

DAYTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

- WITH INDEPENDENT AUDITORS' REPORT -

**DAYTON INDEPENDENT SCHOOL DISTRICT
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Independent Auditors' Report

Members of the Board of Education
Dayton Independent School District
200 Clay Street
Dayton, KY 41074

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 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit 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; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 Dayton Independent School District, as of June 30, 2012, and the respective changes in financial position, respective budgetary comparison for the General Fund and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2013, on our consideration of the Dayton Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, on pages 3 through 8, and Budgetary Comparison Information, on page 15, be presented to supplement the basic financial statements. Such information, 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Dayton Independent School District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Bertke, Sparks & Kremer, Inc.
January 25, 2013

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2012**

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, 2012. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

FINANCIAL HIGHLIGHTS

- The beginning cash balance for the District was \$1,521,408.
- The General Fund had \$6,966,627 in revenue, excluding interfund transfers. General Fund revenues primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$7,279,673 in General Fund expenditures.
- No District-wide raises were given by the Board with the exception of rank and experience increases.
- KTRS (certified retirement) medical board match increased from .25% to .50%.
- CERS (classified retirement) board match increased from 16.93% to 18.96%.
- All federal funding from ARRA, SFSF and EduJobs were expended by June 30, 2012.
- The original working budget adopted by the Board contained a General Fund contingency of 5.4%
- The State approved the Board's use of capital funds for general maintenance expenditures.
- The contract with Kelly Brothers Roofing was completed this past summer for the reroofing of the Board of Education building, Dayton High School building and Lincoln Elementary School building.
- The District, along with other Northern Kentucky school districts, was awarded a PEP Grant through the Northern Kentucky Cooperative for Educational Services to aid in promoting student fitness and nutrition.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements. The district-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 assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
YEAR ENDED JUNE 30, 2012**

OVERVIEW OF FINANCIAL STATEMENTS (CONT'D)

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

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 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 a state mandated uniform system and 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, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are our vending and food service operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 11 through 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 33 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,044,390 as of June 30, 2012.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students. Consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
YEAR ENDED JUNE 30, 2012**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)

Net Assets for the periods ending June 30, 2012 and 2011

The following table presents a summary of net assets for the fiscal years ended June 30, 2012 and 2011.

	2012	2011
Current assets	\$ 798,391	\$ 1,984,771
Noncurrent assets	<u>6,775,395</u>	<u>6,722,341</u>
Total assets	<u>\$ 7,573,786</u>	<u>\$ 8,707,112</u>
Current liabilities	\$ 417,500	\$ 836,188
Noncurrent liabilities	<u>4,111,896</u>	<u>4,481,567</u>
Total liabilities	<u>\$ 4,529,396</u>	<u>\$ 5,317,755</u>
Net assets		
Investment in capital assets (net of debt)	\$ 2,504,318	\$ 2,147,144
Restricted	84,527	421,651
Nonspendable	9,470	-
Unassigned	<u>446,075</u>	<u>820,562</u>
Total net assets	<u>\$ 3,044,390</u>	<u>\$ 3,389,357</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
YEAR ENDED JUNE 30, 2012**

DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2012 and 2011.

	2012	2011
Revenues:		
Program Revenues:		
Charges for services	\$ 144,086	\$ 137,593
Operating grants and contributions	2,172,821	3,580,654
Capital grants and contributions	<u>262,825</u>	<u>-</u>
Total program revenues	<u>2,579,732</u>	<u>3,718,247</u>
General Revenues:		
Taxes	1,717,454	1,664,282
Grants and entitlements	5,331,378	4,037,436
Earnings on investments	5,000	7,902
Miscellaneous	<u>124,097</u>	<u>35,944</u>
Total general revenues	<u>7,177,929</u>	<u>5,745,546</u>
Total revenues	<u>9,757,661</u>	<u>9,463,811</u>
Expenses:		
Instruction	5,069,246	5,049,883
Student support services	584,844	467,376
Instructional support	616,252	532,109
District administration	490,696	557,676
School administration	536,205	389,662
Business support	424,891	291,099
Plant operations	763,945	833,759
Student transportation	158,175	161,512
Community service activities	134,224	135,590
Facilities acquisition and construction	427,776	-
Other	17,923	16,913
Debt service	122,305	132,621
Food service	625,365	624,331
Daycare service	<u>130,781</u>	<u>122,254</u>
Total expenses	<u>10,102,628</u>	<u>9,314,785</u>
Deficit of revenues over expenses	<u>\$ (344,967)</u>	<u>\$ 149,026</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
YEAR ENDED JUNE 30, 2012**

GENERAL FUND BUDGETARY HIGHLIGHTS

- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,436,316 more than budget or approximately 26%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$7,279,673, net of interfund transfers and debt service.
- General Fund budget expenditures to actual varied significantly in Instruction. Actual expenditures were \$793,706 greater than budget. This is partially the result of the District recording "on behalf" payments made by the State.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- No District-wide raises were given by the Board with the exception of rank and experience increases.
- The District assessed a 4% property tax increase for fiscal 2012-2013.
- KTRS (certified retirement) medical board match increased from .50% to 1.00%.
- CERS (classified retirement) board match increased from 18.96% to 19.55%.
- Total SEEK funding for fiscal 2012-2013 is being reduced by \$121,000 due to reduced State funding as well as ADA reduction.
- KDE approved the Board's request to use Capital Outlay/Building funds for general maintenance expenses for fiscal 2012-2013 totaling \$ 82,480.
- The District was awarded additional funds for School Improvement in amount of \$110,000 to use for Middle and High School student achievement during fiscal 2012-2013.
- District, along with several other school districts, was awarded a Counseling Grant through Northern Kentucky Cooperative Educational Services. This grant will fund a counselor at the High School.
- The District was awarded a 21st Century Community Learning Grant for three years through the YMCA for High School students and community learning.
- The District Food Service Program was granted a Fruit and Vegetable Grant in the amount of \$30,806 for Lincoln Elementary.
- The District purchased a new phone system for installation in all buildings through Cincinnati Bell.
- The District adopted a General Fund budget with a contingency of 2.1% for fiscal 2012-2013.
- Board has approved a BG-1 for Lincoln Elementary renovations in the amount of \$1,750,000. The bond sale is anticipated to occur in the spring or early summer so that the project can begin when school lets out in May of 2013.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)
YEAR ENDED JUNE 30, 2012**

BUDGETARY IMPLICATIONS

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$325,087 in contingency (5.4%). The beginning cash balance for the fiscal year is \$1,521,408.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Jay Brewer, Superintendent at (859 491-6565 or by mail at 200 Clay Street, Dayton, Kentucky 41074.

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS - DISTRICT WIDE
AS OF JUNE 30, 2012**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
CURRENT			
Cash and cash equivalents	\$ 441,203	\$ 53,277	\$ 494,480
Accounts receivable	263,191	31,250	294,441
Prepays	1,450	-	1,450
Inventories for consumption	-	8,020	8,020
	<u>705,844</u>	<u>92,547</u>	<u>798,391</u>
NONCURRENT			
Bond issuance costs - net	148,562	-	148,562
Nondepreciated capital assets:			
Land	260,482	-	260,482
Depreciated capital assets:			
Land improvements	10,518,373	-	10,518,373
Buildings and improvements	1,170,267	-	1,170,267
Furniture and equipment	653,524	337,709	991,233
Less: accumulated depreciation	(6,074,711)	(238,811)	(6,313,522)
	<u>6,676,497</u>	<u>98,898</u>	<u>6,775,395</u>
Total current	<u>705,844</u>	<u>92,547</u>	<u>798,391</u>
Total noncurrent	<u>6,676,497</u>	<u>98,898</u>	<u>6,775,395</u>
Total assets	<u>\$ 7,382,341</u>	<u>\$ 191,445</u>	<u>\$ 7,573,786</u>
LIABILITIES			
CURRENT			
Current portion of bonds payable	\$ 291,112	\$ -	\$ 291,112
Current portion of accrued sick leave	14,659	-	14,659
Accounts payable	28,289	-	28,289
Accrued payroll and related expenses	56,710	-	56,710
Accrued interest	26,730	-	26,730
Deferred revenues	-	-	-
	<u>417,500</u>	<u>-</u>	<u>417,500</u>
Total current	<u>417,500</u>	<u>-</u>	<u>417,500</u>
NONCURRENT			
Accrued sick leave	131,931	-	131,931
Bonds payable	3,979,965	-	3,979,965
	<u>4,111,896</u>	<u>-</u>	<u>4,111,896</u>
Total noncurrent	<u>4,111,896</u>	<u>-</u>	<u>4,111,896</u>
Total liabilities	<u>4,529,396</u>	<u>-</u>	<u>4,529,396</u>
NET ASSETS			
Invested in capital assets, net of related debt	2,405,420	98,898	2,504,318
Restricted for:			
Capital projects	-	-	-
Net assets	-	84,527	84,527
Nonspendable	1,450	8,020	9,470
Unrestricted	446,075	-	446,075
	<u>2,852,945</u>	<u>191,445</u>	<u>3,044,390</u>
Total net assets	<u>2,852,945</u>	<u>191,445</u>	<u>3,044,390</u>
Total liabilities and net assets	<u>\$ 7,382,341</u>	<u>\$ 191,445</u>	<u>\$ 7,573,786</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES - DISTRICT WIDE
FOR THE YEAR ENDED JUNE 30, 2012**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET ASSETS		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	
Governmental Activities:							
Instructional	\$ 5,069,247	\$ -	\$ 719,665	\$ -	\$ (4,349,582)	\$ -	\$ (4,349,582)
Student support services	584,844	-	145,424	-	(439,420)	-	(439,420)
Staff support services	616,252	-	251,845	-	(364,407)	-	(364,407)
District administration	490,696	-	-	-	(490,696)	-	(490,696)
School administration	536,205	-	184,706	-	(351,499)	-	(351,499)
Business support services	424,891	-	64,649	-	(360,242)	-	(360,242)
Plant operation and maintenance	763,945	-	4,539	-	(759,406)	-	(759,406)
Student transportation	158,175	-	13,068	-	(145,107)	-	(145,107)
Other	17,923	-	-	-	(17,923)	-	(17,923)
Community service operations	134,224	-	126,756	-	(7,468)	-	(7,468)
Facility acquisition and construction	427,776	-	-	262,825	(164,951)	-	(164,951)
Interest on long-term debt	122,305	-	-	-	(122,305)	-	(122,305)
Total governmental activities	9,346,483	-	1,510,652	262,825	(7,573,006)	-	(7,573,006)
Business-type Activities							
Food service	625,364	64,317	603,671	-	-	42,624	42,624
Daycare	130,781	79,769	58,498	-	-	7,486	7,486
Total business-type activities	756,145	144,086	662,169	-	-	50,110	50,110
Total school district	\$ 10,102,628	\$ 144,086	\$ 2,172,821	\$ 262,825	\$ (7,573,006)	\$ 50,110	\$ (7,522,896)
			General revenues:				
			Taxes		\$ 1,717,454	\$ -	\$ 1,717,454
			State aid formula grants		5,331,378	-	5,331,378
			Investment earnings		5,000	-	5,000
			Bond payments made by KFSCC		115,969	-	115,969
			Miscellaneous		8,570	400	8,970
			Loss on sale of fixed assets		(842)	-	(842)
			Miscellaneous		-	-	-
			Total general and special revenues		7,177,529	400	7,177,929
			Change in net assets		(395,477)	50,510	(344,967)
			Net assets - beginning		3,248,422	140,935	3,389,357
			Net assets - ending		\$ 2,852,945	\$ 191,445	\$ 3,044,390

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u>	<u>CONSTRUCTION FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS					
CURRENT					
Cash (overdraft) and cash equivalents	\$ 575,481	\$ (134,278)	\$ -	\$ -	\$ 441,203
Accounts receivable	67,814	195,377	-	-	263,191
Prepaid expenses	1,450	-	-	-	1,450
	<u>644,745</u>	<u>61,099</u>	<u>-</u>	<u>-</u>	<u>705,844</u>
Total current	<u>\$ 644,745</u>	<u>\$ 61,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 705,844</u>
LIABILITIES AND FUND BALANCE					
CURRENT					
Accounts payable	\$ 23,900	\$ 4,389	\$ -	\$ -	\$ 28,289
Accrued payroll and related expenses	-	56,710	-	-	56,710
Deferred revenues	-	-	-	-	-
	<u>23,900</u>	<u>61,099</u>	<u>-</u>	<u>-</u>	<u>84,999</u>
Total current	<u>23,900</u>	<u>61,099</u>	<u>-</u>	<u>-</u>	<u>84,999</u>
FUND BALANCE					
Committed					
Capital projects fund	-	-	-	-	-
Accrued sick leave	-	-	-	-	-
Nonspendable	1,450	-	-	-	1,450
Unassigned	619,395	-	-	-	619,395
	<u>620,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>620,845</u>
Total fund balance	<u>620,845</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>620,845</u>
Total liabilities and fund balance	<u>\$ 644,745</u>	<u>\$ 61,099</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 705,844</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012**

Total governmental fund balance		\$ 620,845
Bond issue costs - net		148,562
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in progress	-	
Cost of capital assets	12,602,646	
Accumulated depreciation	<u>(6,074,711)</u>	
		6,527,935
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable		(4,271,077)
Accrued interest on bonds		(26,730)
Accrued sick leave		<u>(146,590)</u>
 Total net assets - governmental		 <u><u>\$ 2,852,945</u></u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	GENERAL FUND	SPECIAL REVENUE FUND	CONSTRUCTION FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes	\$ 1,621,679	\$ -	\$ -	\$ 95,775	\$ 1,717,454
Earnings on investments	5,000	-	-	-	5,000
State sources	5,321,054	487,924	-	262,825	6,071,803
Federal sources	10,324	1,022,728	-	-	1,033,052
Other sources	8,570	-	-	-	8,570
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	6,966,627	1,510,652	-	358,600	8,835,879
EXPENDITURES:					
Instructional	4,450,610	735,393	-	-	5,186,003
Student support services	396,628	145,424	-	-	542,052
Staff support services	363,036	251,845	-	-	614,881
District administration	482,882	-	-	-	482,882
School administration	350,106	184,706	-	-	534,812
Business support services	359,871	64,649	-	-	424,520
Plant operation and maintenance	707,607	4,539	-	-	712,146
Student transportation	113,703	13,068	-	-	126,771
Food service operations	-	-	-	-	-
Central office	-	-	-	-	-
Community service operations	7,290	126,756	-	-	134,046
Facility acquisition and construction	8,387	-	419,389	-	427,776
Debt service:					
Principal	32,954	-	-	155,197	188,151
Interest	6,599	-	-	116,852	123,451
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	7,279,673	1,526,380	419,389	272,049	9,497,491
Excess(deficit) of revenues over expenditures	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(313,046)	(15,728)	(419,389)	86,551	(661,612)
OTHER FINANCING SOURCES(USES):					
Proceeds from sale of bonds	-	-	-	-	-
Proceeds from sale of assets	-	-	-	-	-
Operating transfers in	86,551	15,728	-	-	102,279
Operating transfers out	(15,728)	-	-	(86,551)	(102,279)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other financing sources(uses)	70,823	15,728	-	(86,551)	-
Net change in fund balance	(242,223)	-	(419,389)	-	(661,612)
Fund balance, July 1, 2011	863,068	-	419,389	-	1,282,457
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2012	\$ 620,845	\$ -	\$ -	\$ -	\$ 620,845

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net changes in total fund balances per fund financial statements \$ (661,612)

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

Proceeds from bond sale -

Governmental funds report capital outlays as expenditures because they use current financial resources. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense for the year.

Loss on disposal of fixed assets	(842)	
Depreciation expense	(365,396)	
Construction in progress	(498,517)	
Capital Outlays	<u>779,647</u>	(85,108)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets however issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal paid	<u>304,120</u>	304,120
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Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.

47,123

Change in net assets of governmental activities \$ (395,477)

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
REVENUES:				
Taxes	\$ 1,512,677	\$ 1,512,677	1,621,679	\$ 109,002
Other local sources	14,100	14,100	13,570	(530)
State sources	3,998,534	3,998,534	5,321,054	1,322,520
Federal sources	5,000	5,000	10,324	5,324
Other sources	-	86,551	86,551	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	5,530,311	5,616,862	7,053,178	1,436,316
EXPENDITURES:				
Instructional	3,556,719	3,618,445	4,450,610	(832,165)
Student support services	364,206	321,170	396,628	(75,458)
Staff support services	290,503	290,028	363,036	(73,008)
District administration	411,071	415,391	482,882	(67,491)
School administration	305,281	306,759	350,106	(43,347)
Business support services	247,187	271,624	359,871	(88,247)
Plant operation and maintenance	686,457	746,628	707,607	39,021
Student transportation	137,028	136,723	113,703	23,020
Food service operation	-	-	-	-
Central office	-	-	-	-
Community service operations	1,900	1,900	7,290	(5,390)
Facility acquisition and construction	-	-	-	-
Debt service and miscellaneous	47,940	47,940	47,940	-
Contingency	325,087	325,087	-	325,087
Other	20,000	20,000	15,728	4,272
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	6,393,379	6,501,695	7,295,401	(793,706)
Net change in fund balance	(863,068)	(884,833)	(242,223)	642,610
Fund balance, July 1, 2011	863,068	863,068	863,068	-
Fund balance, June 30, 2012	<u>\$ -</u>	<u>\$ (21,765)</u>	<u>\$ 620,845</u>	<u>\$ 642,610</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
AS OF JUNE 30, 2012

	FOOD SERVICE	DAY CARE	TOTAL
ASSETS			
CURRENT			
Cash and cash equivalents	\$ 37,380	\$ 15,897	\$ 53,277
Accounts receivable	22,092	9,158	31,250
Inventories for consumption	8,020	-	8,020
Total current	67,492	25,055	92,547
NONCURRENT			
Furniture and fixtures	289,809	47,900	337,709
Less: accumulated depreciation	(199,066)	(39,745)	(238,811)
Total noncurrent	90,743	8,155	98,898
Total assets	<u>\$ 158,235</u>	<u>\$ 33,210</u>	<u>\$ 191,445</u>
LIABILITIES			
CURRENT			
Accounts payable	\$ -	\$ -	\$ -
Total current	-	-	-
NET ASSETS			
Invested in assets, net of debt	90,743	8,155	98,898
Nonspendable	8,020	-	8,020
Restricted	59,472	25,055	84,527
Unrestricted	-	-	-
Total net assets	158,235	33,210	191,445
Total liabilities and net assets	<u>\$ 158,235</u>	<u>\$ 33,210</u>	<u>\$ 191,445</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	FOOD SERVICE	DAY CARE	TOTAL
OPERATING REVENUES:			
Lunchroom sales	\$ 64,317	\$ -	\$ 64,317
Other operating revenues	400	79,769	80,169
Total operating revenues	<u>64,717</u>	<u>79,769</u>	<u>144,486</u>
OPERATING EXPENSES:			
Student transportation	-	2,222	2,222
Salaries and benefits	265,376	117,588	382,964
Contract services	12,381	611	12,992
Materials and supplies	337,945	2,229	340,174
Depreciation	9,442	958	10,400
Other operating expenses	220	7,173	7,393
Total operating expenses	<u>625,364</u>	<u>130,781</u>	<u>756,145</u>
Operating loss	<u>(560,647)</u>	<u>(51,012)</u>	<u>(611,659)</u>
NONOPERATING REVENUES (EXPENSES):			
Federal grants	538,498	-	538,498
State grants	38,158	58,498	96,656
Donated commodities and other donations	27,015	-	27,015
Transfers	-	-	-
Interest income	-	-	-
Total nonoperating revenue	<u>603,671</u>	<u>58,498</u>	<u>662,169</u>
Net income	43,024	7,486	50,510
Total net assets, July 1, 2011	<u>115,211</u>	<u>25,724</u>	<u>140,935</u>
Total net assets, June 30, 2012	<u>\$ 158,235</u>	<u>\$ 33,210</u>	<u>\$ 191,445</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	FOOD SERVICE FUND	DAY CARE SERVICE FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from lunchroom sales	\$ 64,317	\$ -	\$ 64,317
Cash received from other activities	400	79,769	80,169
Cash payments to employees for services	(265,376)	(117,588)	(382,964)
Cash payments to suppliers for goods and services	(352,264)	(12,480)	(364,744)
Cash transfers	-	-	-
Net cash flows used in operating activities	<u>(552,923)</u>	<u>(50,299)</u>	<u>(603,222)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Acquisition of capital assets	-	-	-
Net cash used in capital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Non-operating revenues received	603,583	53,366	656,949
Net cash provided by noncapital financing activities	<u>603,583</u>	<u>53,366</u>	<u>656,949</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	-	-
Net cash flows provided by investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	50,660	3,067	53,727
Cash and cash equivalents - beginning	<u>(13,280)</u>	<u>12,830</u>	<u>(450)</u>
Cash and cash equivalents - ending	<u>\$ 37,380</u>	<u>\$ 15,897</u>	<u>\$ 53,277</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Operating loss	\$ (560,647)	\$ (51,012)	\$ (611,659)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES			
Depreciation	9,442	958	10,400
Changes in assets and liabilities:			
Decrease in inventories	6,712	-	6,712
Decrease in accounts payable	(8,429)	(246)	(8,675)
Net cash used in operating activities	<u>\$ (552,922)</u>	<u>\$ (50,300)</u>	<u>\$ (603,222)</u>
SCHEDULE OF NON-CASH TRANSACTIONS			
Donated commodities received from federal government	<u>\$ 27,015</u>	<u>\$ -</u>	<u>\$ 27,015</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT 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 school education within the jurisdiction of the 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 in Section 2100, 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 Dayton Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of 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 School District Finance Corporation - The Dayton Independent Board of Education authorized the establishment of the Dayton Independent School District Finance 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 Board Members of the Dayton Independent Board of Education also comprise the Corporation's Board of Directors.

Basis of Presentation

District-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The District-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the District-wide statements and the statements for governmental funds.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. 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 business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
- (B) 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 specified project periods as well as the 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 on page 41. This is a major fund of the District.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

(C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Funds).

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.
2. The Facility Support Program of Kentucky Fund (FSPK) 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.
3. The Construction fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

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; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Funds (Enterprise Funds)

The School Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). The Food Service fund is a major fund of the District.

The District applies all Governmental Accounting Standards Board (GASB) pronouncements to proprietary funds as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

IV. Fiduciary Fund Type (agency and trust funds)

The Trust/Agency Fund 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.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. District-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before they can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

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 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.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all 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.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP) of the United States of America. The major differences between the budgetary basis and the GAAP basis 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).

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

Supplies and materials are charged to expenditures when purchased, except for inventories in the Proprietary Fund, which are capitalized at the lower of cost or market.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. 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. 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 for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	15-20 years
Other	10 years

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will receive from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the District's experience of making termination payments.

The entire compensated absence liability is reported on the district-wide financial statements.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the District-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

Beginning with fiscal year 2011, the District implemented GASB Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on the District's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the District takes the action to remove or change the constraint.

Assigned fund balance – amounts the District intends to use for specific purpose (such as encumbrances); intent can be expressed by the District or by an official or body to which the District delegates the authority.

Unassigned fund balance – amounts that are available for purpose; positive amounts are reported only in the General fund.

It is the Board's practice to liquidate funds when conditions have been met releasing these funds from legal, contractual, Board or managerial obligations, using restricted funds first, followed by committed funds, assigned funds, then unassigned funds.

Encumbrances are not liabilities and are not recorded as expenditures until receipt of material or service. Encumbrances remaining open at the end of the fiscal year are automatically re-budgeted in the following fiscal year. Encumbrances are considered a managerial assignment of fund balance in the governmental funds balance sheet.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, those revenues are primarily charges for meals provided by the various schools.

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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE B - 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 reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C - CASH AND CASH EQUIVALENTS

At year end, the District had on deposit cash and cash equivalents totaling \$1,040,435. Of the total cash balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), with the remainder covered by a collateral agreement and collateral held by the pledging bank's trust department in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2012 consist of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Citizens Bank	\$ 1,040,435	\$ 621,354

Allocation per financial statements:

Governmental funds	\$ 441,203
Proprietary funds	53,277
Activity funds	<u>126,874</u>
	<u>\$ 621,354</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2012, this amount totaled approximately \$146,590 for those employees with twenty-seven or more years of experience. The Board has not reserved any portion of its General Fund for unpaid sick leave benefits.

NOTE E - COMMITMENTS UNDER NONCAPITALIZED LEASES

The District leases equipment under operating leases expiring in various years through 2015. Future minimum lease payments under operating lease agreements for equipment as of June 30, 2012, are as follows:

Year ending June 30:

2013	\$ 62,904
2014	46,060
2015	46,060
2016	-
2017	-
Thereafter	<u>-</u>
Total minimum lease payments	<u>\$ 155,024</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE F - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

<u>Governmental Activities</u>	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
Land and land improvements	\$ 260,482	\$ -	\$ -	\$ 260,482
Buildings and improvements	10,019,856	498,517	-	10,518,373
Technology equipment	943,578	233,883	7,194	1,170,267
Vehicles	477,741	-	49,497	428,244
General equipment	178,033	47,247	-	225,280
Construction in progress	498,517	-	498,517	-
Totals at historical cost	12,378,207	779,647	555,208	12,602,646
Less: accumulated depreciation				
Land improvements	66,607	2,368	-	68,975
Buildings and improvements	4,467,689	232,932	-	4,700,621
Technology equipment	800,082	87,924	6,352	881,654
Vehicles	284,453	31,378	49,497	266,334
General equipment	146,333	10,794	-	157,127
Total accumulated depreciation	5,765,164	365,396	55,849	6,074,711
Governmental activities capital assets - net	\$ 6,613,043	\$ 414,251	\$ 499,359	\$ 6,527,935
 <u>Business - Type Activities</u>				
Buildings and improvements	\$ 165,279	\$ -	\$ -	\$ 165,279
Technology equipment	11,365	-	698	10,667
Vehicles	4,000	-	-	4,000
General equipment	157,763	-	-	157,763
Totals at historical cost	338,407	-	698	337,709
Less: accumulated depreciation				
Buildings and improvements	105,704	3,306	-	109,010
Technology equipment	5,643	1,903	698	6,848
Vehicles	333	800	-	1,133
General equipment	117,429	4,391	-	121,820
Total accumulated depreciation	229,109	10,400	698	238,811
Business - type activities capital assets - net	\$ 109,298	\$ (10,400)	\$ -	\$ 98,898

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE G - LEASE OBLIGATIONS AND BONDED DEBT

The amount shown in the accompanying financial statements as bond obligations represents the District's future obligations to make payments relating to the bonds issued.

The original amount of each issue, the issue date, and interest rates are summarized below:

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
January 2004	\$ 67,847	3.40% - 3.500%
November 2004	\$ 645,000	3.55% - 3.750%
June 2006	\$ 78,725	3.30% - 4.000%
January 2008	\$ 90,989	3.30% - 3.750%
February 2009	\$ 1,290,000	3.00% - 3.500%
June 2009	\$ 1,990,000	2.80% - 4.400%
December 2009	\$ 73,880	2.00% - 3.250%
January 2011	\$ 83,893	1.30% - 4.000%
June 2011	\$ 950,000	3.00% - 4.375%

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make lease payments in amounts sufficient to satisfy debt service requirements on bonds issued.

The District entered into "participation agreements" with the School Facility Construction Commission (Commission). The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table in Note Q sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2012, for debt service (principal and interest) are as reported on Note Q on page 33.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE H - RETIREMENT PLANS

Kentucky Teachers Retirement System

Certified employees participate in the Kentucky Teachers' Retirement System (KTRS), a cost sharing, multiple-employer retirement system created by and maintained by Kentucky legislature. KTRS provides retirement, death and disability benefits to Plan members.

Plan members are required to contribute 10.355% of their annual creditable compensation. Members hired on or after July 1, 2008 pay an additional .5% of their salary to the medical insurance fund. Matching contributions are made by the state in the form of on behalf payments. The District is required to remit matching contributions on those school district employees whose salaries are paid by federally programs. This federal matching rate is 13.605% for employees hired before July 1, 2008 and 14.105% for employees hired after July 1, 2008. The contribution requirement for KTRS for the year ended June 30, 2012, was \$582,700 which consisted of \$99,188 from the District and \$483,512 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$492,807 and \$507,996, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

County Employees Retirement System

Classified employees who work an average of 80 hours per month over the actual days worked during the school year participate in the County Employees Retirement System (CERS). This is a cost sharing, multiple-employer, public employers retirement plan created and maintained by Kentucky legislature and provides retirement, death and disability benefits to Plan members.

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the District at a rate of 18.96% as required by the CERS Board of Trustees as deemed necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2012, was \$260,866, which consisted of \$204,976 from the District and \$55,890 from the employees. Total contributions for the year ended June 30, 2011 and 2010 were \$225,853 and \$236,877, respectively. The contributions have been contributed in full for fiscal years 2012, 2011 and 2010.

The District's total payroll for the year was \$5,642,043. The payroll for employees covered under KTRS was \$4,630,015 and for CERS was \$1,081,100.

Benefits under both plans will vary based on final compensation, years of service, and other factors as fully described in the plan documents.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE I - RETIREMENT PLANS (CONT'D)

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits which is adjusted for the effects of projected salary increases and step-rate benefits that are estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the pensions' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among the plans and employers.

KTRS and CERS do not make separate measurements of assets and pension benefit obligations for individual employers. KTRS and CERS both issue a publicly available financial report that includes all financial statements and required supplementary information. The reports can be obtained in writing from the Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, KY 40601-3800 and the County Employee Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, KY 40601

NOTE J - CONTINGENCIES

Grant Fund Approval

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if the grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue the programs.

NOTE K - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated, which includes workers' compensation insurance.

NOTE L - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To obtain insurance for workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. These public entity risk pools operate as common risk management and insurance programs for all school districts and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation Fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro rata basis.

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE L - RISK MANAGEMENT (CONT'D)

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE M - DEFICIT OPERATING/FUND BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance:

General Fund	\$ 242,223
Construction Fund	\$ 419,389

NOTE N - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the District at risk for a substantial loss (contingency).

NOTE O - TRANSFER OF FUNDS

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Matching	\$ 15,728
310	1	Operating	\$ 78,834
320	1	Operating	\$ 7,717

NOTE P - ON-BEHALF PAYMENTS

For the year ended June 30, 2012, total payments of \$1,395,728 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and are recorded as revenues and expenses in the following funds:

General Fund	\$ 1,348,888
Food Service Fund	31,943
Daycare Fund	14,897
	\$ 1,395,728

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE Q - SCHEDULE OF LONG-TERM OBLIGATIONS

2004, 2004K, 2006K, 2008K, 2009, 2009K, 2009R, 2011 and 2011K Issues

<u>FISCAL YEAR</u>	<u>DAYTON INDEPENDENT SCHOOL DISTRICT</u>		<u>KY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		<u>TOTAL REQUIREMENTS</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2012-2013	\$ 191,269	\$ 120,571	\$ 99,843	\$ 36,996	\$ 448,679
2013-2014	192,609	114,770	102,489	34,050	443,918
2014-2015	193,360	108,729	105,211	30,983	438,283
2015-2016	196,673	102,406	94,062	27,633	420,774
2016-2017	194,855	96,164	96,830	24,645	412,494
2017-2018	203,116	89,688	100,121	21,417	414,342
2018-2019	202,095	82,817	103,150	18,011	406,073
2019-2020	148,922	75,948	28,646	14,496	268,012
2020-2021	153,034	70,285	29,792	13,350	266,461
2021-2022	154,016	64,439	30,984	12,159	261,598
2022-2023	157,777	58,578	32,223	10,919	259,497
2023-2024	161,489	52,592	33,511	9,630	257,222
2024-2025	170,080	45,940	34,920	8,223	259,163
2025-2026	173,614	38,936	36,386	6,756	255,692
2026-2027	182,050	31,681	37,950	5,192	256,873
2027-2028	185,418	24,078	39,582	3,560	252,638
2028-2029	193,677	15,938	41,323	1,818	252,756
2029-2030	85,000	7,438	-	-	92,438
2030-2031	85,000	3,719	-	-	88,719
	<u>\$ 3,224,054</u>	<u>\$ 1,204,717</u>	<u>\$ 1,047,023</u>	<u>\$ 279,838</u>	<u>\$ 5,755,632</u>

NOTE R - SUBSEQUENT EVENTS

Subsequent events were considered through January 25, 2013 which represents the release date of the report.

**DAYTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2012**

	CAPITAL OUTLAY FUND	BUILDING FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
CURRENT			
Cash and cash equivalents	\$ -	\$ -	\$ -
Total current	\$ -	\$ -	\$ -
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Total current	-	-	-
 FUND BALANCES			
Restricted:			
Capital projects	-	-	-
KSFCC escrow	-	-	-
Unassigned	-	-	-
Total fund balance	-	-	-
Total liabilities and fund balance	\$ -	\$ -	\$ -

(See Auditors' Report and Accompanying Notes to the Financial Statements)

DAYTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>CAPITAL OUTLAY FUND</u>	<u>BUILDING FUND</u>	<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
REVENUES:			
Taxes	\$ -	\$ 95,775	\$ 95,775
Earnings on investments	-	-	-
State sources	78,834	183,991	262,825
Federal sources	-	-	-
Other sources	-	-	-
	<hr/>	<hr/>	<hr/>
Total revenues	78,834	279,766	358,600
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
Instructional	-	-	-
Student support services	-	-	-
Staff support services	-	-	-
District administration	-	-	-
School administration	-	-	-
Business support services	-	-	-
Plant operation and maintenance	-	-	-
Student transportation	-	-	-
Central office	-	-	-
Community service operations	-	-	-
Facility acquisition and construction	-	-	-
Debt service:			
Principal	-	155,197	155,197
Interest	-	116,852	116,852
	<hr/>	<hr/>	<hr/>
Total expenditures	-	272,049	272,049
	<hr/>	<hr/>	<hr/>
Excess (deficit) of revenues over expenditures	78,834	7,717	86,551
	<hr/>	<hr/>	<hr/>
OTHER FINANCING SOURCES(USES):			
Proceeds from sale of bonds	-	-	-
Proceeds from sale of assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(78,834)	(7,717)	(86,551)
	<hr/>	<hr/>	<hr/>
Total other financing sources(uses)	(78,834)	(7,717)	(86,551)
	<hr/>	<hr/>	<hr/>
Net change in fund balance	-	-	-
Fund balance, July 1, 2011	-	-	-
	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2012	\$ -	\$ -	\$ -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
BOND AND INTEREST REDEMPTION FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>ISSUE OF 2004</u>	<u>ISSUE OF 2004 KISTA</u>	<u>ISSUE OF 2006 KISTA</u>	<u>ISSUE OF 2008 KISTA</u>	<u>ISSUE OF 2009R</u>
Cash at July 1, 2011	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Transfers and miscellaneous deposits	54,551	7,891	9,505	10,851	73,679
Disbursements:					
Bonds paid	47,049	7,229	8,019	8,633	55,397
Interest coupons	7,502	662	1,486	2,218	18,282
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	54,551	7,891	9,505	10,851	73,679
Excess or (deficiency) of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2012	-	-	-	-	-
Accounts Receivable and Payable					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
Fund balance at June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>ISSUE OF 2009</u>	<u>ISSUE OF 2009 KISTA</u>	<u>ISSUE OF 2011</u>	<u>ISSUE OF 2011 KISTA</u>	<u>Total</u>
Cash at July 1, 2011	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:					
Transfers and miscellaneous deposits	86,518	12,550	44,750	11,307	311,602
Disbursements:					
Bonds paid	32,494	10,257	10,000	9,073	188,151
Interest coupons	54,024	2,293	34,750	2,234	123,451
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	86,518	12,550	44,750	11,307	\$ 311,602
Excess or (deficiency) of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2012	-	-	-	-	-
Accounts Receivable and Payable					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
Fund balance at June 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
DAYTON HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2012</u>
ABLE	\$ -	\$ 1,195	\$ -	\$ 1,195
After prom	2,470	2,791	2,699	2,562
Annual	1,941	2,743	1,018	3,666
Art club	470	327	153	644
Art department	279	25	153	151
Arts and humanities	76	-	-	76
Bankd	186	-	-	186
Business department	435	1,194	1,053	576
C.A.K.E.	9,552	1,851	-	11,403
Class of 2010	118	-	118	-
Class of 2011	265	-	265	-
Class of 2012	1,066	1,198	2,264	-
Class of 2013	1,380	5,135	5,951	564
Class of 2014	58	1,058	322	794
Class of 2015	-	369	191	178
7th grade account	244	1,221	1,126	339
8th grade account	278	483	473	288
Coke	3,841	1,510	2,646	2,705
Dayton special olympics	83	-	-	83
Dayton textbook fund	2,411	2,472	2,239	2,644
DECA	-	13,018	13,012	6
Drama	13	-	-	13
Earth club	41	85	-	126
Englsh department	349	67	-	416
FBLA	190	-	190	-
FCCLA	611	-	611	-
Greendevil spirit shop	32	2,283	1,665	650
Green zone	205	65	66	204
Guidance department	494	430	450	474
High school newspaper	136	64	-	200
High school pep club	526	-	526	-
High school student council	68	-	-	68
Industrial communications	222	876	798	300
Library	1,731	802	632	1,901
Life skills	69	75	-	144
math department	4,923	198	371	4,750
Middle school book store	23	-	-	23
Middle school field day	83	-	-	83
Middle school pep club	14	-	-	14
Middle school science club	969	1,092	852	1,209
Middle school science department	938	3,350	683	3,605
Middle school student council	12	-	-	12
Ms. Buschles class fundraisers	26	-	-	26
National honor society	111	225	160	176
National Jr. honor society	20	155	-	175

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
DAYTON HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2012</u>
Postage and stationary	\$ 127	\$ -	\$ 93	\$ 34
Pirncipals account	5,847	8,265	9,309	4,803
Reach account	94	-	94	-
Scholarships	13,097	17,205	17,850	12,452
School agendas	1,688	1,075	1,291	1,472
Science department	6,112	752	450	6,414
Senior banquet	28	500	359	169
Senior trip	1,756	1,292	1,028	2,020
Social studies department	2	-	-	2
Special education department	6	-	-	6
Staff flower fund	35	-	-	35
Student/teacher incentives	3,037	5,858	3,958	4,937
Technology club	99	-	-	99
Transcript fees	477	322	172	627
Video department	209	-	-	209
Youth service center	1,402	3,504	1,719	3,187
Fellowship of Christian Athletes	25	220	236	9
Middle school dance	528	802	125	1,205
Future Educators Association	67	-	48	19
Overseas trip fund	100	866	-	966
Middle school field trips	-	121	-	121
High school field trips	-	143	-	143
Microsoft certification grant	-	874	-	874
Athletics	2,886	6,452	6,913	2,425
Football	-	18,597	18,597	-
Volleyball	-	3,993	3,993	-
Girls soccer	-	2,076	2,076	-
Boys cross country	-	395	395	-
Girls cross country	-	265	265	-
Boys golf	-	250	250	-
Boys basketball	-	6,485	6,485	-
Girls basketball	-	7,120	7,120	-
Youth league basketball	-	7,494	7,494	-
Baseball	-	3,006	3,006	-
Softball	-	2,441	2,441	-
Boys track	-	1,448	1,448	-
Girls track	-	1,538	1,538	-
Weight room	27	-	-	27
Athletic transportation	1,551	20,000	19,812	1,739
Davis Field fund	1,165	-	-	1,165
Bowling	-	116	116	-
River City Classic Volleyball tournament	-	2,844	2,844	-
All A Volleyball tournament	-	180	180	-
District Basketball tournament	54	8,603	8,657	-
Football fundraiser	5,628	6,179	10,207	1,600

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
DAYTON HIGH SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>FUND BALANCE JULY 1, 2011</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2012</u>
Volleyball fundraiser	\$ 4,125	\$ 8,497	\$ 9,127	\$ 3,495
Soccer fundraiser	1,878	5,623	4,049	3,452
CrossCountry fundraiser	2,498	75	1,919	654
Boys golf fundraiser	273	175	161	287
Cheerleading fundraiser	640	4,877	4,702	815
Boys basketball fundraiser	7,128	13,204	13,795	6,537
Middle school boys basketball fundraiser	117	1,743	1,860	-
Girls basketball fundraiser	1,605	1,726	2,700	631
Middle school girls basketball fundraiser	1,752	1,335	2,605	482
Baseball fundraiser	2,901	2,659	2,150	3,410
Softball fundraiser	3,364	4,172	3,787	3,749
Track fundraiser	59	806	738	127
Girls tennis fundraiser	91	-	-	91
Dance team fundraiser	64	-	-	64
Bowling fundraiser	213	827	897	143
Athletic Booster club	5,388	9,427	11,846	2,969
	<u>5,388</u>	<u>9,427</u>	<u>11,846</u>	<u>2,969</u>
Total	<u>\$ 115,102</u>	<u>\$ 242,784</u>	<u>\$ 241,592</u>	<u>\$ 116,294</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES
SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>LINCOLN ELEMENTARY SCHOOL</u>	<u>TOTAL</u>
Fund balance at July 1, 2011	\$ 9,789	\$ 9,789
Add: receipts	55,434	55,434
Less: disbursements	<u>(54,643)</u>	<u>(54,643)</u>
Fund balance at June 30, 2012	<u>\$ 10,580</u>	<u>\$ 10,580</u>

(See Auditors' Report and Accompanying Notes to the Financial Statements)

**DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

	CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	EXPENDITURES	PROGRAM/ CLUSTER TOTALS
U.S. DEPARTMENT OF EDUCATION				
<i>Passed through the Kentucky Department of Education:</i>				
Title II - Improving Teacher Quality State Grant	84.367	3230002 11	\$ 75,321	
Title II - Improving Teacher Quality State Grant	84.367	3230002 10	664	\$ 75,985
Title II - Education Technology State Grant	84.318	3210002 10	1,367	1,367
Education Jobs Fund - Recovery Act	84.410	EJOB00 10	159,487	159,487
Career and Technical Education - Basic Grants to States	84.048	4621032 09	526	526
Title I Cluster:				
Title I - Grants to Local Educational Agencies	84.010	3100002 10	43,671	
Title I - Grants to Local Educational Agencies	84.010	3100002 11	349,710	
Title I - Grants to Local Educational Agencies	84.010	3100202 11	20,747	
Title I - Grants to Local Educational Agencies	84.010	3100202 10	68,259	482,387
Special Education Cluster:				
Special Education Grants to States - Recovery Act	84.391	4810002 09	26	
Special Education Grants to States	84.027	3810002 11	240,459	
Special Education Grants to States	84.027	3810002 10	29,751	
Special Education Preschool Grants	84.173	3800002 11	32,201	
Special Education Preschool Grants	84.173	3800002 10	540	302,977
Total U.S. Department of Education			<u>1,022,729</u>	<u>1,022,729</u>
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed through the Kentucky Department of Education</i>				
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 12	281,614	
National School Lunch Program	10.555	7750002 11	72,466	
School Breakfast Program	10.553	7760005 12	117,787	
School Breakfast Program	10.553	7760005 11	25,772	
Summer Food Service Program for Children	10.559	7690024 12	193	
Summer Food Service Program for Children	10.559	7690024 11	3,643	
Summer Food Service Program for Children	10.559	7740023 12	1,873	
Summer Food Service Program for Children	10.559	7740023 11	35,062	
<i>Passed through the Kentucky Department of Agriculture</i>				
National School Lunch Program	10.555	4001566	27,015	565,425
Total U.S. Department of Agriculture			<u>565,425</u>	<u>565,425</u>
Total Expenditures of Federal Awards			<u>\$ 1,588,154</u>	<u>\$ 1,588,154</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Dayton Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – FOOD DISTRIBUTION

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

**DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDITORS' RESULTS

1. The Independent Auditors' Report expresses an unqualified opinion on the basic financial statements of the Dayton Independent School District.
2. One significant deficiency relating to the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the Dayton Independent School District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 for Dayton Independent School District expresses an unqualified opinion on all major federal programs.
6. The audit did not disclose any audit findings reportable under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs include: School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555; Summer Food Service Program for Children, CFDA #10.559; Title I - Grants to Local Educational Agencies, CFDA #84.010; Special Education Grants to States, CFDA #84.027; Special Education Preschool Grants, CFDA #84.173; Special Education Grants to States, CFDA #84.391; and Education Jobs Fund, CFDA #84.410.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Dayton Independent School District does not qualify as a low-risk auditee.

FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

2012-01

Condition:	Internal controls that have been established at the District are not being followed consistently.
Criteria:	Controls established by the District require proper supervisory authorization prior to disbursement of any funds for reimbursement or other expenditure.
Cause:	Request made by the Superintendent or school Principals were approved by those respective individuals.
Effect:	Reimbursements may be issued that have not been properly approved or supported.
Recommendation:	Reimbursement request made should be approved by the next level of management, all requests made by the superintendent should be approved by the Board. A Central Office designee should approve all payments to the school Principals.
Views of Responsible Officials and Planned Corrective Actions:	Dayton Independent School District agrees with the finding. Currently the Board is approving all payments to the Superintendent for expense reimbursements and other payments. School Principals will be required to obtain Central Office approval prior to receiving any payment from school activity funds.

**DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

**DAYTON INDEPENDENT SCHOOL DISTRICT
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL
JUNE 30, 2012**

BOARD MEMBERS

John Hall
Term Expires – December 31, 2012

Diane Huff
Term Expires – December 31, 2014

Bernie Pfeffer
Term Expires – December 31, 2012

Rosan Sharon
Term Expires – December 31, 2014

Jeff Volter
Term Expires – December 31, 2012

ADMINISTRATIVE PERSONNEL

Mr. Jay Brewer
Superintendent

Patricia Patterson
Assistant Superintendent
Director of Special Programs/Technology

Patricia Gosney
Director of Finance

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

Members of the Board of Education
Dayton Independent School District
200 Clay Street
Dayton, Kentucky 41074

We have audited the 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 as of and for the year ended June 30, 2012, which collectively comprise the Dayton Independent School District's basic financial statements and have issued our report thereon dated January 25, 2013. We conducted our audit 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; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report.

Internal Control Over Financial Reporting

Management of Dayton Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Dayton Independent School District's internal control over financial reporting as a basis for designing our auditing procedures 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 Dayton Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dayton Independent School District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in

the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as item 2012-01. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dayton Independent School 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 and which are described in the accompanying schedule of findings and questioned costs as item 2012-01. In addition, the results of our tests disclosed no instances of material noncompliance of specific state statutes or regulations identified in Appendix II of the Independent Auditor's Contract – State Audit Requirements which are described in the accompanying schedule of findings and questioned costs as item 2012-01.

Dayton Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Dayton Independent School District's response and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of Dayton Independent School District in a separate letter dated January 25, 2013.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties



Bertke, Sparks & Kremer, Inc.
January 25, 2013

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Members of the Board of Education
Dayton Independent School District
200 Clay Street
Dayton, Kentucky 41074

Compliance

We have audited Dayton Independent School District's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Dayton Independent School District's major federal programs for the year ended June 30, 2012. Dayton Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Dayton Independent School District's management. Our responsibility is to express an opinion on Dayton Independent School District's compliance based on our audit.

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; the provisions of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I to the Independent Auditor's Contract – General Audit Requirements, Appendix II to the Independent Auditor's Contract – State Audit Requirements, and Appendix III to the Independent Auditor's Contract – Audit Extension Request and Appendix IV to the Independent Auditor's Contract - Instructions for Submission of the Audit Report. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dayton Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Dayton Independent School District's compliance with those requirements.

In our opinion, Dayton Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of Dayton Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Dayton Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dayton Independent School District's 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.



Bertke, Sparks & Kremer, Inc.
January 25, 2013

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

In planning and performing our audit of the financial statements of the Dayton Independent School District for the year ended June 30, 2012, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. A separate report dated January 25, 2013, contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated January 25, 2013, on the financial statements of the Dayton Independent School District.

CURRENT YEAR RECOMMENDATIONS

Central Office

- Condition: Funds on deposit at the Districts financial depository were under-collateralized.
- Criteria: All school district financial institutions are required to maintain a depository bond at least equal to 103 percent of the current daily balances as they may fluctuate or the highest daily balance in each account for each month in the previous year.
- Cause: Balances exceeded the depository bond for a period included in the fiscal year under audit due to the receipt of bond proceeds.
- Effect: District assets we exposed to potential loss during the period that the balances exceeded the combination of the FDIC limit and the depository bond.
- Recommendation: The District's financial institution should be notified in advance of the receipt of any future bond issues in order to obtain a timely increase in the depository bond if needed.
- Response: The finance officer will continue to monitor the bank accounts to make sure the district is adequately collateralized on funds prior to the funds being deposited---this would happen in most cases when bonds are sold and the proceeds are directly deposited into the district bank account

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT YEAR RECOMMENDATIONS (CONT'D)

Central Office (cont'd)

Condition: Internal controls established in the District are not being followed consistently.

Criteria: Controls established by the District require proper authorization prior to disbursement of any funds for reimbursement or other expenditure.

Cause: Purchase orders are not being consistently prepared and authorized in a timely manner.

Effect: Purchases may have been made and reimbursements issued without proper authorization.

Recommendation: District employees should be educated on the District policies surrounding purchases and reimbursements.

Response: The Finance Officer will make sure all purchases are authorized with a purchase order and approved by appropriate administrator before the orders are placed.

Condition: Adequate documentation to support expenditures and reimbursements is not being consistently obtained prior to disbursement of District funds.

Criteria: Meals purchased by and/or reimbursed by the District are required to have a business purpose. In addition, receipts must be complete showing the business purpose, date and detailed items purchased.

Cause: Detailed receipts for meal purchases are not being turned in to the Central Office as support for reimbursement or charges to the District credit card. Support often includes only the signature receipt slip showing the sub-total of the purchase, tip and final total due as support for meal expenditures.

Effect: Unauthorized or disallowed expenditures may have been paid for with District funds.

Recommendation: District employees should be advised of the need for adequate documentation to support reimbursement requests and District credit card purchases. Required documentation should include a detailed receipt and sufficient information to support the business purpose for the meal.

Response: This item has been a concern with Central Office. As of July 1, 2012, the District is making sure all receipts turned in for meals for travel reimbursement or placed on the school credit card are detailed receipts. Also the employee must note on their reimbursement the business purpose. All documentation must be turned in before reimbursement will be issued.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT YEAR RECOMMENDATIONS (CONT'D)

Central Office (cont'd)

Condition: Adequate approval and subsequent documentation to support expenditures and reimbursements is not being consistently obtained prior to disbursement of District funds.

Criteria: Controls established by the District require purchase order approval for overnight out-of-district travel.

Cause: Purchase orders are not being consistently prepared, supported and authorized for overnight out-of-district travel.

Effect: Failure to require prior approval and support for out-of-district business travel may result in abuse of overnight travel and/or excessive expenditure for travel.

Recommendation: All overnight out-of-district travel should be supported with a properly prepared and approved purchase order which includes the need for out-of-district travel and the number off employees requiring overnight accommodations.

Response: The finance officer is making sure all supporting documentation is collected for hotel reservations or reimbursements on overnight stays. Purchase orders are prepared and attached with the hotel receipts which also state the business purpose of the stay. Also if more than one employee attends and rooms together, all names are listed on the receipt.

Condition: Lack of oversight approval for disbursements to the Superintendent.

Criteria: Controls established by the District require proper authorization prior to disbursement of any funds for reimbursement or other expenditure.

Cause: Superintendent approved his own expense reimbursements and other payments.

Effect: Payments were made to the Superintendent that may not have been allowed expenditures.

Recommendation: Consideration should be given to establishing a District policy that will require approval by the Board for expense reimbursement, additional payment of benefits, unused sick/vacation days and any other payments exceeding the Superintendent's approved payroll and benefits.

Response: The Board is currently approving all expense reimbursements requested by the Superintendent. In addition, the Board will be approving any additional payments to the Superintendent for unused sick/vacation days and any other payments exceeding the approved payroll and benefits as well as approving unused sick leave pay for all employees upon their retirement.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

CURRENT YEAR RECOMMENDATIONS (CONT'D)

ACTIVITY FUNDS

Dayton High School

- Condition: Lack of oversight approval for disbursements to the Principal.
- Criteria: Controls established by the District require proper authorization prior to disbursement of any funds for reimbursement or other expenditure.
- Cause: Override of controls by the Principal.
- Effect: Disbursements may have been made without proper authorization and/or support.
- Recommendation: A District-Wide policy should be put in place that requires all payments to school Principals made out of the activity fund accounts be approved by a Central Office designee.
- Response: All appropriate paperwork will be sent to the Superintendent other Central Office Staff for approval prior to any disbursement being made out of the activity funds to the Principal.

Lincoln Elementary School

- Condition: Lack of oversight approval for disbursements to the Principal.
- Criteria: Controls established by the District require proper authorization prior to disbursement of any funds for reimbursement or other expenditure.
- Cause: Override of controls by the Principal.
- Effect: Disbursements may have been made without proper authorization and/or support.
- Recommendation: A District-Wide policy should be put in place that requires all payments to school Principals made out of the activity fund accounts be approved by a Central Office designee.
- Response: In the future, in all instances where the school Principal is being reimbursed, the appropriate paperwork will be sent to the Superintendent or other Central Office Employee for approval prior to any disbursement being made to the Principal.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER COMMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012**

STATUS OF PRIOR YEAR RECOMMENDATIONS

Central Office

None

ACTIVITY FUNDS

Dayton High School

None

Lincoln Elementary School

None