportionate share of the net OPEB liability	State's proportionate share of the net OPEB liability associated with the District	District's covered payroll	District's proportionate share of the net OPEB liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
2025	2024	0.0000%	\$ -	\$ 33,000	\$ 5,771,467	0.00%	80.57%
2024	2023	0.0000%	\$ -	\$ 38,000	\$ 5,526,867	0.00%	76.91%
2023	2022	0.0000%	\$ -	\$ 17,000	\$ 5,583,409	0.00%	73.97%
2022	2021	0.0000%	\$ -	\$ 45,000	\$ 5,141,994	0.00%	89.15%
2021	2020	0.0000%	\$ -	\$ 45,000	\$ 5,006,400	0.00%	71.57%
2020	2019	0.0000%	\$ -	\$ 39,000	\$ 4,759,901	0.00%	73.40%
2019	2018	0.0000%	\$ -	\$ 37,000	\$ 4,803,543	0.00%	74.97%
2018	2017	0.0000%	\$ -	\$ 28,000	\$ 4,670,750	0.00%	79.99%

Schedule of District's Contributions - TRS Life Insurance Plan

Year ended June 30	Contractually required contribution	Actual contribution	Contribution deficiency (excess)	District's covered payroll	Contributions as a percentage of covered payroll
2025	\$ -	\$ -	\$ -	\$ 5,278,300	0.00%
2024	\$ -	\$ -	\$ -	\$ 5,771,467	0.00%
2023	\$ -	\$ -	\$ -	\$ 5,526,867	0.00%
2022	\$ -	\$ -	\$ -	\$ 5,583,409	0.00%
2021	\$ -	\$ -	\$ -	\$ 5,141,994	0.00%
2020	\$ -	\$ -	\$ -	\$ 5,006,400	0.00%
2019	\$ -	\$ -	\$ -	\$ 4,759,901	0.00%
2018	\$ -	\$ -	\$ -	\$ 4,803,543	0.00%
2017	\$ -	\$ -	\$ -	\$ 4,670,750	0.00%

SUPPLEMENTARY INFORMATION

Dayton Independent School District
 Combining Balance Sheet – Nonmajor Funds
 June 30, 2025

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Debt Service Fund	Non-Major Governmental Funds
Assets					
Cash and cash equivalents	\$ 22,745	\$ 145,041	\$ 81,701	\$ -	\$ 249,487
Total assets	\$ 22,745	\$ 145,041	\$ 81,701	\$ -	\$ 249,487
Liabilities					
Accounts payable	\$ 2,000	\$ 7,221	\$ -	\$ -	\$ 9,221
Total liabilities	2,000	7,221	-	-	9,221
Fund balances					
Restricted	\$ 20,745	\$ 137,820	\$ 81,701	\$ -	\$ 240,266
Total fund balances	20,745	137,820	81,701	-	240,266
Total liabilities and fund balances	\$ 22,745	\$ 145,041	\$ 81,701	\$ -	\$ 249,487

Dayton Independent School District
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance – Nonmajor Funds
Year Ended June 30, 2025

	District Activity Fund	Student Activity Fund	Capital Outlay Fund	Debt Service Fund	Total Non-Major Governmental Funds
Revenues					
From local sources:					
Other local revenue	\$ 12,028	\$ 345,186	\$ -	\$ -	\$ 357,214
Intergovernmental state:					
SEEK	-	-	76,792	-	76,792
On-behalf	-	-	-	85,645	85,645
Total revenues	12,028	345,186	76,792	85,645	519,651
Expenditures					
Instruction	12,878	333,777	-	-	346,655
Support services:					
Plant operation	-	-	40,874	-	40,874
Community services	-	15,100	-	-	15,100
Debt service					
Principal	-	-	-	735,000	735,000
Interest	-	-	-	810,152	810,152
Total expenditures	12,878	348,877	40,874	1,545,152	1,947,781
Excess of revenues over (under) expenditures	(850)	(3,691)	35,918	(1,459,507)	(1,428,130)
Other financing sources (uses)					
Transfers in	-	-	-	1,459,507	1,459,507
Total other financing sources (uses)	-	-	-	1,459,507	1,459,507
Net change in fund balances	(850)	(3,691)	35,918	-	31,377
Fund balances - beginning	21,595	141,511	45,783	-	208,889
Fund balances - end of year	\$ 20,745	\$ 137,820	\$ 81,701	\$ -	\$ 240,266

Dayton Independent School District
 Combining Statement of School Activity Funds
 Year Ended June 30, 2025

	Cash Balance			Cash Balance
	July 1, 2024	Receipts	Expenditure	June 30, 2025
Dayton High School	\$ 85,451	\$ 297,423	\$ 271,019	\$ 111,855
Lincoln Elementary	55,042	136,041	165,118	25,965
	<u>\$ 140,493</u>	<u>\$ 433,464</u>	<u>\$ 436,137</u>	<u>\$ 137,820</u>

Dayton Independent School District
Combining Statement of School Activity Funds
Year Ended June 30, 2025

	Cash Balance			Cash Balance
	July 1, 2024	Receipts	Expenditure	June 30, 2025
7TH GRADE	\$ 101	\$ -	\$ 63	\$ 38
8TH GRADE	36	-	-	36
ACADEMIC TEAM	123	-	-	123
AFTER PROM	2,968	1,000	2,298	1,670
ALUMNI ASSOCIATION	4,516	-	-	4,516
COMMUNITY BASED	567	809	1,091	285
ANNUAL YEARBOOK	852	138	164	826
ART DEPT	278	-	-	278
BOOSTER CLUB	6,175	27,426	22,123	11,478
ATHLETIC FUNDRAISERS	35	-	-	35
ATHLETICS - GENERAL	-	63,100	63,100	-
BAND	1,496	5,147	4,930	1,713
BAND BOOSTERS	2,120	-	-	2,120
BASEBALL	-	630	630	-
BASEBALL FUNDRAISER	2,061	7,535	4,812	4,784
BLUEGRASS EAGLES	-	3,000	-	3,000
BOWLING	-	2,400	2,400	-
BOWLING FUNDRAISER	741	1,980	1,759	962
STUDENT GENERATED	7,800	3,144	6,293	4,651
BOYS BASKETBALL	-	3,710	3,710	-
BOYS BASKETBALL FUNDRAISER	2,061	11,462	10,530	2,993
BOYS CROSS COUNTRY	-	942	942	-
BOYS TRACK	-	1,875	1,875	-
CHEER FUNDRAISER	3,405	19,694	20,469	2,630
CHEERLEADING	-	1,310	1,310	-
CLASS OF 27	-	1,205	431	774
CLASS OF 1969	-	800	-	800
STAFF GENERATED	1,256	751	1,064	943
CROSS COUNTRY FUNDRAISERS	6	2,553	1,837	722
DAF SWEEP ACCOUNT	107	-	-	107
DRAMA CLUB	2,292	4,913	5,215	1,990
ENGLISH DEPT	55	-	-	55
FBLA	224	775	730	269
FOOTBALL	-	6,674	6,674	-
FOOTBALL FUNDRAISERS	641	28,763	28,961	443
GIRLS BASKETBALL	-	1,602	1,602	-
GIRLS CROSS COUNTRY	-	1,076	1,076	-

Dayton Independent School District
Statement of School Activity Funds
Dayton High School
Year Ended June 30, 2025

	Cash Balance July 1, 2024	Receipts	Expenditure	Cash Balance June 30, 2025
GIRLS SOCCER	-	473	473	-
GIRLS TRACK	-	2,071	2,071	-
GUIDANCE	-	18	17	1
HS FIELD TRIPS	576	542	551	567
STUDENT COUNCIL	240	-	-	240
INSTRUCTIONAL TECHNOLOGY	1,425	-	25	1,400
LIBRARY	110	-	-	110
MS BASKETBALL FUNDRAISER	34	845	479	400
MS DANCE	170	-	-	170
MS FIELD TRIPS	1,024	-	-	1,024
MS HOLIDAY TOURNAMENT	-	294	294	-
MS ROBOTICS	402	-	-	402
MS SCIENCE CLUB	56	-	-	56
MS STUDENT COUNCIL	344	-	-	344
NAT'L HONOR SOCIETY	267	-	-	267
NJHS	909	-	-	909
PEP SQUAD FUNDRAISER	-	-	-	-
PRINCIPALS ACCOUNT	7,013	1,851	2,302	6,562
PROM FUNDRAISER	-	7,614	6,585	1,029
RIDDER/DAPPER SCHOLARSHIP	-	750	750	-
SENIOR BANQUET	497	-	-	497
SENIOR TRIP	2,446	360	2,438	368
SOCCER FUNDRAISERS	960	667	1,315	312
GIRLS BASKETBALL FUNDRAISER	6,550	12,101	11,903	6,748
SOFTBALL	-	298	298	-
SOFTBALL FUNDRAISER	901	8,500	3,869	5,532
SPEC ED DEPT	4	-	-	4
SPIDER/DOYEN SCHOLARSHIP	1,500	2,000	1,500	2,000
STUDENT DEVICES	99	-	-	99
THERAPUTIC RESOURCES	1	-	-	1
TRACK FUNDRAISER	817	4,342	4,959	200
TRANSCRIPT FEES	1,397	18	-	1,415
VOLLEYBALL	-	1,329	1,329	-
GIRLS VOLLEYBALL FUNDRAISER	642	20,809	18,295	3,156
BOYS VOLLEYBALL FUNDRAISER	-	914	914	-
VOLTER MEMORIAL SCHOLARSHIP	750	250	500	500
YOUTH LEAGUE	-	1,792	1,792	-

Dayton Independent School District
Statement of School Activity Funds
Dayton High School
Year Ended June 30, 2025

	Cash Balance			Cash Balance
	July 1, 2024	Receipts	Expenditure	June 30, 2025
YOUTHSERVICE CENTER	38	910	405	543
WOODEN SCHOLARSHIP	5	-	-	5
SCIENCE SCHOLARSHIP	200	-	-	200
S.WATSON MEMORIAL SCHOLARSHIP	1,875	300	250	1,925
SCANTRELL MEMORIAL SCHOLARSHIP	500	-	500	-
BINKLEY SCHOLARSHIP	-	17,411	3,000	14,411
SCHOLARSHIPS	-	1,500	1,000	500
LINGERFELGER/MCKIERNAN SCHOLARSHIP	2,587	-	300	2,287
MORELAND SCHOLARSHIP	2,500	-	1,000	1,500
ELMER BLUM SCHOLARSHIP	-	2,000	1,000	1,000
K.RANKLE SCHOLARSHIP	250	300	250	300
KROGMAN/MCHALE SCHOLARSHIP	1,000	-	1,000	-
L.BRANDENBURG SCHOLARSHIP	150	-	-	150
DAYTON ED ASSOC SCHOLARSHIP	250	250	250	250
DEAD INN SCHOLARSHIP	250	-	-	250
DHS ALUMNI ASSOC SCHOLARSHIP	500	-	500	-
DHS BOOSTER SCHOLARSHIP	500	500	500	500
DHS SCHOLARSHIP	816	-	816	-
COXPELLMAN SCHOLARSHIP	2,000	1,000	1,000	2,000
CAMPBELL FAMILY SCHOLARSHIP	80	-	-	80
CAMPOMOR SCHOLARSHIP	1,400	-	-	1,400
BOYS BB SCHOLARSHIP	-	-	-	-
CC RETIRED TCHR SCHOLARSHIP	500	1,000	500	1,000
BARNES LODGE SCHOLARSHIP	1,000	-	-	1,000
TOTAL	\$ 85,451	\$ 297,423	\$ 271,019	\$ 111,855

Dayton Independent School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2025

Federal Grantor <i>Pass-Through Entry</i> Program or Cluster Title	Federal Assistance Listing	Pass Through Grantor's Number	Federal Expenditures for FYE 6/30/2025
U.S. Department of Education			
<i>Passed through Kentucky Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education_Grants to States (IDEA, Part B)	84.027	3810002 23	58,845
	84.027	3810002 24	310,847
Special Education_Preschool Grants (IDEA, Preschool)	84.173	3800002 23	109
	84.173	3800002 24	36,614
			<u>406,415</u>
 Title I Grants to Local Educational Agencies	 84.010	 3100002 23	 40,327
	84.010	3100002 24	490,508
			<u>530,835</u>
 Perkins Vocational Education	 84.048	 3710002 24	 470
			<u>470</u>
 Education for Homeless Children and Youth	 84.196	 3990002 23	 31,114
	84.196	3990002 24	34,557
			<u>65,671</u>
 Title V Rural and Low-Income Schools	 84.367	 3230002 24	 47,548
			<u>47,548</u>
 Title IV Student Support and Academic Enrichment	 84.424	 3420002 23	 3,288
	84.424	3420002 24	34,363
			<u>37,651</u>
 Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	 84.425	 4300002 21	 205,506
	84.425	4980002 21	14,167
			<u>219,673</u>
<i>Passed through NKCES</i>			
School Safety National Activities	84.184		54,581
			<u>54,581</u>
 Arts in Education	 84.351		 23,058
			<u>23,058</u>
<i>Passed through Prichard</i>			
Special Education Cluster (IDEA)	84.215		202,960
			<u>202,960</u>
 Total U.S Department of Education			 <u>1,588,862</u>

Dayton Independent School District
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2025

Federal Grantor <i>Pass-Through Entry</i> Program or Cluster Title	Federal Assistance Listing	Pass Through Grantor's Number	Federal Expenditures for FYE 6/30/2024
<u>U.S. Department of Agriculture</u>			
<i>Passed through Kentucky Department of Education</i>			
Child Nutrition Cluster			
School Breakfast Program	10.553	7760005 24	27,386
	10.553	7760005 25	114,526
National School Lunch Program	10.555	7750002 24	91,204
	10.555	7750002 25	376,002
	10.559	7690024 24	862
	10.559	7740023 24	8,387
			<u>618,367</u>
State Administrative Expenses for Child Nutrition	10 560	7700001 24	1,091
			<u>1,091</u>
Child and Adult Care Food Program	10.558	7790021 24	10,650
	10.558	7790021 25	45,749
	10.558	7800016 24	721
	10.558	7800016 25	3,098
			<u>60,218</u>
Commodities	10.565		32,824
			<u>32,824</u>
Total U.S. Department of Agriculture			712,500
<u>U.S. Department of Health and Human Services</u>			
<i>Passed through NKCES</i>			
Substance Abuse and Mental Health Services	93.243		8,751
			<u>8,751</u>
Preschool Development Grant	94.434		15,137
			<u>15,137</u>
Child Care and Development Block Grant	93.575		40,484
			<u>40,484</u>
Total U.S. Department of Health and Human Services			64,372
Total Expenditures of Federal Awards			\$ 2,365,734

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of Dayton Independent School District (District) under programs of the federal government for the year ended June 30, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3: INDIRECT COST RATE

The District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

NOTE 4: SUBRECIPIENTS

The District did not provide federal funds to subrecipients for the year ended June 30, 2024.

NOTE 5: COMMODITIES

Nonmonetary assistance is reported in the schedule at the fair value of the USDA commodities received and disbursed.

NOTE 6: FEDERAL AWARDS RECONCILIATION

Federal revenues reported on the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	\$ 1,653,234
Federal grants reported on the Statement or Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	679,676
Donated commodities reported on the Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund	32,824
Schedule of expenditures of federal awards	<u>\$ 2,365,734</u>



Kentucky State Committee for School District Audits
Members of the Board of Education
Dayton Independent School District
Flemingsburg, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Dayton Independent School District (District) as of and for the year ended June 30, 2025 and the related notes to the financial statements, which collectively comprise the District basic financial statements and have issued our report thereon dated January 27, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of the District in a separate letter dated January 27, 2026.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

January 27, 2026

Kentucky State Committee for School District Audits
Members of the Board of Education
Fleming County School District
Ludlow, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

We have audited Fleming County School District's (District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major programs for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities of those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will not always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the audit requirements prescribed by the Kentucky State Committee for School District Audits, in the *Auditor Responsibilities and State Compliance Requirements* sections contained in the Kentucky Public School Districts' Audit Contract and Requirements, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky

January 27, 2026

1. SUMMARY OF AUDITOR'S RESULTS	
Type of Financial Statement Opinion	Unmodified
Were there any material weaknesses in internal control reported at the financial statement level?	No
Were there any significant deficiencies in internal control reported at the financial statement level?	No
Was there any reported material noncompliance at the financial statement level?	No
Were there any material weaknesses in internal control reported for major federal programs?	No
Were there any significant deficiencies in internal control reported for major federal programs?	No
Type of Major Programs' Compliance Opinion	Unmodified
Are there any reportable findings under 2 CFR 200.516(a)?	No
<u>Major Programs</u>	<u>AL#</u>
Special Educaiton Cluster	84.027/84.173
Child Nutrition Cluster	10.553/10.555/10.559
Dollar Threshold: Type A/B Programs	Type A: > \$750,000 Type B: all others
Low risk auditee under 2 CFR 200.520	No

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
None

NO PRIOR FINDINGS

Dayton Independent School District
Management Letter
Year Ended June 30, 2025

Kentucky State Committee for School District Audits
Members of the Board of Education
Dayton Independent School District
Dayton, Kentucky

In planning and performing our audit of the financial statements of Dayton Independent School District (District) for the year ended June 30, 2025, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that our opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and recommendations regarding these matters. Any uncorrected comments from the prior year have been listed in this letter. A separate report dated January 27, 2026 contains our report on the District's internal control. This letter does not affect our report dated January 27, 2026 on the financial statements of the District.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and recommendations with various District personnel, and we will be pleased to discuss them in further detail at our convenience, to perform additional study of these matters, or to assist you in implementing the recommendations.

Maddox & Associates CPAs Inc.

Fort Thomas, Kentucky
January 27, 2026

Central Office

No matters noted

School Activity Fund

Dayton High School

2025-01 Several student organizations/clubs had no activity during the fiscal year and, therefore, are considered inactive. *Accounting Procedures for Kentucky School Activity Funds* (Redbook) requires these accounts to be closed and transferred to the organization designated by the inactive account sponsor or transferred to the general activity fund if no designation is made. This is a repeat of prior year comment 2024-01.

2025-02 During testing of student activity fund receipts, we noted instances of receipts that were deposited timely as required by *Accounting Procedures for Kentucky School Activity Funds* (Redbook). This is a repeat of prior year comment 2025-02.

Lincoln Elementary School

2025-03 During testing of student activity fund receipts, we noted instances of receipts that were deposited timely as required by *Accounting Procedures for Kentucky School Activity Funds* (Redbook). This is a repeat of prior year comment 2025-03.

2025-03 During testing of student activity fund receipts, we noted instances of expenditures that were not approved by the club sponsor as required by *Accounting Procedures for Kentucky School Activity Funds* (Redbook).

District Response

Redbook procedures will be reviewed with the appropriate staff.