

# **Dayton Independent School District**

**Financial Statements with Supplementary Information  
June 30, 2014  
Independent Auditors' Report**

**DAYTON INDEPENDENT SCHOOL DISTRICT**  
**June 30, 2014**

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**DAYTON INDEPENDENT SCHOOL DISTRICT**  
**June 30, 2014**

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## Independent Auditors' Report

To the Members of the Board of Education  
Dayton Independent School District  
Dayton, Kentucky

### Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Dayton Independent School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Independent Auditors' Report  
(Continued)**

**Other Matters**

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-7 and 14-16 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.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dayton Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Reporting Other Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2014 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, and 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* in considering Dayton Independent School District's internal control over financial reporting and compliance.



## DAYTON INDEPENDENT SCHOOL DISTRICT

### Management's Discussion and Analysis (MD&A) Year Ended June 30, 2014

As management of the Dayton Independent Board of Education (Board), the governing body for 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, 2014. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes. All amounts used in this MD&A are approximate amounts, except where more specific.

#### FINANCIAL HIGHLIGHTS

- No district raises were given by the Board with exception of rank and experience. Several positions were eliminated from prior year. Also, the Board approved to reduce the school calendar by one day for all employees (from 187 to 186).
- 4% property tax increase was levied by the Board.
- KTRS (certified retirement) medical board match increased from 1.00% to 1.50%.
- CERS (classified retirement) board match decreased from 19.55% to 18.89%.
- Seek funds decreased slightly due to reduction in ADA from 769.06 to 761.56.
- The Board was approved to use approximately \$38,000 in Capital Outlay funds for general maintenance expenses.
- The District was awarded Year 2 of the High School Counseling grant as well as being awarded an Elementary Counseling grant.
- The District also received funding again for the School Improvement grant in the amount of \$100,000 to be expended for the Middle and High Schools.
- Renovation was completed in the summer of 2013 for the Lincoln Elementary Project (\$1,750,000). The renovation included new restrooms, hallway flooring, classroom flooring, new gym floor, new cafeteria floor, serving line, and other kitchen equipment. Also, smart boards were added in all classrooms and all the rooms were painted.
- Contingency in General Fund Working Budget is 2.91%. Total budget in General Fund was \$6,046,898.
- Sheriff decreased tax collection fee from 2.5% to 1.5% -- a savings of \$16,000 to the District.
- The Board has budgeted \$15,000 for the purchase of a small piece of property next to the high school (773 Third St.).
- The Board agreed to collect indirect costs from the food service fund again for 2013-2014.
- Federal and state funds were reduced due to sequestration.
- The Board approved for Lincoln Elementary to lease 28 computers for the next three years, paid with SBDM funds.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)  
Year Ended June 30, 2014**

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

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 is also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 8 and 9 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 funds, 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 and day care operations. All other activities of the District are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 10 through 19 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 20 through 33 of this report.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)  
Year Ended June 30, 2014**

**DISTRICT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$2,101,637 as of June 30, 2014.

The largest portion of the District's net position reflects its investment in capital assets (i.e. land and improvements, buildings and improvements, vehicles, furniture and equipment), 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.

**Net Position for the periods ending June 30, 2014 and 2013**

The following is a summary of net position for the fiscal years ended June 30, 2014 and 2013.

	2014	2013
Current assets	\$ 866,568	\$ 2,060,797
Noncurrent assets	7,056,092	6,725,267
<b>Total assets</b>	<b>\$ 7,922,660</b>	<b>\$ 8,786,064</b>
Current liabilities	\$ 613,788	\$ 1,201,847
Noncurrent liabilities	5,207,235	5,601,887
<b>Total liabilities</b>	<b>\$ 5,821,023</b>	<b>\$ 6,803,734</b>
<b>Net position</b>		
Investment in capital assets (net of debt)	\$ 1,661,225	\$ 1,010,302
Restricted	106,967	850,578
Nonspendable	9,972	13,054
Unassigned	323,473	108,396
<b>Total net position</b>	<b>\$ 2,101,637</b>	<b>\$ 1,982,330</b>

**Comments on General Fund Budget Comparisons**

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2014, were \$7,198,735, net of inter-fund transfers, of \$71,766.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,592,946 more than budget or approximately 28% of General Fund Budget. The majority of this variance is the result of the District recording "on-behalf" payments made by the state.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)  
Year Ended June 30, 2014**

**DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)**

**Comments on General Fund Budget Comparisons (Continued)**

- General Fund actual expenditures were \$7,077,118, net of inter-fund transfers of \$12,186.
- General Fund actual expenditures were more than budgeted expenditures by \$1,042,406.

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Revenues		
Program Revenues:		
Charges for services	\$ 114,830	\$ 113,046
Operating grants and contributions	2,219,891	2,071,286
Capital grants and contributions	<u>404,583</u>	<u>389,473</u>
Total program revenues	<u>2,739,304</u>	<u>2,573,805</u>
General Revenues		
Taxes	1,882,171	1,749,733
Federal and state sources	5,121,679	5,148,593
Earnings on investments	3,276	3,202
Miscellaneous	<u>287,018</u>	<u>(68,562)</u>
Total general revenues	<u>7,294,144</u>	<u>6,832,966</u>
Total revenues	<u>10,033,448</u>	<u>9,406,771</u>
Expenses		
Instruction	5,063,691	5,127,703
Student support services	780,903	679,285
Instructional support	488,822	606,298
District administration	450,733	457,318
School administration	571,930	578,635
Business support	332,313	333,285
Plant operations	771,727	853,642
Student transportation	180,491	183,464
Community service activities	135,438	127,116
Facilities acquisition and construction	1,857	575,735
Other	260	18,135
Debt services	197,683	162,971
Food service	696,669	662,326
Daycare service	<u>85,783</u>	<u>102,918</u>
Total expenses	<u>9,758,300</u>	<u>10,468,831</u>
Surplus (deficit) of revenues over expenses	<u>\$ 275,148</u>	<u>\$ (1,062,060)</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Management's Discussion and Analysis (MD&A)  
(Continued)  
Year Ended June 30, 2014**

**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 \$176,039 in contingency (2.91%). The beginning cash balance for the fiscal year was \$1,771,257.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

Questions regarding this report should be directed to Mr. Jay Brewer, Superintendent, or Ms. Trish Gosney, Finance Officer, by telephone at 859-491-6565 or by mail at 200 Clay Street, Dayton, KY 41074.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position – District Wide  
Year Ended June 30, 2014**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 555,428	\$ 105,324	\$ 660,752
Accounts receivable	173,109	22,735	195,844
Inventories for consumption	-	9,972	9,972
	<hr/>	<hr/>	<hr/>
Total current	728,537	138,031	866,568
<b>Noncurrent</b>			
Nondepreciated capital assets:			
Land	160,725	-	160,725
Depreciated capital assets:			
Land improvements	99,757	-	99,757
Buildings and improvements	11,495,510	-	11,495,510
Furniture and equipment	2,022,197	374,911	2,397,108
Less: accumulated depreciation	(6,836,947)	(260,061)	(7,097,008)
	<hr/>	<hr/>	<hr/>
Total noncurrent	6,941,242	114,850	7,056,092
	<hr/>	<hr/>	<hr/>
Total assets	7,669,779	252,881	7,922,660
<b>Liabilities</b>			
<b>Current</b>			
Current portion of bonds payable	318,571	-	318,571
Current portion of accrued sick leave	14,549	-	14,549
Accounts payable	75,974	24,218	100,192
Accrued payroll and related expenses	83,084	-	83,084
Accrued interest	42,913	-	42,913
Assessed KISBIT liability	38,666	-	38,666
Unearned revenues	15,813	-	15,813
	<hr/>	<hr/>	<hr/>
Total current	589,570	24,218	613,788
<b>Noncurrent</b>			
Accrued sick leave	130,939	-	130,939
Bonds payable	5,076,296	-	5,076,296
	<hr/>	<hr/>	<hr/>
Total noncurrent	5,207,235	-	5,207,235
	<hr/>	<hr/>	<hr/>
Total liabilities	5,796,805	24,218	5,821,023
<b>Net Position</b>			
Invested in capital assets, net of related debt	1,546,375	114,850	1,661,225
Restricted for:			
Capital projects	3,126	-	3,126
Accrued sick leave	-	-	-
Nonspendable	-	9,972	9,972
Other	-	103,841	103,841
Unrestricted	323,473	-	323,473
	<hr/>	<hr/>	<hr/>
Total net position	\$ 1,872,974	\$ 228,663	\$ 2,101,637

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Activities – District Wide  
Year Ended June 30, 2014**

Function/Programs	Program Revenues				Net(Expense) Revenue and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	
<b>Governmental Activities:</b>							
Instructional	\$ 5,063,691	\$ -	\$ 735,184	\$ -	\$ (4,328,507)	\$ -	\$ (4,328,507)
Student support services	780,903	-	270,141	-	(510,762)	-	(510,762)
Staff support services	488,822	-	236,702	-	(252,120)	-	(252,120)
District administration	450,733	-	-	-	(450,733)	-	(450,733)
School administration	571,930	-	89,432	-	(482,498)	-	(482,498)
Business support services	332,313	-	31,766	-	(300,547)	-	(300,547)
Plant operation and maintenance	771,727	-	-	-	(771,727)	-	(771,727)
Student transportation	180,491	-	13,161	-	(167,330)	-	(167,330)
Food service operations	260	-	-	-	(260)	-	(260)
Community service operations	135,438	-	119,657	-	(15,781)	-	(15,781)
Facility acquisition and construction	1,857	-	-	404,583	402,726	-	402,726
Interest on long-term debt	197,683	-	-	-	(197,683)	-	(197,683)
Total governmental activities	8,975,848	-	1,496,043	404,583	(7,075,222)	-	(7,075,222)
<b>Business-type Activities</b>							
Food service	696,669	48,573	706,316	-	-	58,220	58,220
Daycare	85,783	66,257	17,532	-	-	(1,994)	(1,994)
Total business-type activities	782,452	114,830	723,848	-	-	56,226	56,226
Total school district	\$ 9,758,300	\$ 114,830	\$ 2,219,891	\$ 404,583	\$ (7,075,222)	\$ 56,226	\$ (7,018,996)
			<b>General revenues:</b>				
			Taxes		\$ 1,882,171	\$ -	\$ 1,882,171
			Federal and state sources		5,121,679	-	5,121,679
			Investment earnings		3,053	223	3,276
			Miscellaneous		284,106	1,567	285,673
			Special items:				
			Gain(loss) on sale of assets		1,215	130	1,345
			Interfund transfers		32,552	(32,552)	-
			Total general and special revenues		7,324,776	(30,632)	7,294,144
			Change in net position		249,554	25,594	275,148
			Net position - beginning		1,779,261	203,069	1,982,330
			Net position adjustment		(155,841)	-	(155,841)
			Net position - ending		\$ 1,872,974	\$ 228,663	\$ 2,101,637

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Balance Sheet – Governmental Funds  
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
<b>Current</b>					
Cash (overdraft) and cash equivalents	\$ 592,747	\$ (103,723)	\$ 66,404	\$ -	\$ 555,428
Accounts receivable	49,811	123,298	-	-	173,109
Total current	<u>\$ 642,558</u>	<u>\$ 19,575</u>	<u>\$ 66,404</u>	<u>\$ -</u>	<u>\$ 728,537</u>
<b>Liabilities and Fund Balance</b>					
<b>Current</b>					
Accounts payable	\$ 8,934	\$ 3,762	\$ 63,278	\$ -	\$ 75,974
Accrued payroll and related expenses	83,084	-	-	-	83,084
Unearned revenues	-	15,813	-	-	15,813
Total current	<u>92,018</u>	<u>19,575</u>	<u>63,278</u>	<u>-</u>	<u>174,871</u>
<b>Fund Balance</b>					
Restricted:					
Capital projects fund	-	-	3,126	-	3,126
Unassigned	550,540	-	-	-	550,540
Total fund balance	<u>550,540</u>	<u>-</u>	<u>3,126</u>	<u>-</u>	<u>553,666</u>
Total liabilities and fund balance	<u>\$ 642,558</u>	<u>\$ 19,575</u>	<u>\$ 66,404</u>	<u>\$ -</u>	<u>\$ 728,537</u>

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Reconciliation of the Balance Sheet  
Governmental Funds to the Statement of Net Position  
As of June 30, 2014**

Total governmental fund balance		\$	553,666
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Cost of capital assets	13,778,189		
Accumulated depreciation	<u>(6,836,947)</u>		
			6,941,242
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			(5,394,867)
Accrued interest on bonds			(42,913)
Assessed KISBIT liability			(38,666)
Accrued sick leave			<u>(145,488)</u>
Total net position - governmental		\$	<u>1,872,974</u>

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  
Year Ended June 30, 2014**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes	\$ 1,788,349	\$ -	\$ -	\$ 93,822	\$ 1,882,171
Earnings on investments	3,053	-	-	-	3,053
State sources	5,115,646	479,274	-	404,583	5,999,503
Federal sources	6,033	1,008,710	-	-	1,014,743
Other sources	284,106	8,059	-	-	292,165
	<u>7,197,187</u>	<u>1,496,043</u>	<u>-</u>	<u>498,405</u>	<u>9,191,635</u>
Total revenues					
<b>Expenditures</b>					
Instructional	4,238,360	744,875	-	-	4,983,235
Student support services	473,410	270,141	-	-	743,551
Staff support services	250,525	236,702	-	-	487,227
District administration	442,685	-	-	-	442,685
School administration	482,060	89,432	-	-	571,492
Business support services	300,032	31,766	-	-	331,798
Plant operation and maintenance	688,874	-	-	-	688,874
Student transportation	138,136	13,161	-	-	151,297
Food service operations	260	-	-	-	260
Community service operations	15,603	119,657	-	-	135,260
Facility acquisition and construction	1,857	-	844,460	-	846,317
Debt service:					
Principal	39,425	-	-	280,673	320,098
Interest	5,891	-	-	181,013	186,904
	<u>7,077,118</u>	<u>1,505,734</u>	<u>844,460</u>	<u>461,686</u>	<u>9,888,998</u>
Total expenditures					
Excess(deficit) of revenues over expenditures	<u>120,069</u>	<u>(9,691)</u>	<u>(844,460)</u>	<u>36,719</u>	<u>(697,363)</u>
<b>Other Financing Sources (Uses)</b>					
Proceeds from sale of bonds	-	-	-	-	-
Proceeds from sale of assets and claims	1,548	-	-	-	1,548
Operating transfers in	71,766	12,186	-	315,504	399,456
Operating transfers out	(12,186)	(2,495)	-	(352,223)	(366,904)
	<u>61,128</u>	<u>9,691</u>	<u>-</u>	<u>(36,719)</u>	<u>34,100</u>
Total other financing sources(uses)					
Net change in fund balance	181,197	-	(844,460)	-	(663,263)
Fund balance, July 1, 2013	<u>369,343</u>	<u>-</u>	<u>847,586</u>	<u>-</u>	<u>1,216,929</u>
Fund balance, June 30, 2014	<u>\$ 550,540</u>	<u>\$ -</u>	<u>\$ 3,126</u>	<u>\$ -</u>	<u>\$ 553,666</u>

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
Year Ended June 30, 2014**

Net changes in total fund balances per fund financial statements \$ (663,263)

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

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	(333)	
Depreciation expense	(402,256)	
Construction in progress	(258,088)	
Capital Outlays	1,141,286	480,609

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position 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 position.

Principal paid	320,098	320,098
----------------	---------	---------

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.

	112,110	
Change in net position of governmental activities	\$ 249,554	

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – General Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Taxes	\$ 1,744,364	\$ 1,778,565	\$ 1,788,349	\$ 9,784
Other local sources	22,400	39,234	287,159	247,925
State sources	3,783,037	3,783,037	5,115,646	1,332,609
Federal sources	8,000	8,000	6,033	(1,967)
Other sources	32,000	68,719	73,314	4,595
	<u>5,589,801</u>	<u>5,677,555</u>	<u>7,270,501</u>	<u>1,592,946</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Instructional	3,398,196	3,394,392	4,238,360	(843,968)
Student support services	355,587	370,708	473,410	(102,702)
Staff support services	193,517	197,017	250,525	(53,508)
District administration	399,907	399,907	442,685	(42,778)
School administration	389,361	389,361	482,060	(92,699)
Business support services	213,287	213,287	300,032	(86,745)
Plant operation and maintenance	680,871	702,951	688,874	14,077
Student transportation	118,738	118,738	138,136	(19,398)
Food service operation	3,082	3,082	260	2,822
Community service operations	7,100	7,100	15,603	(8,503)
Facility acquisition and construction	15,000	15,000	1,857	13,143
Debt service and miscellaneous	45,316	45,316	45,316	-
Other	190,039	190,039	12,186	177,853
	<u>6,010,001</u>	<u>6,046,898</u>	<u>7,089,304</u>	<u>(1,042,406)</u>
<b>Total expenditures</b>				
Net change in fund balance	(420,200)	(369,343)	181,197	550,540
Fund balance, July 1, 2013	420,200	369,343	369,343	-
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,540</u>	<u>\$ 550,540</u>

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – Special Revenue  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Other local sources	\$ -	\$ 1,000	\$ 8,059	\$ 7,059
State sources	472,541	472,950	479,274	6,324
Federal sources	961,734	961,734	1,008,710	46,976
Other sources	14,000	14,000	12,186	(1,814)
	<u>1,448,275</u>	<u>1,449,684</u>	<u>1,508,229</u>	<u>58,545</u>
<b>Total revenues</b>				
	<u>1,448,275</u>	<u>1,449,684</u>	<u>1,508,229</u>	<u>58,545</u>
<b>Expenditures</b>				
Instructional	731,288	749,042	744,875	4,167
Student support services	273,632	246,120	270,141	(24,021)
Staff support services	195,897	205,655	236,702	(31,047)
School administration	89,404	89,404	89,432	(28)
Business support services	34,376	34,376	31,766	2,610
Student transportation	13,124	13,124	13,161	(37)
Community service operations	110,554	111,963	119,657	(7,694)
Other	-	-	2,495	(2,495)
	<u>1,448,275</u>	<u>1,449,684</u>	<u>1,508,229</u>	<u>(58,545)</u>
<b>Total expenditures</b>				
	<u>1,448,275</u>	<u>1,449,684</u>	<u>1,508,229</u>	<u>(58,545)</u>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenditures and Changes in Fund Balance –  
Budget to Actual – Construction Fund  
Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Revenues</b>				
Other local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Other sources	14,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	14,000	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Expenditures</b>				
Facility acquisition and construction	-	-	844,460	(844,460)
Debt service and miscellaneous	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	-	-	844,460	(844,460)
	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	14,000	-	(844,460)	(844,460)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, July 1, 2013	-	-	847,586	847,586
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance, June 30, 2014	<u>\$ 14,000</u>	<u>\$ -</u>	<u>\$ 3,126</u>	<u>\$ 3,126</u>

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Net Position – Proprietary Funds  
As of June 30, 2014**

	<b>Food Service Fund</b>	<b>Day Care Fund</b>	<b>Total</b>
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 99,689	\$ 5,635	\$ 105,324
Accounts receivable	17,427	5,308	22,735
Inventories for consumption	9,972	-	9,972
Total current	<u>127,088</u>	<u>10,943</u>	<u>138,031</u>
<b>Noncurrent</b>			
Furniture and fixtures	327,011	47,900	374,911
Less: accumulated depreciation	<u>(218,400)</u>	<u>(41,661)</u>	<u>(260,061)</u>
Total noncurrent	<u>108,611</u>	<u>6,239</u>	<u>114,850</u>
Total assets	<u>235,699</u>	<u>17,182</u>	<u>252,881</u>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable	<u>24,218</u>	<u>-</u>	<u>24,218</u>
Total current	<u>24,218</u>	<u>-</u>	<u>24,218</u>
<b>Net Position</b>			
Invested in assets, net of debt	108,611	6,239	114,850
Restricted - inventories	9,972	-	9,972
Restricted - net position	92,898	10,943	103,841
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>211,481</u>	<u>17,182</u>	<u>228,663</u>
Total liabilities and net position	<u>\$ 235,699</u>	<u>\$ 17,182</u>	<u>\$ 252,881</u>

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds  
Year Ended June 30, 2014**

	<b>Food Service Fund</b>	<b>Day Care Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Lunchroom sales	\$ 48,573	\$ -	\$ 48,573
Other operating revenues	1,567	66,257	67,824
<b>Total operating revenues</b>	<b>50,140</b>	<b>66,257</b>	<b>116,397</b>
<b>Operating Expenses</b>			
Student transportation	-	756	756
Salaries and benefits	270,565	80,616	351,181
Contract services	20,930	303	21,233
Materials and supplies	351,265	124	351,389
Plant operation and maintenance	30,073	996	31,069
Depreciation	22,954	958	23,912
Other operating expenses	882	2,030	2,912
<b>Total operating expenses</b>	<b>696,669</b>	<b>85,783</b>	<b>782,452</b>
<b>Operating loss</b>	<b>(646,529)</b>	<b>(19,526)</b>	<b>(666,055)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Federal grants	629,112	-	629,112
State grants	40,156	17,532	57,688
Donated commodities and other donations	37,048	-	37,048
Transfers	(32,552)	-	(32,552)
Gain on sale of equipment	130	-	130
Interest income	223	-	223
<b>Total nonoperating revenue</b>	<b>674,117</b>	<b>17,532</b>	<b>691,649</b>
<b>Change in net position</b>	<b>27,588</b>	<b>(1,994)</b>	<b>25,594</b>
<b>Total net position, July 1, 2013</b>	<b>183,893</b>	<b>19,176</b>	<b>203,069</b>
<b>Total net position, June 30, 2014</b>	<b>\$ 211,481</b>	<b>\$ 17,182</b>	<b>\$ 228,663</b>

See notes to the financial statements

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Cash Flows – Proprietary Funds  
Year Ended June 30, 2014**

	<b>Food Service Fund</b>	<b>Day Care Fund</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>			
Cash received from lunchroom sales	\$ 48,573	\$ -	\$ 48,573
Cash received from other activities	54,603	66,257	120,860
Cash payments to employees for services	(270,565)	(81,458)	(352,023)
Cash payments to suppliers for goods and services	(378,971)	(4,209)	(383,180)
Cash transfers	(32,552)	-	(32,552)
	<u>(578,912)</u>	<u>(19,410)</u>	<u>(598,322)</u>
Net cash flows used in operating activities			
<b>Cash Flows from Capital Financing Activities</b>			
Disposal of capital assets	11,300	-	11,300
Acquisition of capital assets	(41,139)	-	(41,139)
	<u>(29,839)</u>	<u>-</u>	<u>(29,839)</u>
Net cash used in capital financing activities			
<b>Cash Flows from Noncapital Financing Activities</b>			
Non-operating revenues received	706,316	17,532	723,848
	<u>706,316</u>	<u>17,532</u>	<u>723,848</u>
Net cash provided by noncapital financing activities			
<b>Cash Flows from Investing Activities</b>			
Interest on investments	223	-	223
	<u>223</u>	<u>-</u>	<u>223</u>
Net cash flows provided by investing activities			
Net decrease in cash and cash equivalents	97,788	(1,878)	95,910
Cash and cash equivalents - beginning	1,901	7,513	9,414
Cash and cash equivalents - ending	<u>\$ 99,689</u>	<u>\$ 5,635</u>	<u>\$ 105,324</u>
<b>Reconciliation of Operating Loss to Net Cash Used in Operating Activities</b>			
Operating loss	\$ (646,529)	\$ (19,526)	\$ (666,055)
<b>Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities</b>			
Depreciation	22,954	958	23,912
Interfund transfers	(32,552)	-	(32,552)
Changes in assets and liabilities:			
Increase (decrease) in inventories	-	-	-
Decrease (increase) in accounts receivable	53,036	(842)	52,194
Increase (decrease) in accounts payable	24,179	-	24,179
	<u>24,179</u>	<u>-</u>	<u>24,179</u>
Net cash used in operating activities	<u>\$ (578,912)</u>	<u>\$ (19,410)</u>	<u>\$ (598,322)</u>
<b>Schedule of Non-Cash Transactions</b>			
Donated commodities received from federal government	<u>\$ 37,048</u>	<u>\$ -</u>	<u>\$ 37,048</u>

See notes to the financial statements

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position  
As of June 30, 2014

	<u>School Activity Funds</u>	<u>Total</u>
<b>Assets</b>		
Cash and cash equivalents	<u>\$ 211,296</u>	<u>\$211,296</u>
Total assets	<u>211,296</u>	<u>211,296</u>
<b>Liabilities</b>		
Due to student groups	<u>211,296</u>	<u>211,296</u>
Total liabilities	<u><u>\$ 211,296</u></u>	<u><u>\$211,296</u></u>

See notes to the financial statements

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements

#### NOTE 1 - 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 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 Board 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 position 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 (Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### *Basis of Presentation (Continued)*

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 total net position. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus.

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  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Basis of Presentation (Continued)***

I. Governmental Fund Types (Continued)

(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.
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.
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 Fund (Enterprise Fund)

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.

IV. Fiduciary Fund Type (Agency and Trust Funds)

The Activity Funds account for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with Uniform Program of Accounting for School Activity Funds.

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.

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### ***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, is 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.

Unearned Revenue – Unearned 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 unearned 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.

##### ***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.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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.

***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 position 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 position 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.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Capital Assets (Continued)***

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.

***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 position, 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.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Fund Balance Reserves***

Beginning with fiscal year 2012 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.

***Net Position***

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

***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.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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 as non-operating 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 2 - 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 3 – CASH AND CASH EQUIVALENTS**

The District maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. The amounts exceeding the federally insured limits are covered by a collateral agreement and the collateral is held by the pledging banks' trust departments in the District's name. The District has not experienced any losses in such accounts and the District believes it is not exposed to any significant credit risk on cash and cash equivalents.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2014 was as follows:

<u>Governmental Activities</u>	Balance July 01, 2013	Additions	Deductions	Balance June 30, 2014
Land and land improvements	\$ 260,482	\$ -	\$ -	\$ 260,482
Buildings and improvements	10,518,373	977,137	-	11,495,510
Technology equipment	1,221,831	130,951	17,307	1,335,475
Vehicles	428,244	29,008	-	457,252
General equipment	225,280	4,190	-	229,470
Construction in progress	258,088	-	258,088	-
Totals at historical cost	<u>12,912,298</u>	<u>1,141,286</u>	<u>275,395</u>	<u>13,778,189</u>
Less: accumulated depreciation				
Land improvements	71,343	2,368	-	73,711
Buildings and improvements	4,933,553	245,604	-	5,179,157
Technology equipment	981,506	86,358	16,974	1,050,890
Vehicles	297,712	58,177	-	355,889
General equipment	167,551	9,749	-	177,300
Total accumulated depreciation	<u>6,451,665</u>	<u>402,256</u>	<u>16,974</u>	<u>6,836,947</u>
Governmental activities capital assets - net	<u>\$ 6,460,633</u>	<u>\$ 739,030</u>	<u>\$ 258,421</u>	<u>\$ 6,941,242</u>
 <u>Business - Type Activities</u>				
Buildings and improvements	\$ 165,279	\$ -	\$ -	\$ 165,279
Technology equipment	10,667	-	-	10,667
Vehicles	4,000	-	-	4,000
General equipment	178,197	41,139	24,371	194,965
Totals at historical cost	<u>358,143</u>	<u>41,139</u>	<u>24,371</u>	<u>374,911</u>
Less: accumulated depreciation				
Buildings and improvements	112,316	3,306	-	115,622
Technology equipment	8,751	1,903	-	10,654
Vehicles	1,933	800	-	2,733
General equipment	126,350	17,903	13,201	131,052
Total accumulated depreciation	<u>249,350</u>	<u>23,912</u>	<u>13,201</u>	<u>260,061</u>
Business - type activities capital assets - net	<u>\$ 108,793</u>	<u>\$ 17,227</u>	<u>\$ 11,170</u>	<u>\$ 114,850</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 5 - 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, 2014 this amount totaled approximately \$145,488 for those employees with twenty-seven or more years of experience or fifty-nine and a half years old.

**NOTE 6 – COMMITMENTS UNDER CAPITAL LEASES**

The District leases equipment under operating leases expiring in various years through 2016. Future minimum lease payments under operating lease agreements for equipment as of June 30, 2014 are as follows:

Year Ended June 30,	Lease Payable
2015	\$ 52,640
2016	6,581
Thereafter	<u>-</u>
Total minimum lease payments	<u>\$ 59,221</u>

**NOTE 7 - LEASE OBLIGATIONS AND BONDED DEBT**

The amount shown in the accompanying financial statements as lease obligations represents the District's future obligations to make lease 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>
November 2004	\$ 645,000	3.550% - 3.750%
June 2006	78,725	3.300% - 4.000%
January 2008	90,989	3.300% - 3.750%
February 2009	1,290,000	3.000% - 3.500%
June 2009	1,990,000	2.800% - 4.400%
December 2009	187,514	2.000% - 3.250%
January 2011	83,893	1.300% - 4.000%
June 2011	950,000	3.000% - 4.375%
May 2013	1,735,000	1.250% - 3.000%

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 by the Dayton Independent School District Finance Corporation to construct school facilities.

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. Note 17 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 has been recorded in the financial statements.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 7 - LEASE OBLIGATIONS AND BONDED DEBT (Continued)**

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, 2014 for debt service (principal and interest) are reported in Note 17.

**NOTE 8 - RETIREMENT PLANS**

Kentucky Teachers Retirement System

The Kentucky Local School District contributes to the Teachers' Retirement System of Kentucky (KTRS), a cost-sharing, multiple employer defined benefit pension plan. KTRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems and other public educational agencies in Kentucky. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by KY Department of Education. Job classifications that permit experience to substitute for either of these requirements do not participate in KTRS.

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 11.355% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement system before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2014, was \$660,638, which consisted of \$145,458 from the District and \$515,180 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$607,135 and \$582,700, respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

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 state at a rate as required by the Board of Trustees to be necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2014, was \$258,187, which consisted of \$203,855 from the District and \$54,332 from the employees. Total contributions for the year ended June 30, 2013 and 2012 were \$266,580 and \$260,866 respectively. The contributions have been contributed in full for fiscal years 2014, 2013 and 2012.

The District's total payroll for the year was \$5,477,618. The payroll for employees covered under KTRS was \$4,537,035 and for CERS was \$1,018,168.

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

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

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Notes to the Financial Statements (Continued)

#### NOTE 8 - RETIREMENT PLANS (Continued)

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 9 - 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 grantors 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 10 - 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 11 - 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 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. 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 member on a pro rata basis.

The District is self-insured for unemployment insurance benefits. The District reimburses the state for any claims paid. The District purchases workers' compensation insurance through the Kentucky School Boards Insurance Trust. 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.

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 12 - 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:

Construction Fund	\$	844,460
Day Care Fund		1,994

**NOTE 13 - 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 14 - CONTINGENT LIABILITY**

The District is a participant in the Kentucky School Board Insurance Trust in which the District purchases general liability and workers' compensation insurance. As of June 30, 2014, the District has been notified of a deficit in the trust and has been given a preliminary assessment of its portion of the deficit of \$38,666. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

**NOTE 15 - TRANSFER OF FUNDS**

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
1	2	Matching	\$ 12,186
2	1	Operating	2,495
310	400	Debt Service	39,437
310	1	Operating	36,719
320	400	Debt Service	276,067
51	1	Indirect Cost	32,553

**NOTE 16 - ON-BEHALF PAYMENTS**

For the year ended June 30, 2014 total payments of \$1,552,031 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 recorded in the appropriate revenue and expense accounts on the statement of activities.

General Fund	\$	1,360,865
Debt Service Fund		146,182
Food Service Fund		34,527
Daycare Service		10,457
		\$ 1,552,031

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to the Financial Statements  
(Continued)**

**NOTE 17 - SCHEDULE OF LONG-TERM DEBT**

2004, 2004K, 2006K, 2008K, 2009, 2009K, 2009R, 2011, 2011K and 2013 Issues

FISCAL YEAR	Dayton Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2014-2015	\$ 200,797	\$ 143,295	\$ 344,092	\$ 117,774	\$ 36,668	\$ 154,442	\$ 498,534
2015-2016	208,953	136,879	345,832	106,782	33,161	139,943	485,775
2016-2017	206,977	130,483	337,460	109,708	30,014	139,722	477,182
2017-2018	215,076	123,856	338,932	113,161	26,625	139,786	478,718
2018-2019	208,892	116,835	325,727	116,353	23,055	139,408	465,135
2019-2020	215,554	109,881	325,435	42,014	19,376	61,390	386,825
2020-2021	224,499	103,385	327,884	43,327	18,063	61,390	389,274
2021-2022	220,313	96,646	316,959	44,687	16,702	61,389	378,348
2022-2023	228,902	89,956	318,858	46,098	15,291	61,389	380,247
2023-2024	237,440	83,081	320,521	47,560	13,829	61,389	381,910
2024-2025	245,751	74,910	320,661	49,249	12,140	61,389	382,050
2025-2026	253,998	66,391	320,389	51,002	10,386	61,388	381,777
2026-2027	262,069	57,128	319,197	52,931	8,457	61,388	380,585
2027-2028	270,061	47,524	317,585	54,939	6,451	61,390	378,975
2028-2029	282,898	37,057	319,955	57,102	4,287	61,389	381,344
2029-2030	233,788	26,103	259,891	16,212	2,035	18,247	278,138
2030-2031	238,301	17,920	256,221	16,699	1,548	18,247	274,468
2031-2032	157,801	9,603	167,404	17,199	1,047	18,246	185,650
2032-2033	162,285	4,869	167,154	17,715	531	18,246	185,400
	<u>\$ 4,274,355</u>	<u>\$ 1,475,802</u>	<u>\$ 5,750,157</u>	<u>\$ 1,120,512</u>	<u>\$ 279,666</u>	<u>\$ 1,400,178</u>	<u>\$ 7,150,335</u>

A summary of the changes in the outstanding principal for the District during the fiscal year ended June 30, 2014 is as follows:

Governmental Activities	Balance July 01, 2013	Additions	Payments	Balance June 30, 2014
Bond Obligations	\$ 5,714,965	\$ -	\$ 320,098	\$ 5,394,867

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

For the year ended June 30, 2014, the District adopted GASB 65 *Items Previously Reported as Assets and Liabilities*. As a result of this adoption, the beginning net position of the government fund activities have been decreased by \$155,841. The governmental funds had a balance at June 30, 2013 of \$1,779,261. The balance should have been \$1,623,420. The change is a result of the write off of the amortized costs associated with the deferred loss on a bond's refunding. The net effect of these restatements was \$155,841.

**NOTE 19 - SUBSEQUENT EVENTS**

Subsequent events were considered through November 12, 2014, which represents the release date of our report.

SUPPLEMENTARY  
INFORMATION

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Combining Balance Sheet – Nonmajor Governmental Funds  
Year Ended June 30, 2014**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Assets</b>				
<b>Current</b>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Total current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances</b>				
Restricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Combining Statement of Revenues Expenditures and  
Changes in Fund Balances – Nonmajor Governmental Funds  
Year Ended June 30, 2014**

	<b>Capital Outlay Fund</b>	<b>Building Fund</b>	<b>Debt Service</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Taxes	\$ -	\$ 93,822	\$ -	\$ 93,822
Earnings on investments	-	-	-	-
State sources	76,156	182,245	146,182	404,583
Federal sources	-	-	-	-
Other sources	-	-	-	-
<b>Total revenues</b>	<b>76,156</b>	<b>276,067</b>	<b>146,182</b>	<b>498,405</b>
<b>Expenditures</b>				
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	-	-	280,673	280,673
Interest	-	-	181,013	181,013
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>461,686</b>	<b>461,686</b>
Excess (deficit) of revenues over expenditures	76,156	276,067	(315,504)	36,719
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Operating transfers in	-	-	315,504	315,504
Operating transfers out	(76,156)	(276,067)	-	(352,223)
<b>Total other financing sources(uses)</b>	<b>(76,156)</b>	<b>(276,067)</b>	<b>315,504</b>	<b>(36,719)</b>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2013	-	-	-	-
Fund balance, June 30, 2014	\$ -	\$ -	\$ -	\$ -

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Bond and Interest Redemption Funds  
Year Ended June 30, 2014**

	<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>	<u>Issue of 2009</u>
<b>Cash at July 1, 2013</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>						
Transfers and miscellaneous deposits	70,063	6,562	9,478	10,837	142,430	132,160
<b>Disbursements:</b>						
Bonds paid	65,000	6,340	8,573	9,190	115,000	60,000
Interest coupons	5,063	222	905	1,647	27,430	72,160
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	70,063	6,562	9,478	10,837	142,430	132,160
Excess or (deficiency) of receipts over disbursements	-	-	-	-	-	-
<b>Cash at June 30, 2014</b>	-	-	-	-	-	-
<b>Accounts Receivable and Payable</b>						
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
<b>Fund balance at June 30, 2014</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Issue of 2009 KISTA</u>	<u>Issue of 2011</u>	<u>Issue of 2011 KISTA</u>	<u>Issue of 2013</u>	<u>Total</u>
<b>Cash at July 1, 2013</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	21,216	41,413	9,834	63,009	507,002
<b>Disbursements:</b>					
Bonds paid	18,083	5,000	7,912	25,000	320,098
Interest coupons	3,133	36,413	1,922	38,009	186,904
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	21,216	41,413	9,834	63,009	507,002
Excess or (deficiency) of receipts over disbursements	-	-	-	-	-
<b>Cash at June 30, 2014</b>	-	-	-	-	-
<b>Accounts Receivable and Payable</b>					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
<b>Fund balance at June 30, 2014</b>	\$ -	\$ -	\$ -	\$ -	\$ -

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Dayton High School Activity Funds  
Year Ended June 30, 2014  
(Continued)**

	<u>Fund Balance</u> <u>July 01, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance</u> <u>June 30, 2014</u>
7th grade account	\$ 413	\$ 50	\$ -	\$ 463
8th grade account	172	477	437	212
ABLE	6,330	670	4,000	3,000
After prom	2,342	2,000	3,650	692
All A boys tournament	-	5,704	5,704	-
Annual	1,860	1,269	1,944	1,185
Art club	870	599	790	679
Art department	117	40	-	157
Arts and humanities	76	-	-	76
Athletic Booster club	2,985	11,402	10,459	3,928
Athletic transportation	4,240	-	4,240	-
Athletics	2,421	4,644	5,216	1,849
Bank	186	-	176	10
Baseball	-	2,542	2,542	-
Baseball fundraiser	4,898	2,203	2,669	4,432
Bowling	-	610	610	-
Bowling fundraiser	597	350	372	575
Boys basketball	-	6,636	6,636	-
Boys basketball fundraiser	1,805	8,725	10,303	227
Boys cross country	-	360	360	-
Boys golf fundraiser	348	-	-	348
Boys track	-	2,059	2,059	-
Business department	727	119	-	846
C.A.K.E.	4,353	999	480	4,872
Cafeteria	-	209	209	-
Cheerleading	-	98	98	-
Cheerleading fundraiser	2,591	7,541	5,974	4,158
Class of 2013	533	24	557	-
Class of 2014	163	1,267	1,356	74
Class of 2015	699	3,893	4,229	363
Class of 2016	94	1,487	991	590
Class of 2017	-	220	139	81
Coke	2,868	1,410	1,274	3,004
Cross country fundraiser	767	1,778	1,179	1,366
Dance team fundraiser	64	-	-	64
Davis Field fund	1,165	-	-	1,165
Dayton special olympics	83	-	-	83
Dayton textbook fund	4,771	1,873	1,662	4,982
Dayton Walking Tour	200	-	-	200
DECA	74	2,396	2,448	22
Drama	13	-	-	13
Earth club	219	91	35	275
English department	510	85	-	595
Fellowship of Christian Athletes	9	-	-	9
Football	-	15,983	15,983	-
Football fundraiser	1,869	3,385	4,659	595
Future Educators Association	43	-	-	43

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Dayton High School Activity Funds  
Year Ended June 30, 2014  
(Continued)**

	<u>Fund Balance</u> <u>July 01, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance</u> <u>June 30, 2014</u>
Girls basketball	-	4,086	4,086	-
Girls basketball fundraiser	112	17,427	13,951	3,588
Girls cross country	-	339	339	-
Girls soccer	-	1,930	1,930	-
Girls tennis fundraiser	91	-	-	91
Girls track	-	2,310	2,310	-
Golf Outing	-	12,165	8,755	3,410
Green zone	218	70	67	221
Greendevil spirit shop	670	-	670	-
Guidance department	746	45	170	621
High school field trips	231	-	-	231
High school newspaper	200	-	-	200
High school student council	68	-	-	68
Industrial communications	272	464	355	381
Library	2,172	383	282	2,273
Life skills	181	30	-	211
Math department	2,255	175	904	1,526
Microsoft certification grant	874	-	-	874
Middle school basketball tournament	-	16,388	16,388	-
Middle school book store	23	-	-	23
Middle school boys basketball fundraiser	454	-	286	168
Middle school dance	1,668	450	-	2,118
Middle school field day	83	-	-	83
Middle school field trips	175	4,511	4,416	270
Middle school girls basketball fundraiser	234	1,040	169	1,105
Middle school pep club	14	-	-	14
Middle school science club	756	523	238	1,041
Middle school science department	27	-	-	27
Middle school student council	12	-	-	12
Ms. Buschles class fundraisers	26	-	-	26
National honor society	176	-	-	176
National Jr. honor society	217	-	-	217
Principals account	2,029	5,471	3,989	3,511
Postage and stationary	34	-	-	34
Scholarships	8,973	30,875	13,850	25,998
School agendas	945	885	-	1,830
Science department	4,407	854	4,171	1,090
Senior banquet	648	500	873	275
Senior trip	2,020	1,000	969	2,051
Soccer fundraiser	2,037	1,383	2,312	1,108
Social studies department	2	793	562	233
Softball	-	4,264	4,264	-
Softball fundraiser	4,400	3,706	3,286	4,820
Special education department	6	-	-	6

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Dayton High School Activity Funds  
Year Ended June 30, 2014  
(Continued)**

	<u>Fund Balance July 01, 2013</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Fund Balance June 30, 2014</u>
Staff flower fund	59	84	74	69
Student/teacher incentives	2,452	881	2,167	1,166
Technology club	99	-	-	99
Track fundraiser	88	2,127	1,900	315
Transcript fees	594	389	301	682
Video department	209	130	-	339
Volleyball	-	5,595	5,595	-
Volleyball fundraiser	5,256	4,046	3,196	6,106
Washington D.C. Trip	-	30,990	28,425	2,565
Weight room	27	-	-	27
Youth league basketball	-	24,199	24,199	-
Youth service center	3,436	6,056	5,292	4,200
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 184,063	\$ 279,762	\$ 264,181	\$ 200,372
	<hr/>	<hr/>	<hr/>	<hr/>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Statement of Receipts, Disbursements and Fund Balances  
Year Ended June 30, 2014**

	<u>Lincoln Elementary School</u>	<u>Total</u>
Fund balance at July 01, 2013	\$ 9,366	\$ 9,366
Add: receipts	75,992	75,992
Less: disbursements	<u>(74,434)</u>	<u>(74,434)</u>
Fund balance at June 30, 2014	<u>\$ 10,924</u>	<u>\$ 10,924</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Agreement Number</b>	<b>Federal Expenditures for FYE 6/30/2014</b>
<b><u>U.S. Department of Education</u></b>			
<b><i>Passed through Northern Kentucky Cooperative for Educational Services</i></b>			
Improvement of Education (Counseling Grant)	84.215	5814	\$ 127,886
Improvement of Education (Counseling Grant)	84.215	5813	23,978
Total for CFDA #84.215			<u>151,864</u>
<b><i>Passed through Kentucky Department of Education</i></b>			
Special Education Cluster			
Special Education Grants to States	84.027	3810002 13	23,497
Special Education Grants to States	84.027	3810002 14	257,141
Special Education Preschool Grants	84.173	3800002 13	1,963
Special Education Preschool Grants	84.173	3800002 14	31,539
Total Special Education Cluster			<u>314,140</u>
Title I Grants to Local Educational Agencies	84.010	3100002 13	39,795
Title I Grants to Local Educational Agencies	84.010	3100002 14	275,880
Title I Grants to Local Educational Agencies	84.010A	3100102 12	28,609
Title I Grants to Local Educational Agencies	84.010A	3100102 13	26,731
Title I Grants to Local Educational Agencies	84.010A	3100102 14	83,648
Total for CFDA #84.010			<u>454,663</u>
Race to the Top	84.413	3960002 11	2,250
Title II Improving Teacher Quality State Grants	84.367	3230002 13	7,259
Title II Improving Teacher Quality State Grants	84.367	3230002 14	69,412
Total for CFDA #84.367			<u>76,671</u>
<b><i>Passed through the Walton-Verona Independent School District</i></b>			
Career and technical Education -Basic Grants to States	84.048	3484	9,121
<b>Total U.S. Department of Education</b>			<b>1,008,709</b>
<b><u>U.S. Department of Agriculture</u></b>			
Child Nutrition Cluster			
<b><i>Passed through Kentucky Department of Education</i></b>			
National School Lunch Program	10.555	7750002 14	477,424
School Breakfast Program	10.553	7760005 14	175,521
Summer Food Program	10.559	7740023 14	22,029
<b>Total U.S. Department of Education</b>			<b>674,974</b>
<b><i>Passed through Kentucky Department of Agriculture</i></b>			
National School Lunch Program - Food Donation	10.555	059-0203	37,028
<b>Total U.S. Department of Agriculture</b>			<b>37,028</b>
<b>Total Child Nutrition Cluster</b>			<u>712,002</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,720,711</u></u>

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2014**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Dayton Independent School District under programs of the federal government for the year ended June 30, 2014, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Dayton Independent School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**NOTE 2 – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2014, the District reported food commodities expended in the amount of \$37,048.



**INDEPENDENT AUDITOR'S 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**

To the Members of the Board of Education  
Dayton Independent School District  
Dayton, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Dayton Independent School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Dayton Independent School District's basic financial statements, and have issued our report thereon dated November 12, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted other matters that we reported to management of the District in a separate letter dated November 12, 2014.

**INDEPENDENT AUDITOR'S 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***

**(Continued)**

**Purpose of this Report**

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

*Burns, Denning & Co., Ltd.*

Crestview Hills, Kentucky  
November 12, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Members of the Board of Education  
Dayton Independent School District  
Dayton, Kentucky

**Report on Compliance for Each Major Federal Program**

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, 2014. Dayton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Dayton Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Dayton Independent School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Dayton Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

**Report on Internal Control Over Compliance**

Management of Dayton Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Dayton Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(Continued)**

**Report on Internal Control Over Compliance (Continued)**

appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Burns, Denning & Co., Ltd.*

Crestview Hills, Kentucky  
November 12, 2014

DAYTON INDEPENDENT SCHOOL DISTRICT

Summary Schedule of Current Audit Findings  
Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None noted

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes X No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes X None noted

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes X No

**Identification of major programs**

	<u>Name of Federal Program or Clusters</u>
10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes \_\_\_\_\_ No

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2014**

<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
-------------------------	---------------------------	---------------

No matters are reportable

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Management Letter Comments Year Ended June 30, 2014

In planning and performing our audit of the financial statements of Dayton Independent School District for the year ended June 30, 2014, 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.

This letter summarizes our comments and suggestions regarding those matters. A separate report dated November 12, 2014 contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated November 12, 2014, on the financial statements of the Dayton Independent School District.

### CURRENT YEAR RECOMMENDATIONS

#### CENTRAL OFFICE

##### **2014-01: Failure to collateralize entire cash balance**

Criteria – Per best practices, all cash balances should be covered by the FDIC and/or a collateral agreement with the District's bank.

Condition – During our procedures, it was noted the District was under-collateralized for several days during the year.

Effect – Sufficient collateralization was not requested and part of the District's cash balance was at risk of loss.

Cause: Appears to be an oversight by the central office.

Recommendation – We recommend the District monitor the daily cash balance and request additional collateral when the cash balance increases above the total FDIC and collateral agreement.

Board Response: The finance director has updated Dayton's collateralization with their bank to automatically increase in the event that their bank balance increase above their previously agreed upon level.

#### ACTIVITY FUNDS

##### ALL SCHOOLS

##### **2014-02: Lack of segregation of duties**

Criteria – Per best practices recommended by the Kentucky Department of Education, an employee other than the person preparing the deposit slip should verify the amount on the deposit ticket agrees with the amount of receipts recorded in the ledger sheets and that the deposit ticket had been validated by the bank and the employee initials the deposit ticket.

Condition – During our procedures, it was noted that the finance secretaries perform the entire deposit process.

Effect – Proper procedures of the deposit process were not followed.

Cause – Internal controls were not properly followed as designed by the District.

## DAYTON INDEPENDENT SCHOOL DISTRICT

### Management Letter Comments (Continued) Year Ended June 30, 2014

#### **CURRENT YEAR RECOMMENDATIONS (CONTINUED)**

Recommendation – We recommend that all deposits are reviewed by an employee other than the employee who prepares and submits the deposit ticket.

Board Response – The School will develop a proper procedure for the proper staff to follow in order to insure duties are properly segregated.

#### **2014-03: Funds not derived for benefit of students need to be moved to the district level**

Criteria – Per best practices recommended by the Kentucky Department of Education, funds not derived for the benefit of students, including, but limited to grant monies and tuition fees, need to be handled through the central office bank account and recorded at the district level.

Condition – During the testing of the Activity Funds, it was noted that certain amounts should be recorded at the district level.

Effect – Proper guidance of the financial process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend a review of the funds at the activity level to identify and move the proper funds to the district level.

Board Response – The finance director has moved the required funds to the district level.

#### **DAYTON HIGH SCHOOL**

#### **2014-04: Required purchase order not used**

Criteria – Per best practices recommended by the Kentucky Department of Education, all cash disbursements with the exception of expense reports and standard invoices should be accompanied by the required purchase order form.

Condition – During the testing of cash disbursements, it was noted that several different purchase order forms were used.

Effect – Proper documentation of the cash disbursement process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all cash disbursements are accompanied with the Kentucky Department of Education required purchase order form.

Board Response – The financial secretary has coordinated with the principal to offer training to ensure that all cash disbursements are accompanied by the Kentucky Department of Education required purchase order form

#### **LINCOLN ELEMENTARY**

#### **2014-05: Required expense report not used**

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**Management Letter Comments (Continued)  
Year Ended June 30, 2014**

**CURRENT YEAR RECOMMENDATIONS (CONTINUED)**

Criteria – Per best practices recommended by the Kentucky Department of Education, an expense report should support all employee reimbursements.

Condition – During the testing of reimbursements, it was noted that a purchase order was used to support the reimbursement amount.

Effect – Proper documentation of the reimbursement process was not followed.

Cause – Internal controls were not properly followed as designed by the District.

Recommendation – We recommend that all reimbursements are accompanied with the Kentucky Department of Education required expense report form.

Board Response – The financial secretary has coordinated with the principal to offer training to ensure that all employee reimbursements are accompanied by the Kentucky Department of Education required expense report form

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**CENTRAL OFFICE**

There were no matters reported in prior year.

**ACTIVITY FUNDS**

**DAYTON HIGH SCHOOL**

There were no matters reported in prior year.

**LINCOLN ELEMENTARY**

There were no matters reported in prior year.