Dayton Independent School District

Financial Statements
With Supplementary Information
Year Ended June 30, 2015
With Independent Auditors' Report

DAYTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2015

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DAYTON INDEPENDENT SCHOOL DISTRICT

Year Ended June 30, 2015

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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, 2015, 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.

Auditors' 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, 2015, 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

Change in Accounting Principle
As described in note 18 to the financial statements, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this item.

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 as listed in the table of contents 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 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 the Dayton Independent School District's internal control over financial reporting and compliance.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2015

DAYTON INDEPENDENT SCHOOL DISTRICT

Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements and notes.

FINANCIAL HIGHLIGHTS

- Mandated 1% raises were given to all personnel as well as Rank and Step increases ($78,150). SEEK per pupil increased from $3,827 to $3,911 to help support this expense.

- 4% property tax revenue increase levied by the board. The new riverfront development should show some considerable increase in assessment figures in 2015/16.

- KTRS (KY Teachers retirement) medical match increased from 1.5% to 2.25%.

- CERS (classified retirement) board match decreased from 18.89% to 17.67%.

- The District had considerable growth in ADA for 2014/15. Started year at 760.85 and ended the year at 817.29. This enabled the district to receive one time SEEK Growth funds amounting to $250,000.

- The Board was approved to use approximately $73,800 in Capital Outlay funds for HVAC contracts, property insurance and replacing Intercom System in Dayton High School.

- The Board approved using funds to support purchase of Reading Series program for the Lincoln Elementary School in grades K-3.

- The District also received funding again for the School Improvement Grant through Title I in the amount of $925,399 to be expended for the Middle and High Schools. This is a grant to be expended over a period of three years.

- The Board was awarded a Summer Preschool grant through United Way in the amount of $9,003 to help preschoolers prepare for Kindergarten.

- Contingency in General Fund Working Budget is 6.11%, totaling $410,960 for General Fund budget.

- The Bond Series 2004-REF closed during the 2014/15 school year.

- New cafeteria equipment was purchased as well as new flooring for the Kitchen from the food service funds. Two food service manager positions were created. Food service continues to develop ways to enhance their programs. They have implemented the "dinner" program as well as the "2nd chance Breakfast" program. Dayton schools are a part of the CACFP whereas all students receive free meals.

- The Board matched the KETS funding offers (3) total for the year at $24/ADA.

- The Board approved hiring an additional instructional aide at LES as well as a part time instructional aide in the special education area. Board also approved hiring a Lunchroom Monitor paid with board funds.

FINANCIAL HIGHLIGHTS (Continued)

- The Board approved the set-up of District Activity Fund from a Kentucky Department of Education (KDE) recommendation. These funds are monies transferred from school activity funds to the district level to use for software, or other items that are operational that cannot be paid from the school activity funds.
- Our primary financial concern continues to be state funding which has not kept up with the increases in operating expenses due to inflation, increased salaries - some of which are a direct result of mandates by the state, and an increasing portion of the retirement shortfall that we have been asked to fund. After many years of not making the necessary contributions to fully fund the Kentucky Teachers' Retirement System (KTRS), the legislature passed along a portion of the funding shortfall to employees and a larger portion to school districts. As a result, our district has paid hundreds of thousands of dollars into the retirement system over the past five years and will pay millions of dollars in the future in an effort to help stabilize the fund. For the first time this year we are also being required to record the portion of the unfunded state liability in our financial statements attributable to our employees, as determined by KTRS. While it remains to be seen if districts, including our own, will end up shouldering more this deficit over the years to come, if the state does not start responsibly funding the system it can be safely assumed that we will. This will continue to shift more of the responsibility for funding our education system onto the backs of school districts and subsequently local tax payers. The continual erosion of state funding makes it increasingly difficult to maintain the high standard of education and programming that our students deserve without increasing taxes locally. In this climate of shrinking state support the Dayton Independent School District will maintain fiscally responsible policies in order to continue providing quality academic, extra-curricular and community service programs to all of its students.

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 9 and 10 of this report.

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

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 11 through 18 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 39 of this report.

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 $1,463,022 as of June 30, 2015.

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.

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

Net Position for the periods ending June 30, 2015 and 2014

The following is a summary of net position for the fiscal years ended June 30, 2015 and 2014.

	2015	2014
Current assets	$ 1,448,220	$ 866,568
Noncurrent assets	6,698,059	7,056,092
Total assets	8,146,279	7,922,660
Total deferred outflows	185,267	-
Current liabilities	527,531	613,788
Noncurrent liabilities	6,340,994	5,207,235
Total liabilities	6,868,525	5,821,023
Net position		
Investment in capital assets (net of debt)	1,615,182	1,661,225
Assigned	5,837	-
Restricted	226,107	106,967
Nonspendable	-	9,972
Unrestricted	(384,105)	323,473
Total net position	$ 1,463,021	$ 2,101,637

Comments on General Fund Budget Comparisons

- The District's total revenues in the General Fund for the fiscal year ended June 30, 2015, were $7,706,823, net of inter-fund transfers, of $115,790.
- General Fund budgeted revenue compared to actual revenue varied slightly from line item to line item with the ending actual balance being $503,261 more than budget or approximately 6% increase.
- General Fund actual expenditures were $7,288,614, net of inter-fund transfers of $18,261.
- General Fund actual expenditures were less than budgeted expenditures by $568,256.

DISTRICT-WIDE FINANCIAL ANALYSIS (Continued)

The following table presents a summary of revenues and expenses for the fiscal years ended June 30, 2015 and 2014.

	2015	2014
Revenues		
Program revenues		
Charges for services	$ 110,727	$ 114,830
Operating grants	3,037,898	2,219,891
Capital grants	441,960	404,583
Total grant revenues	3,590,585	2,739,304
General Revenues		
Taxes	1,986,170	1,882,171
Grants and entitlements	6,525,849	5,121,679
Earnings on investments	3,646	3,276
Miscellaneous	256,452	287,018
Total general revenues	8,772,117	7,294,144
Total revenues	12,362,702	10,033,448
Expenses		
Instructional	6,542,157	5,063,691
Student support services	751,308	780,903
Instructional support	450,458	488,822
District administration	455,931	450,733
School administration	583,896	571,930
Business support	349,563	332,313
Plant operations	821,808	771,727
Student transportation	181,157	180,491
Community service activities	137,240	135,438
Facilities acquisition and construction	1,788	1,857
Other	3,367	260
Debt services	185,751	197,683
Food service	1,001,045	696,669
Daycare service	86,849	85,783
Total expenses	11,552,318	9,758,300
Excess of revenues over expenses	$ 810,384	$ 275,148

BUDGETARY IMPLICATIONS

In Kentucky, the public school fiscal year is July 1-June 30; other programs, i.e. some federal programs, operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget with $410,960 in contingency (5.2%). The cash balance for the beginning of the fiscal year was $660,752.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

Questions regarding this report should be directed to Mr. Jay Brewer, Superintendent or to his representative Ms. Trish Gosney, Finance Officer (859) 491-6565 or by mail to: Central Office, 200 Clay Street, Dayton, KY 41074.

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Net Position – District Wide
Year Ended June 30, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Current:			
Cash and cash equivalents	$ 990,688	$ 218,326	$ 1,209,014
Accounts receivable	220,213	9,021	229,234
Inventories for consumption	-	9,972	9,972
Total current	1,210,901	237,319	1,448,220
Noncurrent:			
Nondepreciated capital assets:			
Land	160,725	-	160,725
Depreciated capital assets:			
Land improvements	99,757	-	99,757
Buildings and improvements	11,495,510	165,279	11,660,789
Furniture and equipment	2,033,830	234,276	2,268,106
Less: accumulated depreciation	(7,217,911)	(273,407)	(7,491,318)
Total noncurrent	6,571,911	126,148	6,698,059
Total assets	7,782,812	363,467	8,146,279
Deferred Outflows	178,974	6,293	185,267
Liabilities and Net Position			
Liabilities			
Current:			
Current portion of bonds payable	315,735	-	315,735
Accounts payable	24,820	303	25,123
Accrued interest	48,701	-	48,701
Current portion of accrued sick leave	14,604	-	14,604
Accrued payroll and related expenses	56,188	-	56,188
Assessed KISBIT liability	28,999	-	28,999
Current portion of capital leases	6,581	-	6,581
Unearned revenues	31,600	-	31,600
Total current	527,228	303	527,531
Noncurrent:			
Accrued sick leave	131,433	-	131,433
CERS net pension liability	1,399,782	49,218	1,449,000
Bond obligations	4,760,561	-	4,760,561
Total noncurrent	6,291,776	49,218	6,340,994
Total liabilities	6,819,004	49,521	6,868,525
Net Position			
Invested in capital assets, net of related debt	1,489,034	126,148	1,615,182
Assigned	5,837	-	5,837
Restricted	32,016	194,091	226,107
Unrestricted	(384,105)	-	(384,105)
Total net position	$ 1,142,782	$ 320,239	$ 1,463,021

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Activities – District Wide
Year Ended June 30, 2015

		Program Revenues			Net (expense) Revenue and Changes in Net Position		
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instructional	$ 6,542,157	$ -	$ 1,270,248	$ -	$ (5,271,909)	$ -	$ (5,271,909)
Student support services	751,308	-	196,280	-	(555,028)	-	(555,028)
Staff support services	450,458	-	144,230	-	(306,228)	-	(306,228)
District administration	455,931	-	-	-	(455,931)	-	(455,931)
School administration	583,896	-	91,059	-	(492,837)	-	(492,837)
Business support services	349,563	-	44,686	-	(304,877)	-	(304,877)
Plant operation and maintenance	821,808	-	-	-	(821,808)	-	(821,808)
Student transportation	181,157	-	13,952	-	(167,205)	-	(167,205)
Food Service	3,367	-	-	-	(3,367)	-	(3,367)
Community service operations	137,240	-	122,213	-	(15,027)	-	(15,027)
Facility acquisition and construction	1,788	-	-	441,960	440,172	-	440,172
Interest on long-term debt	185,751	-	-	-	(185,751)	-	(185,751)
Total governmental activities	10,464,424	-	1,882,668	441,960	(8,139,796)	-	(8,139,796)
Business-type activities							
Food service	1,001,045	40,436	1,142,973	-	-	182,364	182,364
Daycare	86,849	70,291	12,257	-	-	(4,301)	(4,301)
Total business-type activities	1,087,894	110,727	1,155,230	-	-	178,063	178,063
Total school district	$ 11,552,318	$ 110,727	$ 3,037,898	$ 441,960	(8,139,796)	178,063	(7,961,733)
			General revenues:				
			Taxes		1,986,170	-	1,986,170
			State and federal sources		6,525,849	-	6,525,849
			Investment earnings		3,230	416	3,646
			Miscellaneous		254,655	1,797	256,452
			Special items:				
			Fund transfer		39,482	(39,482)	-
			Total general and special revenues		8,809,386	(37,269)	8,772,117
			Change in net position		669,590	140,794	810,384
			Net position - beginning		1,872,974	228,663	2,101,637
			Net position adjustment (Note 18)		(1,399,782)	(49,218)	(1,449,000)
			Net position - ending		$ 1,142,782	$ 320,239	$ 1,463,021

DAYTON INDEPENDENT SCHOOL DISTRICT

Balance Sheet – Governmental Funds
Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Current:				
Cash (overdraft) and cash equivalents	$ 1,083,848	$ (125,737)	$ 32,577	$ 990,688
Accounts receivable	53,592	166,621	-	220,213
Total current	$ 1,137,440	$ 40,884	$ 32,577	$ 1,210,901
Liabilities and Fund Balances				
Liabilities				
Current:				
Accounts payable	$ 14,975	$ 9,284	$ 561	$ 24,820
Accrued payroll and related expenses	56,188	-	-	56,188
Unearned revenue	-	31,600	-	31,600
Total current	71,163	40,884	561	112,608
Fund Balances				
Restricted:				
Capital projects	-	-	32,016	32,016
Grants	-	-	-	-
Assigned	5,837	-	-	5,837
Unrestricted	1,060,440	-	-	1,060,440
Total fund balances	1,066,277	-	32,016	1,098,293
Total liabilities and fund balances	$ 1,137,440	$ 40,884	$ 32,577	$ 1,210,901

DAYTON INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Balance Sheet
Governmental Funds to the Statement of Net Position
As of June 30, 2015

Total governmental fund balance		$ 1,098,293
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in process		
Cost of capital assets	13,789,822	
Accumulated depreciation	(7,217,911)	
		6,571,911
Deferred outflows		
CERS contributions made after the measurement date		178,974
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	(5,076,296)	
Accrued interest on bonds	(48,701)	
Capital leases	(6,581)	
Assessed KISBIT liability	(28,999)	
Net pension liability	(1,399,782)	
Accrued sick leave	(146,037)	
		(6,706,396)
Net assets for governmental activities		$ 1,142,782

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2015

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	$ 1,892,682	$ -	$ 93,488	$ 1,986,170
Earnings on investments	3,230	-	-	3,230
State sources	5,740,576	499,829	441,960	6,682,365
Federal sources	28,537	1,364,529	-	1,393,066
Other sources	41,798	18,310	33,882	93,990
Total revenues	7,706,823	1,882,668	569,330	10,158,821
Expenditures				
Instructional	4,324,727	1,286,005	3,175	5,613,907
Student support services	518,200	196,280	-	714,480
Staff support services	304,633	144,230	-	448,863
District administration	453,570	-	-	453,570
School administration	492,399	91,059	-	583,458
Business support services	304,362	44,686	-	349,048
Plant operation and maintenance	693,189	-	29	693,218
Student transportation	142,430	13,952	-	156,382
Central office	-	-	-	-
Food service operation	3,367	-	-	3,367
Community service operations	14,849	122,213	-	137,062
Facility acquisition and construction	-	-	1,788	1,788
Debt service:				
Principal	32,150	-	286,421	318,571
Interest	4,739	-	175,224	179,963
Total expenditures	7,288,615	1,898,425	466,637	9,653,677
Excess (deficit) of revenues over expenditures	418,208	(15,757)	102,693	505,144
Other financing sources (uses)				
Loan and bond proceeds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Operating transfers in	115,790	18,261	315,463	449,514
Operating transfers out	(18,261)	(2,504)	(389,266)	(410,031)
Total other financing sources (uses)	97,529	15,757	(73,803)	39,483
Net change in fund balance	515,737	-	28,890	544,627
Fund balance, June 30, 2014	550,540	-	3,126	553,666
Fund balance, June 30, 2015	$ 1,066,277	$ -	$ 32,016	$ 1,098,293

DAYTON INDEPENDENT SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
As of June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes-governmental funds		$ 544,627
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.		
Depreciation expense	(384,820)	
Capital outlays	15,712	
Retirement of capital assets	(220)	
		(369,328)
Bond and capital lease 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.		
Bond principal paid	318,571	
		318,571
Deferred outflow CERS contributions made after the measurement date		178,974
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.		
		(3,254)
Changes in net position of governmental activities		$ 669,590

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Net Position – Proprietary Funds
As of June 30, 2015

	Food Service	Daycare Fund	Total
Assets			
Current			
Cash and cash equivalents	$ 210,726	$ 7,600	$ 218,326
Accounts receivable	9,021	-	9,021
Inventories for consumption	9,972	-	9,972
Total current	229,719	7,600	237,319
Noncurrent			
Buildings and Improvements	117,379	47,900	165,279
Furniture and Fixtures	234,276	-	234,276
Less: accumulated depreciation	(230,788)	(42,619)	(273,407)
Total noncurrent	120,867	5,281	126,148
Total assets	350,586	12,881	363,467
Deferred Outflows	6,293	-	6,293
Liabilities and Net Position			
Liabilities			
Current			
CERS net pension liability	49,218	-	49,218
Accounts payable	303	-	303
Total current	49,521	-	49,521
Net Position			
Invested in assets, net of debt	120,867	5,281	126,148
Restricted - inventories	9,972	-	9,972
Restricted - net position	176,519	7,600	184,119
Total net position	307,358	12,881	320,239
Total liabilities and net position	$ 356,879	$ 12,881	$ 369,760

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds
Year Ended June 30, 2015

	Food Service	Daycare Fund	Total
Operating revenues			
Lunchroom sales	$ 40,436	$ -	$ 40,436
Other operating revenues	1,797	70,291	72,088
Total operating revenues	42,233	70,291	112,524
Operating expenses			
Salaries and benefits	329,399	2,371	331,770
Contract services	34,333	78,506	112,839
Materials and supplies	624,412	1,457	625,869
Depreciation	12,388	958	13,346
Other operating expenses	513	3,557	4,070
Total operating expenses	1,001,045	86,849	1,087,894
Operating loss	(958,812)	(16,558)	(975,370)
Nonoperating revenues (expenses)			
Federal grants	1,056,420	-	1,056,420
State grants	51,060	12,257	63,317
Donated commodities and other donations	35,493	-	35,493
Transfers	(39,482)	-	(39,482)
Interest income	416	-	416
Total nonoperating revenues	1,103,907	12,257	1,116,164
Net income (loss)	145,095	(4,301)	140,794
Total net position, July 1, 2014	211,481	17,182	228,663
Net position adjustment	(49,218)	-	(49,218)
Total net position, June 30, 2015	$ 307,358	$ 12,881	$ 320,239

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2015

	Food Service Fund	Daycare Fund	Total
Cash flows from operating activities			
Cash received from lunchroom sales	$ 40,436	$ -	$ 40,436
Cash received from other activities	10,202	70,291	80,493
Cash payments to employees for services	(329,399)	(2,371)	(331,770)
Cash payments to suppliers for goods and services	(689,465)	(78,212)	(767,677)
Cash transfers	(39,482)	-	(39,482)
Net cash used in operating activities	(1,007,708)	(10,292)	(1,018,000)
Cash flows from capital financing activities			
Purchase of capital assets	(24,644)	-	(24,644)
Net cash used in capital financing activities	(24,644)	-	(24,644)
Cash flows from noncapital financing activities			
Non-operating revenues received	1,142,973	12,257	1,155,230
Net cash provided by noncapital financing activities	1,142,973	12,257	1,155,230
Cash flows from investing activities			
Interest on investments	416	-	416
Net cash flows provided by investing activities	416	-	416
Net increase (decrease) in cash and cash equivalents	111,037	1,965	113,002
Cash (overdraft) and cash equivalents - beginning	99,689	5,635	105,324
Cash (overdraft) and cash equivalents - ending	$ 210,726	$ 7,600	$ 218,326
Reconciliation of operating loss to net cash used in operating activities			
Operating loss	$ (958,812)	$ (16,558)	$ (975,370)
Adjustments to reconcile operating loss to net cash used in operating activities			
Depreciation	12,388	958	13,346
Transfers	(39,482)	-	(39,482)
Changes in assets and liabilities:			
Increase in deferred outflows	(6,293)	-	(6,293)
Decrease in accounts payable	(23,914)	-	(23,914)
Decrease in accounts receivable	8,405	5,308	13,713
Net cash used in operating activities	$ (1,007,708)	$ (10,292)	$ (1,018,000)
Schedule of non-cash transactions:			
Donated commodities received from federal government	$ 35,493	$ -	$ 35,493

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Fiduciary Net Position
As of June 30, 2015

	School Activity Funds	Total
Assets		
Cash and cash equivalents	$ 107,630	$ 107,630
Total assets	107,630	107,630
Liabilities		
Due to student groups	107,630	107,630
Total liabilities	$ 107,630	$ 107,630

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.

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 pages 52. This is a major fund of the District.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

I. Governmental Fund Types (cont'd)

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

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

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.

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.

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 assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the district-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars, with the exception of computers, digital cameras and real property, for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
General equipment	10 years
Food service equipment	10-12 years
Furniture and fixtures	7 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 assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accrued Liabilities and Long-Term Obligations

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

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

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.

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.

Pensions

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

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.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015 was as follows:

Governmental Activities	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Land	$ 160,725	$ -	$ -	$ 160,725
Land improvements	99,757	-	-	99,757
Buildings and improvements	11,495,510	-	-	11,495,510
Technology equipment	1,335,475	-	4,076	1,331,399
Vehicles	457,252	-	-	457,252
General equipment	229,470	15,709	-	245,179
Construction work in progress	-	-	-	-
Totals at historical cost	13,778,189	15,709	4,076	13,789,822
Less: accumulated depreciation				
Land improvements	73,711	2,368	-	76,079
Buildings and improvements	5,179,157	283,619	-	5,462,776
Technology equipment	1,050,890	64,359	3,856	1,111,393
Vehicles	355,889	24,750	-	380,639
General equipment	177,300	9,724	-	187,024
Total accumulated depreciation	6,836,947	384,820	3,856	7,217,911
Governmental activities capital assets - net	$ 6,941,242	$ (369,111)	$ 220	$ 6,571,911
Business - Type Activities				
Buildings and improvements	$ 165,279	$ -	$ -	$ 165,279
Vehicles	4,000	-	-	4,000
General equipment	10,667	-	-	10,667
Technology equipment	194,965	24,644	-	219,609
Totals at historical cost	374,911	24,644	-	399,555
Less: accumulated depreciation				
Buildings and improvements	115,622	3,306	-	118,928
Vehicles	2,733	800	-	3,533
General equipment	10,654	13	-	10,667
Technology equipment	131,052	9,227	-	140,279
Total accumulated depreciation	260,061	13,346	-	273,407
Business - type activities capital assets - net	$ 114,850	$ 11,298	$ -	$ 126,148

NOTE 4 CAPITAL ASSETS (Continued)

Depreciation expense by function for the fiscal year ended June 30, 2015 was as follows:

	Governmental	Business-Type
Instructional	$ 168,240	$ -
Student support services	36,828	-
Staff support services	1,595	-
District administration	2,361	-
School administration	438	-
Business support services	515	-
Plant operation and maintenance	149,890	-
Student transportation	24,775	-
Community service operations	178	-
Food service	-	12,388
Daycare	-	958
Total	$ 384,820	$ 13,346

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, 2015 this amount totaled approximately $146,037 for those employees with twenty-seven or more years of experience.

NOTE 6 COMMITMENTS UNDER CAPITAL LEASES

The District is the lessee of buses under capital leases expiring in 2016. The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are depreciated over the lower of their related lease terms or their estimated productive lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under capital leases as of June 30, 2015, for each of the next five years and in the aggregate are as follows:

Year Ending June 30,	
2015-2016	$ 6,581
Total minimum payments	6,581
Less amount representing interest	-
Present value of net minimum lease payments	$ 6,581

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:

Issue Date	Proceeds	Rates
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 Kenton County Fiscal Court and 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 16 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.

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, 2015 for debt service (principal and interest) are reported in Note 16.

NOTE 8 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 9 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 10 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.

NOTE 11 DEFICIT OPERATING/FUND BALANCES

There are no funds of the District's 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:

Dayton High School	$	16,259
Day Care	$	4,301
Lincoln Elementary	$	3,767
Construction Fund	$	1,788

NOTE 12 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 13 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, 2015, 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 $28,999. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

NOTE 14 TRANSFER OF FUNDS

The following transfers were made during the year.

From Fund	To Fund	Purpose	Amount
General Fund	Special Revenue Fund	Matching	$ 18,261
Special Revenue Fund	General Fund	Indirect Cost Transfer	$ 2,504
Capital Outlay Fund	Debt Service Fund	Debt Service	$ 30,431
Capital Outlay Fund	General Fund	Operating	$ 51,606
Building Fund	General Fund	Operating	$ 22,198
Building Fund	Debt Service Fund	Debt Service	$ 285,031
Food Service Fund	General Fund	Indirect Cost Transfer	$ 39,482

NOTE 15 ON-BEHALF PAYMENTS

For the year ended June 30, 2015 total payments of $1,749,076 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	$ 1,547,424
Debt Service	146,182
Day Care	10,516
Food Service	44,954
Total On-Behalf	$ 1,749,076

NOTE 16 SCHEDULE OF LONG-TERM OBLIGATIONS

Fiscal Year	Dayton Independent School District			KY School Facilities Construction Commission			Total Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2015-2016	208,953	136,879	345,832	106,782	33,161	139,943	485,774
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	478,717
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	380,248
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	66,393	320,391	51,002	10,387	61,389	381,780
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	274,469
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
	$ 4,073,558	$ 1,332,508	$ 5,406,066	$ 1,002,738	$ 242,999	$ 1,245,737	$ 6,651,803

A summary of the changes in the principal of the outstanding bond obligations and the capital leases for the District during the year ended June 30, 2015 is as follows:

Governmental Activities	Balance July 1, 2014	Additions	Payments	Balance June 30, 2015
Bond Obligations	$ 5,394,867	$ -	$ 318,571	$ 5,076,296

NOTE 17 RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous

Plan description

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

Benefits provided

CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old
		At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old
		Or age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are $5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and $10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

NOTE 17 RETIREMENT PLANS (CONTINUED)

Contributions

Required contributions by the employee are based on the following tier:

	Required contribution
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

The contribution requirement for CERS for the year ended June 30, 2015, was $241,782, which consisted of $185,267 from the District and $56,515 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were $258,187 and $266,580, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

General information about the Teachers' Retirement System of the State of Kentucky

Plan description

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

Benefits provided

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

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

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years. In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

NOTE 17 RETIREMENT PLANS (CONTINUED)

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is $2,000 for active contributing employees and $5,000 for retired or disabled employees.

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

Contributions—Contribution rates are established by Kentucky Revised Statutes. Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS. The contribution requirement for KTRS for the year ended June 30, 2015, was $743,444, which consisted of $193,387 from the District and $550,057 from the employees. Total contributions for the year ended June 30, 2014 and 2013 were $660,638 and $607,135, respectively. The contributions have been contributed in full for fiscal years 2015, 2014 and 2013.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description

In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

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

Funding policy

In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

NOTE 17 RETIREMENT PLANS (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the CERS net pension liability	$ 1,449,000
Commonwealth's proportionate share of the KTRS net pension liability associated with the District	29,749,812
	$ 31,198,812

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.044647% percent.

For the year ended June 30, 2015, the District recognized pension expense of $193,487 related to CERS and $1,457,801 related to KTRS. The District also recognized revenue of $1,457,801 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 162,000
District contributions subsequent to the measurement date	185,267	-
Total	$ 185,267	$ 162,000

NOTE 17 RETIREMENT PLANS (CONTINUED)

$185,267 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	$ 32,400
2017	32,400
2018	32,400
2019	32,400
2020	32,400

Actuarial assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense and inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

NOTE 17 RETIREMENT PLANS (CONTINUED)

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

Asset Class	KTRS Target Allocation	KTRS Long-Term Expected Real Rate of Return	CERS Target Allocation	CERS Long-Term Expected Real Rate of Return
US equity	45%	6.40%	30%	8.45%
Non-US equity	17%	6.50%	22%	8.85%
Emerging market equity	-	-	5%	10.50%
Private equity	-	-	7%	1.25%
Core US fixed income	-	-	10%	5.25%
High yield US fixed income	-	-	5%	7.25%
Non-US fixed incomes	-	-	5%	5.50%
Commodities	-	-	5%	7.75%
TIPS	-	-	5%	5.00%
Fixed income	24%	1.60%	-	-
High yield bonds	4%	3.10%	-	-
Real estate	4%	5.80%	5%	7.00%
Alternatives	4%	6.80%	-	-
Cash	2%	1.50%	1%	3.25%
Total	100%		100%	

Discount rate

For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

NOTE 17 RETIREMENT PLANS (CONTINUED)

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate

The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	213,181	162,000	116,780
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE 18 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. The adjustment resulted in a $1,449,000 reduction in beginning net position on the Statement of Activities and an increase of $185,267 of deferred outflows of resources – District contributions subsequent to the measurement date.

NOTE 19 SUBSEQUENT EVENTS

Subsequent events were considered through November 13, 2015, which represents the release date of our report.

SUPPLEMENTARY
INFORMATION

DAYTON INDEPENDENT SCHOOL DISTRICT

Combining Balance Sheet – Nonmajor Governmental Funds
As of June 30, 2015

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Non-major Government Funds
Assets						
Current:						
Cash and cash equivalents	$ -	$ -	$ 1,338	$ -	$ 31,239	$ 32,577
Accounts receivable	-	-	-	-	-	-
Total current	$ -	$ -	$ 1,338	$ -	$ 31,239	$ 32,577
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ -	$ -	$ -	$ -	$ 561	$ 561
Total current	-	-	-	-	561	561
Fund Balances:						
Restricted	-	-	1,338	-	30,678	32,016
Unrestricted	-	-	-	-	-	-
Total fund balances	-	-	1,338	-	30,678	32,016
Total liabilities and fund balances	$ -	$ -	$ 1,338	$ -	$ 31,239	$ 32,577

DAYTON INDEPENDENT SCHOOL DISTRICT

Combining Statements of Revenues, Expenditures and Changes In Fund Balances – Nonmajor Governmental Funds As of June 30, 2015

	Capital Outlay Fund	Building Fund	Construction Fund	Debt Service Fund	District Activity Fund	Total Nonmajor Government Funds
Revenues:						
Taxes	$ -	$ 93,488	$ -	$ -	$ -	$ 93,488
State sources	82,037	213,741	-	146,182	-	441,960
Other sources	-	-	-	-	33,882	33,882
Total revenues	82,037	307,229	-	146,182	33,882	569,330
Expenditures:						
Instructional	-	-	-	-	3,175	3,175
Plant operation and maintenance	-	-	-	-	29	29
Facility acquisition and construction	-	-	1,788	-	-	1,788
Debt service:						
Principal	-	-	-	286,421	-	286,421
Interest	-	-	-	175,224	-	175,224
Total expenditures	-	-	1,788	461,645	3,204	466,637
Excess (deficit) of revenues over expenditures	82,037	307,229	(1,788)	(315,463)	30,678	102,693
Other Financing Sources (Uses)						
Operating transfers in	-	-	-	315,463	-	315,463
Operating transfers out	(82,037)	(307,229)	-	-	-	(389,266)
Total other financing sources(uses)	(82,037)	(307,229)	-	315,463	-	(73,803)
Net change in fund balance	-	-	(1,788)	-	30,678	28,890
Fund balance, June 30, 2014	-	-	3,126	-	-	3,126
Fund balance, June 30, 2015	$ -	$ -	$ 1,338	$ -	$ 30,678	$ 32,016

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – General Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Taxes	$ 1,808,481	$ 1,808,481	$ 1,892,682	$ 84,201
Earnings on investments	3,000	3,000	3,230	230
State sources	5,346,224	5,346,224	5,740,576	394,352
Federal sources	6,000	6,000	28,537	22,537
Other sources	127,523	155,647	157,588	1,941
Total revenues	7,291,228	7,319,352	7,822,613	503,261
Expenditures				
Instructional	4,691,663	4,696,902	4,324,727	372,175
Student support services	454,398	454,398	518,200	(63,802)
Staff support services	240,610	240,610	304,633	(64,023)
District administration	431,174	431,174	453,570	(22,396)
School administration	394,381	394,381	492,399	(98,018)
Business support services	278,316	278,316	304,362	(26,046)
Plant operation and maintenance	735,367	763,491	693,189	70,302
Student transportation	137,070	137,070	142,430	(5,360)
Food service operation	6,767	6,767	3,367	3,400
Community service operations	10,175	10,175	14,849	(4,674)
Debt service:				
Principal	32,150	32,150	32,150	-
Interest	4,739	4,739	4,739	-
Other	424,958	424,958	18,261	406,697
Total expenditures	7,841,768	7,875,131	7,306,876	568,255
Net change in fund balance	(550,540)	(555,779)	515,737	1,071,516
Fund balance, July 1, 2014	550,540	550,540	550,540	-
Fund balance, June 30, 2015	$ -	$ (5,239)	$ 1,066,277	$ -

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual – Special Revenue Fund
Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Revenues				
State sources	$ 506,894	$ 507,075	$ 499,829	$ (7,246)
Federal sources	1,795,232	1,808,671	1,364,529	(444,142)
Other sources	22,422	27,003	36,571	9,568
Total revenues	2,324,548	2,342,749	1,900,929	(441,820)
Expenditures				
Instructional	1,752,842	1,769,381	1,286,005	483,376
Student support services	199,130	195,746	196,280	(534)
Staff support services	124,378	129,011	144,230	(15,219)
School administration	75,928	75,928	91,059	(15,131)
Business support services	34,102	34,102	44,686	(10,584)
Student transportation	13,636	13,636	13,952	(316)
Central office	122,089	122,502	-	122,502
Community service operations	-	-	122,213	(122,213)
Other	2,443	2,443	2,504	(61)
Total expenditures	2,324,548	2,342,749	1,900,929	441,820
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2014	-	-	-	-
Fund balance, June 30, 2015	$ -	$ -	$ -	$ -

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
Bond and Interest Redemption Funds
Year Ended June 30, 2015

	Issue of 2004	Issue of 2006 KISTA	Issue of 2008 KISTA	Issue of 2009R	Issue of 2009
Cash at July 1, 2014	$ -	$ -	$ -	$ -	$ -
Receipts:					
Transfers and miscellaneous deposits	72,625	7,919	10,843	138,980	130,480
Disbursements:					
Bonds paid	70,000	7,335	9,509	115,000	60,000
Interest coupons	2,625	584	1,334	23,980	70,480
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	72,625	7,919	10,843	138,980	130,480
Excess of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2015	-	-	-	-	-
Accounts Receivable and Payable					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
Fund Balance at June 30, 2015	$ -	$ -	$ -	$ -	$ -

	Issue of 2009 KISTA	Issue of 2,011	Issue of 2011 KISTA	Issue of 2,013	Total
Cash at July 1, 2014	$ -	$ -	$ -	$ -	$ -
Receipts:					
Transfers and miscellaneous deposits	21,307	46,263	9,867	60,250	498,534
Disbursements:					
Bonds paid	18,643	10,000	8,084	20,000	318,571
Interest coupons	2,664	36,263	1,783	40,250	179,963
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	21,307	46,263	9,867	60,250	498,534
Excess of receipts over disbursements	-	-	-	-	-
Cash at June 30, 2015	-	-	-	-	-
Accounts Receivable and Payable					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
Fund Balance at June 30, 2015	$ -	$ -	$ -	$ -	$ -

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
Dayton High School
Year Ended June 30, 2015

	Fund Balance July 1, 2014	Receipts	Disbursements	Fund Balance June 30, 2015
7th grade account	$ 463	$ 46	$ -	$ 509
8th grade account	212	21	-	233
ABLE	3,000	-	3,000	-
After Prom	692	3,215	2,749	1,158
All A classic girls basketball tournament	-	737	737	-
Angie Buschles community based account	-	489	241	248
Annual	1,185	2,210	1,813	1,582
Art club	679	269	186	762
Art department	157	155	312	-
Arts and humanities	76	-	76	-
Athletic Booster club	3,928	12,345	11,793	4,480
Athletics	1,849	10,944	5,494	7,299
Band	10	-	-	10
Baseball	-	2,073	2,073	-
Baseball fundraiser	4,432	920	1,824	3,528
Bowling	-	580	580	-
Bowling fundraiser	575	-	-	575
Boys alumni basketball tournament	-	1,985	1,985	-
Boys basketball	-	8,854	8,854	-
Boys basketball fundraiser	227	12,735	11,919	1,043
Boys cross county	-	80	80	-
Boys golf fundraiser	348	-	-	348
Boys track	-	3,105	3,105	-
Business department	846	203	1,049	-
C.A.K.E.	4,872	2,492	3,135	4,229
Cafeteria	-	2	2	-
Cheerleading	-	1,384	1,384	-
Cheerleading fundraiser	4,158	5,330	4,779	4,709
Class of 2014	74	-	74	-
Class of 2015	363	1,167	1,530	-
Class of 2016	590	3,965	4,199	356
Class of 2017	81	1,032	1,000	113
Class of 2018	-	409	294	115
Coke	3,004	811	1,677	2,138
Cross country fundraiser	1,366	40	-	1,406
Dance team fundraiser	64	-	-	64
Davis field fund	1,165	-	1,165	-
Dayton special olympics	83	-	83	-
Dayton textbook fund	4,982	2,931	7,913	-
Dayton walking tour	200	-	-	200
DECA	22	2,230	2,200	52
District activity funds	-	22,126	22,126	-
Drama	13	-	-	13
Earth club	275	-	18	257
English department	595	145	739	1
Fellowship of Christian athletes	9	-	-	9
Football	-	14,789	14,789	-
Football fundraiser	595	6,788	6,064	1,319
Future educators association	43	-	-	43
Girls basketball	-	4,747	4,747	-
Girls basketball fundraiser	3,588	10,819	10,065	4,342
Girls soccer	-	3,481	3,481	-
Girls tennis fundraiser	91	-	-	91
Girls track	-	3,251	3,251	-
Golf outing	3,410	4,474	4,356	3,528

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
Dayton High School
Year Ended June 30, 2015

	Fund Balance July 1, 2014	Receipts	Disbursements	Fund Balance June 30, 2015
Green zone	221	242	-	463
Guidance department	621	530	1,151	-
High school field trips	231	41	-	272
High school newspaper	200	-	-	200
High school student council	68	-	-	68
Industrial communications	381	636	1,017	-
Library	2,273	241	2,330	184
Life skills	211	15	226	-
Math department	1,526	328	1,854	-
Microsoft certification grant	874	-	874	-
Middle school basketball tournament	-	772	772	-
Middle school book store	23	-	23	-
Middle school basketball fundraiser	168	1,023	1,035	156
Middle school cheerleading	-	30	30	-
Middle school cheerleading fundraiser	-	1,746	1,278	468
Middle school dance	2,118	-	-	2,118
Middle school field day	83	297	380	-
Middle school field trips	270	5,421	5,352	339
Middle school girls basketball fundraiser	1,105	460	198	1,367
Middle school pep club	14	-	14	-
Middle school robotics	-	150	75	75
Middle school science club	1,041	159	457	743
Middle school science department	27	-	27	-
Middle school student council	12	119	-	131
Ms. Buschles class fundraiser	26	-	-	26
National honor society	176	-	-	176
National Jr. honor society	217	490	94	613
Principals account	3,511	6,556	6,320	3,747
Postage and stationary	34	-	-	34
Regional bowling tournament	-	1,267	1,267	-
River City classic volleyball tournament	-	11,444	11,444	-
Scholarships	25,998	9,411	10,350	25,059
School agendas	1,830	1,188	3,018	-
Science department	1,090	759	1,849	-
Senior banquet	275	920	630	565
Senior trip	2,051	86	1,279	858
Soccer fundraiser	1,108	4,004	2,840	2,272
Social studies department	233	-	233	-
Softball	-	2,859	2,859	-
Softball fundraiser	4,820	249	1,326	3,743
Special education department	6	-	6	-
Staff flower fund	69	-	-	69
Student/teacher incentives	1,166	344	777	733
Technology club	99	-	99	-
Track fundraiser	315	1,251	1,325	241
Transcript fees	682	96	10	768
Video department	339	-	339	-
Volleyball	-	2,350	2,350	-
Volleyball fundraiser	6,106	8,084	10,829	3,361
Washington D.C. trip	2,565	22,989	23,097	2,457
Weight room	27	-	-	27
Youth league basketball	-	24,453	24,453	-
Youth service center	4,200	2,122	1,942	4,380
Total	$ 116,732	$ 266,511	$ 282,770	$ 100,473

DAYTON INDEPENDENT SCHOOL DISTRICT

Statement of Receipts, Disbursements and Fund Balance
School Activity Fund
Year Ended June 30, 2015

	Lincoln Elementary	Total
Fund balances at July 1, 2014	$ 10,924	$ 10,924
Add: receipts	85,832	85,832
Less: disbursements	(89,599)	(89,599)
Fund balance at June 30, 2015	$ 7,157	$ 7,157

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of the District's Proportionate Share of the Net Liability - KTRS

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of the net pension liability	0%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	$ -	*	*	*	*	*	*	*	*	*
State's proportionate share of the net pension liability associated with the District	29,749,812	*	*	*	*	*	*	*	*	*
Total	$ 29,749,812	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 4,537,035	4,521,703	4,630,015	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	0%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	45.59%	*	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: None

Changes of assumption: In the 2011 valuation and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Table rather than the 1994 Group Annuity Mortality Table, which was used prior to 2011. In the 2011 valuation, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In the 2011 valuation, the Board adopted an interest smoothing methodology to calculate liabilities for purposes of determining the actuarially determined contributions.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - KTRS

Last 10 Fiscal Years*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 193,387	$ 145,458	$ 116,304	$ 99,188	*	*	*	*	*	*
Contributions in relation to the contractually required contribution					*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(193,387)	(145,458)	(116,304)	(99,188)	*	*	*	*	*	*
Contribution deficiency	$ -	$ -	$ -	$ -	*	*	*	*	*	*
District's covered-employee payroll	$ 4,544,045	$ 4,537,035	$ 4,521,703	$ 4,630,015	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	4.26%	3.21%	2.57%	2.14%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

DAYTON INDEPENDENT SCHOOL DISTRICT

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

Last 10 Fiscal Years*

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
District's proportion of net pension liability	0.044647%	*	*	*	*	*	*	*	*	*
District's proportionate share of the net pension liability	$ 1,449,000	*	*	*	*	*	*	*	*	*
Total net pension liability	$ 3,244,377,000	*	*	*	*	*	*	*	*	*
District's covered-employee payroll	$ 1,018,168	$ 1,089,064	$ 1,081,100	*	*	*	*	*	*	*
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	142.3%	*	*	*	*	*	*	*	*	*
Plan fiduciary net position as a percentage of the total pension liability	66.80%	*	*	*	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Changes of benefit terms: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2009: A new benefit tire for members who first participate on or after September 1, 2008 was introduced which included the following changes:
1. Tired structure for benefit accrual rates
2. New retirement eligibility requirements
3. Different rules for the computation of final average compensation

2014: As cash balance plan was introduced for member whose participation date is on or after January 1, 2014.

Changes of assumption: The following changes were made by the Kentucky Legislature and reflected in the valuation performed as of June 30 listed below:

2006: The assumptions were updated as the result of an experience study for the five year period ending June 30, 2005.

2007: Amortization bases have been combined and will be amortized over a single 30 year closed period beginning June 30, 2007.

2009: The assumptions were updated as the result of an experience study for the three year period ending June 30, 2008.

2013: The amortization period of the unfunded accrued liability was reset to a closed 30 years period.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of District Contributions - CERS

Last 10 Fiscal Years*

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	$ 185,267	$ 203,855	$ 212,912	$ 204,976	*	*	*	*	*	*
Contributions in relation to the contractually required contribution	(185,267)	(203,855)	(212,912)	(204,976)	*	*	*	*	*	*
Contribution deficiency	$ -	$ -	$ -	$ -	*	*	*	*	*	*
District's covered-employee payroll	$ 1,052,781	$ 1,018,168	$ 1,089,064	$ 1,081,100	*	*	*	*	*	*
Contributions as a percentage of of covered-employee payroll	17.60%	20.02%	19.55%	18.96%	*	*	*	*	*	*

* The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available. No changes were made to the assumptions or benefit terms.

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Agreement Number	Federal Expenditures for FYE 6/30/2015
U.S. Department of Education			
Passed through Northern Kentucky Cooperative for Educational Services			
Improvement of Education (Counseling Grant)	84.215	5814	$ 1,136
Improvement of Education (Counseling Grant)	84.215	5814E	3,465
Improvement of Education (Counseling Grant)	84.215	581A	85,536
Improvement of Education (Counseling Grant)	84.215	581AE	46,368
Total CFDA # 84.215			136,555
Passed through Kentucky Department of Education			
Special Education Cluster			
Special Education_Grants to States	84.027	3810002 13	41
Special Education_Grants to States	84.027	3810002 14	943
Special Education_Grants to States	84.027	3810002 15	255,150
Special Education_Preschool Grants	84.173	3800002 14	507
Special Education_Preschool Grants	84.173	3800002 15	31,219
Total Special Education Cluster			287,860
Title I Grants to Local Educational Agencies	84.010	3100002 14	70,876
Title I Grants to Local Educational Agencies	84.010	3100002 15	304,371
Title I Grants to Local Educational Agencies	84.010A	3100102 14	1,586
Title I Grants to Local Educational Agencies	84.010A	3100102 15	38,202
Title I Grants to Local Educational Agencies	84.010A	310AM	4,935
Total CFDA # 84.010			419,970
Race to the Top	84.413	3960002 11	2,421
Title II Improving Teacher Quality State Grants	84.367	3230002 14	4,462
Title II Improving Teacher Quality State Grants	84.367	3230002 15	74,008
Total CFDA # 84.367			78,470
Title I, School Improvement Grants	84.377A	3100302 13	413,583
Title I, School Improvement Grants	84.310A	3100002 14	16,352
Total CFDA # 84.377			429,935
Passed through the Walton-Verona Independent School District			
Career and technical Education -Basic Grants to States	84.048	348A	9,317
Total U.S. Department of Education			1,364,528
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed through Kentucky Department of Education			
National School Lunch Program	10.555	7750002 14	85,425
National School Lunch Program	10.555	7750002 15	370,037
School Breakfast Program	10.553	7760005 14	57,398
School Breakfast Program	10.553	7760005 15	237,041
Summer Food Program	10.559	7690024 14	2,834
Summer Food Program	10.559	7740023 14	27,417
Passed through Kentucky Department of Agriculture			
National School Lunch Program - Food Donation	10.555	N/A	35,493
Total Child Nutrition Cluster			815,645
Passed through Kentucky Department of Education			
Child and Adult Care Food Program	10.558	7790021 14	41,657
Child and Adult Care Food Program	10.558	7790021 15	221,885
Child and Adult Care Food Program	10.558	7800016 14	3,460
Child and Adult Care Food Program	10.558	7800016 15	18,428
Total CFDA # 10.558			285,430
Total U.S. Department of Agriculture			1,101,075
Total Expenditures of Federal Awards			$ 2,465,603

DAYTON INDEPENDENT SCHOOL DISTRICT

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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, 2015, 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, 2015, the District reported food commodities expended in the amount of $35,493.

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

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, 2015, 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 13, 2015.

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 13, 2015.

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

(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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2015

INDEPENDENT AUDITORS' 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, 2015. 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.

Auditors' 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, 2015.

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 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.

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

(Continued)

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.

Barnes, Dennig & Co., Ltd.

Crestview Hills, Kentucky
November 13, 2015

DAYTON INDEPENDENT SCHOOL DISTRICT

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

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

CFDA No.	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster
84.377	Title I, School Improvement Grants

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, 2015

SECTION I -SUMMARY OF PRIOR YEAR AUDITOR'S RESULTS

No matters are reportable

SECTION II – PRIOR YEAR FINANCIAL STATEMENT FINDINGS

No matters are reportable

SECTION III – PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COST

No matters are reportable

DAYTON INDEPENDENT SCHOOL DISTRICT

Management Letter Comments
Year Ended June 30, 2015

In planning and performing our audit of the financial statements of Dayton Independent School District for the year ended June 30, 2015, 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 13, 2015 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 13, 2015, on the financial statements of the Dayton Independent School District.

CURRENT YEAR RECOMMENDATIONS

CENTRAL OFFICE

No matters are reportable

ACTIVITY FUNDS

Dayton High School

2015-01 Required purchase orders not properly completed prior to purchases

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 not properly filled out and approved prior to the purchase.

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 approved prior to purchase of goods.

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

2015-02 Inventory control sheets were not properly completed

Criteria – Per best practices recommended by the Kentucky Department of Education, an inventory control sheet must be completed for each event and each time money from fundraising activities is collected.

Condition – During the testing of the Activity Funds, it was that inventory control sheets were not properly completed each time a fundraising event took place.

Effect – Proper documentation of the inventory control process was not followed.

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

Recommendation – We recommend that an inventory control sheet, Form F-SA-17 of Redbook, be completed with each fundraising activity.

Board Response – The finance officer has provided additional training to the proper employees to strengthen the controls over the proper documentation of the approval process.

Lincoln Elementary

2015-03 Required purchase orders not properly completed prior to purchases

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 not properly filled out and approved prior to the purchase.

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 approved prior to purchase of goods.

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

STATUS OF PRIOR YEAR RECOMMENDATIONS

CENTRAL OFFICE

Statement of prior year deficiency:

- It was noted the District was under-collateralized for several day during the year

Current year follow-up: There were no such instances noted in the current year.

ACTIVITY FUNDS

General Findings for All Schools

Statement of prior year deficiency:

- It was noted that certain activity accounts were not properly recorded at the District level as required by the latest Redbook edition. Redbook requires 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.

Current year follow-up: There were no such instances noted in the current year.

Dayton Independent High School

Statement of prior year deficiency: It was noted that the Kentucky Department of Education required purchase order forms were not always used for approval of cash disbursements.

Current year follow-up: There were no such instances noted in the current year.

Lincoln Elementary

Statement of prior year deficiency: It was noted that a purchase order was used to support a reimbursement check for an employee instead of the Kentucky Department of Education recommended expense report.

Current year follow-up: There were no such instances noted in the current year.