

**DAYTON INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**- WITH INDEPENDENT AUDITORS' REPORT -**

**DAYTON INDEPENDENT SCHOOL DISTRICT  
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## Independent Auditors' Report

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

### **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, 2013, and the related notes to the financial statements, which collectively comprise the Dayton Independent School District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Dayton Independent School District, as of June 30, 2013, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–8 and 15-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dayton Independent School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section 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.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2013 on our consideration of the Dayton Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dayton Independent School District's internal control over financial reporting and compliance.

Handwritten signature of Barbara Spahr in cursive script.

Crestview Hills, Kentucky  
October 30, 2013

**DAYTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2013**

As management of the Dayton Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the audit.

**FINANCIAL HIGHLIGHTS**

- The beginning cash balance for the District was \$621,355.
- The General Fund had \$6,847,508 in revenue, excluding interfund transfers. General Fund revenues primarily consisted of the state program (SEEK), property, utilities and motor vehicle taxes. Excluding inter-fund transfers, there was \$7,183,565 in General Fund expenditures.
- No District-wide raises were given by the Board with the exception of rank and experience increases. In addition several positions were eliminated from the prior year and the Board approved a reduction of one day for all employees in the school calendar from 187 days to 186 days.
- KTRS (certified retirement) medical board match increased from 1.0% to 1.50%.
- CERS (classified retirement) board match decreased from 19.55% to 18.99%.
- SEEK funds decreased slightly due to a reduction in ADA from 769.06 to 761.56.
- The District was awarded year two of the High School Counseling Grant and also received an Elementary Counseling Grant.
- The State approved the Board's use of \$38,000 of capital funds for general maintenance expenditures.
- The District again received funding in the amount of \$100,000 for the High and Middle School through a federal School Improvement Grant.
- Renovation of Lincoln Elementary School is nearing completion (expected to be completed during the summer of 2013). The renovation at a cost of \$1,750,000 included new restrooms, new flooring for classrooms, hallways, cafeteria and gymnasium, cafeteria equipment, painting in all rooms and the installation of Smartboards in all classrooms.
- The Board has budgeted \$15,000 for the purchase of a small piece of property next to the high school at 773 Third Street.
- The Campbell County Sheriff has decreased the tax collection fee from 2.5% to 1.5% providing an annual savings to the District of \$16,000.
- Indirect costs will be collected from Food Service again for the 2013-2014 school year.
- Federal and State funds have been reduced due to sequestration.
- The Board has approved for twenty-eight computers to be leased for the next three years for Lincoln Elementary. The lease will be paid with SBDM funds.

**DAYTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

The statement of net 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 are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 9 and 10 of this report.

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

The basic governmental fund financial statements can be found on pages 11 through 19 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 20 through 35 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 \$1,982,330 as of June 30, 2013.

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

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

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

**Net Position for the periods ending June 30, 2013 and 2012**

The following table presents a summary of net position for the fiscal years ended June 30, 2013 and 2012.

	<b>2013</b>	<b>2012</b>
Current assets	\$ 2,060,797	\$ 798,391
Noncurrent assets	<u>6,725,267</u>	<u>6,775,395</u>
<b>Total assets</b>	<b><u>\$ 8,786,064</u></b>	<b><u>\$ 7,573,786</u></b>
Current liabilities	\$ 1,201,847	\$ 417,500
Noncurrent liabilities	<u>5,601,887</u>	<u>4,111,896</u>
<b>Total liabilities</b>	<b><u>\$ 6,803,734</u></b>	<b><u>\$ 4,529,396</u></b>
<b>Net position</b>		
Investment in capital assets (net of debt)	\$ 1,010,302	\$ 2,504,318
Restricted	850,578	84,527
Nonspendable	13,054	9,470
Unassigned	<u>108,396</u>	<u>446,075</u>
<b>Total net position</b>	<b><u>\$ 1,982,330</u></b>	<b><u>\$ 3,044,390</u></b>

**DAYTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**DISTRICT-WIDE FINANCIAL ANALYSIS (CONT'D)**

The following table presents a summary of revenue and expense for the fiscal years ended June 30, 2013 and 2012.

	<b>2013</b>	<b>2012</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for services	\$ 113,046	\$ 144,086
Operating grants and contributions	2,071,286	2,172,821
Capital grants and contributions	<u>389,473</u>	<u>262,825</u>
Total program revenues	<u>2,573,805</u>	<u>2,579,732</u>
General Revenues:		
Taxes	1,749,733	1,717,454
Grants and entitlements	5,148,593	5,331,378
Earnings on investments	3,202	5,000
Miscellaneous	<u>(68,562)</u>	<u>124,097</u>
Total general revenues	<u>6,832,966</u>	<u>7,177,929</u>
Total revenues	<u>9,406,771</u>	<u>9,757,661</u>
<b>Expenses:</b>		
Instruction	5,127,703	5,069,246
Student support services	679,285	584,844
Instructional support	606,298	616,252
District administration	457,318	490,696
School administration	578,635	536,205
Business support	333,285	424,891
Plant operations	853,642	763,945
Student transportation	183,464	158,175
Community service activities	127,116	134,224
Facilities acquisition and construction	575,735	427,776
Other	18,135	17,923
Debt service	162,971	122,305
Food service	662,326	625,365
Daycare service	<u>102,918</u>	<u>130,781</u>
Total expenses	<u>10,468,831</u>	<u>10,102,628</u>
Deficit of revenues over expenses	<u>\$ ( 1,062,060)</u>	<u>\$ ( 344,967)</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) (CONT'D)  
YEAR ENDED JUNE 30, 2013**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- General Fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$1,356,942 more than budget or approximately 24.3%. This is a result of the District recording "on behalf" payments made by the State.
- The total cost of General Fund programs and services was \$7,199,276, net of interfund transfers and debt service.
- General Fund budget expenditures to actual varied significantly in Instruction. Actual expenditures were \$988,233 greater than budget. This is partially the result of the District recording "on behalf" payments made by the State.

**BUDGETARY IMPLICATIONS**

In Kentucky the public school fiscal year is July 1-June 30; other programs, i.e. some federal, operate on a different fiscal calendar, but are reflected in the District's overall budget. By law the budget must have a minimum 2% contingency. The District adopted a budget with \$161,248 in contingency (2.7%). The beginning cash balance for the fiscal year is \$621,355.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION - DISTRICT WIDE  
AS OF JUNE 30, 2013**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	\$ 1,761,843	\$ 9,414	\$ 1,771,257
Accounts receivable	201,557	74,929	276,486
Prepays	3,082	-	3,082
Inventories for consumption	-	9,972	9,972
Total current	<u>1,966,482</u>	<u>94,315</u>	<u>2,060,797</u>
<b>NONCURRENT</b>			
Bond issuance costs - net	155,841	-	155,841
Nondepreciated capital assets:			
Land	260,482	-	260,482
Depreciated capital assets:			
Land improvements	10,518,373	-	10,518,373
Buildings and improvements	1,221,831	-	1,221,831
Furniture and equipment	911,612	358,143	1,269,755
Less: accumulated depreciation	<u>(6,451,665)</u>	<u>(249,350)</u>	<u>(6,701,015)</u>
Total noncurrent	<u>6,616,474</u>	<u>108,793</u>	<u>6,725,267</u>
Total assets	<u><u>\$ 8,582,956</u></u>	<u><u>\$ 203,108</u></u>	<u><u>\$ 8,786,064</u></u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Current portion of bonds payable	\$ 320,098	\$ -	\$ 320,098
Current portion of accrued sick leave	23,002	-	23,002
Accounts payable	731,809	39	731,848
Accrued payroll and related expenses	17,744	-	17,744
Accrued interest	32,134	-	32,134
Assessed KISBIT liability	77,021	-	77,021
Deferred revenues	-	-	-
Total current	<u>1,201,808</u>	<u>39</u>	<u>1,201,847</u>
<b>NONCURRENT</b>			
Accrued sick leave	207,020	-	207,020
Bonds payable	<u>5,394,867</u>	<u>-</u>	<u>5,394,867</u>
Total noncurrent	<u>5,601,887</u>	<u>-</u>	<u>5,601,887</u>
Total liabilities	<u>6,803,695</u>	<u>39</u>	<u>6,803,734</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	901,509	108,793	1,010,302
Restricted for:			
Capital projects	847,586	-	847,586
Accrued sick leave	-	-	-
Nonspendable	3,082	9,972	13,054
Other	2,992	-	2,992
Unrestricted	<u>24,092</u>	<u>84,304</u>	<u>108,396</u>
Total net position	<u>1,779,261</u>	<u>203,069</u>	<u>1,982,330</u>
Total liabilities and net position	<u><u>\$ 8,582,956</u></u>	<u><u>\$ 203,108</u></u>	<u><u>\$ 8,786,064</u></u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES - DISTRICT WIDE  
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		TOTAL
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	
<b>Governmental Activities:</b>							
Instructional	\$ 5,127,703	\$ 840	\$ 615,643	\$ -	\$ (4,511,220)	\$ -	\$ (4,511,220)
Student support services	679,285	-	163,379	-	(515,906)	-	(515,906)
Staff support services	606,298	-	259,088	-	(347,210)	-	(347,210)
District administration	457,318	-	-	-	(457,318)	-	(457,318)
School administration	578,635	-	187,843	-	(390,792)	-	(390,792)
Business support services	333,285	-	35,749	-	(297,536)	-	(297,536)
Plant operation and maintenance	853,642	-	-	-	(853,642)	-	(853,642)
Student transportation	183,464	-	13,664	-	(169,800)	-	(169,800)
Other	18,135	4,759	-	-	(13,376)	-	(13,376)
Community service operations	127,116	-	113,789	-	(13,327)	-	(13,327)
Facility acquisition and construction	575,735	-	-	389,473	(186,262)	-	(186,262)
Interest on long-term debt	162,971	-	-	-	(162,971)	-	(162,971)
<b>Total governmental activities</b>	<b>9,703,587</b>	<b>5,599</b>	<b>1,389,155</b>	<b>389,473</b>	<b>(7,919,360)</b>	<b>-</b>	<b>(7,919,360)</b>
<b>Business-type Activities</b>							
Food service	662,326	51,944	652,157	-	-	41,775	41,775
Daycare	102,918	55,503	29,974	-	-	(17,441)	(17,441)
<b>Total business-type activities</b>	<b>765,244</b>	<b>107,447</b>	<b>682,131</b>	<b>-</b>	<b>-</b>	<b>24,334</b>	<b>24,334</b>
<b>Total school district</b>	<b>\$ 10,468,831</b>	<b>\$ 113,046</b>	<b>\$ 2,071,286</b>	<b>\$ 389,473</b>	<b>\$ (7,919,360)</b>	<b>\$ 24,334</b>	<b>\$ (7,895,026)</b>
			<b>General revenues:</b>				
			Taxes		\$ 1,749,733	\$ -	\$ 1,749,733
			State aid formula grants		5,148,593	-	5,148,593
			Investment earnings		3,202	-	3,202
			Underwriter's discount		(28,177)	-	(28,177)
			KISBIT assessment		(77,021)	-	(77,021)
			Miscellaneous		31,725	2,100	33,825
			Special items:				
			Gain(loss) on sale of assets		-	-	-
			Proceeds from sale of asset and claims		2,811	-	2,811
			Interfund transfers		14,810	(14,810)	-
			<b>Total general and special revenues</b>		<b>6,845,676</b>	<b>(12,710)</b>	<b>6,832,966</b>
			Change in net position		(1,073,684)	11,624	(1,062,060)
			Net position - beginning		2,852,945	191,445	3,044,390
			Net position - ending		<b>\$ 1,779,261</b>	<b>\$ 203,069</b>	<b>\$ 1,982,330</b>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE</u>	<u>CONSTRUCTION FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>ASSETS</b>					
<b>CURRENT</b>					
Cash (overdraft) and cash equivalents	\$ 334,910	\$ (121,557)	\$ 1,548,490	\$ -	\$ 1,761,843
Accounts receivable	60,381	141,176	-	-	201,557
Prepaid expenses	3,082	-	-	-	3,082
	<u>398,373</u>	<u>19,619</u>	<u>1,548,490</u>	<u>-</u>	<u>1,966,482</u>
Total current	<u>\$ 398,373</u>	<u>\$ 19,619</u>	<u>\$ 1,548,490</u>	<u>\$ -</u>	<u>\$ 1,966,482</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>CURRENT</b>					
Accounts payable	\$ 22,475	\$ 8,430	\$ 700,904	\$ -	\$ 731,809
Accrued payroll and related expenses	6,555	11,189	-	-	17,744
Deferred revenues	-	-	-	-	-
	<u>29,030</u>	<u>19,619</u>	<u>700,904</u>	<u>-</u>	<u>749,553</u>
Total current	<u>29,030</u>	<u>19,619</u>	<u>700,904</u>	<u>-</u>	<u>749,553</u>
<b>FUND BALANCE</b>					
Restricted					
Capital projects fund	-	-	847,586	-	847,586
Committed					
Accrued sick leave	-	-	-	-	-
Nonspendable	3,082	-	-	-	3,082
Assigned - purchase obligations	2,992	-	-	-	2,992
Unassigned	363,269	-	-	-	363,269
	<u>369,343</u>	<u>-</u>	<u>847,586</u>	<u>-</u>	<u>1,216,929</u>
Total fund balance	<u>369,343</u>	<u>-</u>	<u>847,586</u>	<u>-</u>	<u>1,216,929</u>
Total liabilities and fund balance	<u>\$ 398,373</u>	<u>\$ 19,619</u>	<u>\$ 1,548,490</u>	<u>\$ -</u>	<u>\$ 1,966,482</u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2013**

Total governmental fund balance		\$ 1,216,929
Bond issue costs - net		155,841
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Construction in progress	-	
Cost of capital assets	12,912,298	
Accumulated depreciation	<u>(6,451,665)</u>	6,460,633
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		(5,714,965)
Accrued interest on bonds		(32,134)
Assessed KISBIT liability		(77,021)
Accrued sick leave		<u>(230,022)</u>
 Total net position - governmental		 <u><u>\$ 1,779,261</u></u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>GENERAL FUND</u>	<u>SPECIAL REVENUE FUND</u>	<u>CONSTRUCTION FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>					
Taxes	\$ 1,655,578	\$ -	\$ -	\$ 94,155	\$ 1,749,733
Earnings on investments	3,202	-	-	-	3,202
State sources	5,140,093	443,605	-	389,473	5,973,171
Federal sources	8,500	945,550	-	-	954,050
Other sources	37,324	-	-	-	37,324
	<u>6,844,697</u>	<u>1,389,155</u>	<u>-</u>	<u>483,628</u>	<u>8,717,480</u>
Total revenues					
<b>EXPENDITURES:</b>					
Instructional	4,294,076	627,947	-	-	4,922,023
Student support services	461,085	163,379	-	-	624,464
Staff support services	345,615	259,088	-	-	604,703
District administration	449,386	-	-	-	449,386
School administration	390,078	187,843	-	-	577,921
Business support services	296,954	35,749	-	-	332,703
Plant operation and maintenance	747,726	-	-	-	747,726
Student transportation	138,396	13,664	-	-	152,060
Community service operations	13,149	113,789	-	-	126,938
Facility acquisition and construction	-	-	833,823	-	833,823
Debt service:					
Principal	40,136	-	-	250,976	291,112
Interest	6,964	-	-	150,603	157,567
	<u>7,183,565</u>	<u>1,401,459</u>	<u>833,823</u>	<u>401,579</u>	<u>9,820,426</u>
Total expenditures					
Excess(deficit) of revenues over expenditures	<u>(338,868)</u>	<u>(12,304)</u>	<u>(833,823)</u>	<u>82,049</u>	<u>(1,102,946)</u>
<b>OTHER FINANCING SOURCES(USES):</b>					
Proceeds from sale of bonds	-	-	1,681,409	-	1,681,409
Proceeds from sale of assets and claims	2,811	-	-	-	2,811
Operating transfers in	100,266	12,304	-	273,645	386,215
Operating transfers out	(15,711)	-	-	(355,694)	(371,405)
	<u>87,366</u>	<u>12,304</u>	<u>1,681,409</u>	<u>(82,049)</u>	<u>1,699,030</u>
Total other financing sources(uses)					
Net change in fund balance	(251,502)	-	847,586	-	596,084
Fund balance, July 1, 2012	620,845	-	-	-	620,845
Fund balance, June 30, 2013	<u>\$ 369,343</u>	<u>\$ -</u>	<u>\$ 847,586</u>	<u>\$ -</u>	<u>\$ 1,216,929</u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013**

Net changes in total fund balances per fund financial statements \$ 596,084

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

Proceeds from bond sale		(1,681,409)
Underwriter's discount on bond sale		(28,177)

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

Loss on disposal of fixed assets		-
Depreciation expense		(376,954)
Construction in progress		258,088
Capital Outlays		<u>51,564</u>
		(67,302)

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

Principal paid		<u>291,112</u>
		291,112

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.

(183,992)

Change in net position of governmental activities

\$ (1,073,684)

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
<b>REVENUES:</b>				
Taxes	\$ 1,697,117	\$ 1,697,117	\$ 1,655,578	\$ (41,539)
Other local sources	14,500	14,500	40,526	26,026
State sources	3,787,166	3,787,166	5,140,093	1,352,927
Federal sources	10,000	10,000	8,500	(1,500)
Other sources	57,725	82,049	103,077	21,028
	<u>5,566,508</u>	<u>5,590,832</u>	<u>6,947,774</u>	<u>1,356,942</u>
Total revenues				
<b>EXPENDITURES:</b>				
Instructional	3,514,039	3,511,764	4,294,076	(782,312)
Student support services	366,613	366,613	461,085	(94,472)
Staff support services	274,737	274,737	345,615	(70,878)
District administration	380,577	381,847	449,386	(67,539)
School administration	312,516	312,516	390,078	(77,562)
Business support services	259,761	259,761	296,954	(37,193)
Plant operation and maintenance	730,455	756,599	747,726	8,873
Student transportation	115,758	115,758	138,396	(22,638)
Food service operation	-	-	-	-
Central office	-	-	-	-
Community service operations	8,100	8,100	13,149	(5,049)
Facility acquisition and construction	-	-	-	-
Debt service and miscellaneous	47,100	47,100	47,100	-
Other	176,248	176,248	15,711	160,537
	<u>6,185,904</u>	<u>6,211,043</u>	<u>7,199,276</u>	<u>(988,233)</u>
Total expenditures				
Net change in fund balance	(619,396)	(620,211)	(251,502)	368,709
Fund balance, July 1, 2012	619,396	620,845	620,845	-
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ 634</u>	<u>\$ 369,343</u>	<u>\$ 368,709</u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>ORIGINAL BUDGET</b>	<b>FINAL BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</b>
<b>REVENUES:</b>				
Other local sources	\$ -	\$ -	\$ 12,304	\$ 12,304
State sources	445,535	448,736	443,605	(5,131)
Federal sources	872,162	971,651	945,550	(26,101)
Other sources	15,000	15,000	-	(15,000)
	<u>1,332,697</u>	<u>1,435,387</u>	<u>1,401,459</u>	<u>(33,928)</u>
Total revenues				
<b>EXPENDITURES:</b>				
Instructional	637,308	646,526	627,947	18,579
Student support services	131,594	218,665	163,379	55,286
Staff support services	205,052	211,453	259,088	(47,635)
School administration	187,571	187,571	187,843	(272)
Business support services	39,020	39,020	35,749	3,271
Student transportation	13,147	13,147	13,664	(517)
Community service operations	119,005	119,005	113,789	5,216
	<u>1,332,697</u>	<u>1,435,387</u>	<u>1,401,459</u>	<u>33,928</u>
Total expenditures				
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
AS OF JUNE 30, 2013**

	<b>FOOD SERVICE FUND</b>	<b>DAY CARE FUND</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	\$ 1,901	\$ 7,513	\$ 9,414
Accounts receivable	70,463	4,466	74,929
Inventories for consumption	9,972	-	9,972
Total current	<u>82,336</u>	<u>11,979</u>	<u>94,315</u>
<b>NONCURRENT</b>			
Furniture and fixtures	310,243	47,900	358,143
Less: accumulated depreciation	<u>(208,647)</u>	<u>(40,703)</u>	<u>(249,350)</u>
Total noncurrent	<u>101,596</u>	<u>7,197</u>	<u>108,793</u>
Total assets	<u><u>\$ 183,932</u></u>	<u><u>\$ 19,176</u></u>	<u><u>\$ 203,108</u></u>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Accounts payable	\$ 39	\$ -	\$ 39
Total current	<u>39</u>	<u>-</u>	<u>39</u>
<b>NET POSITION</b>			
Invested in assets, net of debt	101,596	7,197	108,793
Restricted - inventories	9,972	-	9,972
Restricted - net position	72,325	11,979	84,304
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>
Total net position	<u>183,893</u>	<u>19,176</u>	<u>203,069</u>
Total liabilities and net position	<u><u>\$ 183,932</u></u>	<u><u>\$ 19,176</u></u>	<u><u>\$ 203,108</u></u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FOOD SERVICE FUND</b>	<b>DAY CARE FUND</b>	<b>TOTAL</b>
<b>OPERATING REVENUES:</b>			
Lunchroom sales	\$ 51,944	\$ -	\$ 51,944
Other operating revenues	2,100	55,503	57,603
Total operating revenues	<u>54,044</u>	<u>55,503</u>	<u>109,547</u>
<b>OPERATING EXPENSES:</b>			
Student transportation	-	1,400	1,400
Salaries and benefits	257,306	96,355	353,661
Contract services	15,428	423	15,851
Materials and supplies	349,355	904	350,259
Plant operation and maintenance	30,656	1,048	31,704
Depreciation	9,581	958	10,539
Other operating expenses	-	1,830	1,830
Total operating expenses	<u>662,326</u>	<u>102,918</u>	<u>765,244</u>
Operating loss	<u>(608,282)</u>	<u>(47,415)</u>	<u>(655,697)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
Federal grants	582,753	-	582,753
State grants	36,939	29,974	66,913
Donated commodities and other donations	32,465	-	32,465
Transfers	(18,217)	3,407	(14,810)
Interest income	-	-	-
Total nonoperating revenue	<u>633,940</u>	<u>33,381</u>	<u>667,321</u>
Net income	25,658	(14,034)	11,624
Total net position, July 1, 2012	<u>158,235</u>	<u>33,210</u>	<u>191,445</u>
Total net position, June 30, 2013	<u>\$ 183,893</u>	<u>\$ 19,176</u>	<u>\$ 203,069</u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>FOOD SERVICE FUND</b>	<b>DAY CARE FUND</b>	<b>TOTAL</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from lunchroom sales	\$ 51,944	\$ -	\$ 51,944
Cash received from other activities	2,100	55,503	57,603
Cash payments to employees for services	(257,306)	(96,355)	(353,661)
Cash payments to suppliers for goods and services	(397,352)	(5,605)	(402,957)
Cash transfers	(18,217)	3,407	(14,810)
	(618,831)	(43,050)	(661,881)
Net cash flows used in operating activities			
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(20,434)	-	(20,434)
	(20,434)	-	(20,434)
Net cash used in capital financing activities			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Non-operating revenues received	603,786	34,666	638,452
	603,786	34,666	638,452
Net cash provided by noncapital financing activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	-	-	-
	-	-	-
Net cash flows provided by investing activities			
Net decrease in cash and cash equivalents	(35,479)	(8,384)	(43,863)
Cash and cash equivalents - beginning	37,380	15,897	53,277
Cash and cash equivalents - ending	\$ 1,901	\$ 7,513	\$ 9,414
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Operating loss	\$ (608,282)	\$ (47,415)	\$ (655,697)
<b>ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES</b>			
Depreciation	9,581	958	10,539
Interfund transfers	(18,217)	3,407	(14,810)
Changes in assets and liabilities:			
Increase in inventories	(1,952)	-	(1,952)
Increase in accounts payable	39	-	39
	(618,831)	(43,050)	(661,881)
Net cash used in operating activities			
<b>SCHEDULE OF NON-CASH TRANSACTIONS</b>			
Donated commodities received from federal government	\$ 32,465	\$ -	\$ 32,465
	32,465	-	32,465

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

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

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

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

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

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

Basis of Presentation

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

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

Basis of Presentation (cont'd)

The District-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

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

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

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the primary operating fund of the District. It accounts for financial resources used for general types of operations. This is a budgeted fund and any unrestricted fund balances are considered as resources available for use. This is a major fund of the District.
  
- (B) The Special Revenue Fund accounts for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the schedule of expenditures of federal awards included in this report on page 43. This is a major fund of the District.

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

Basis of Presentation (cont'd)

I. Governmental Fund Types (cont'd)

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

1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan. This is a major fund of the District.
2. The Facility Support Program of Kentucky Fund (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan. This is a major fund of the District.
3. The Construction fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

II. Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and, for the payment of interest on general obligation notes payable, as required by Kentucky Law.

III. Proprietary Funds (Enterprise Funds)

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

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

IV. Fiduciary Fund Type (agency and trust funds)

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

Basis of Accounting

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

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

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

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

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

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

Property Taxes

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

Budgetary Process

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

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

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

Cash and Cash Equivalents

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

Inventories

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

Capital Assets

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

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

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

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

Accumulated Unpaid Sick Leave Benefits

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

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

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

Interfund Balances

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves

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

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

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

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

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

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

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

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

Operating Revenues and Expenses

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

Interfund Activity

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

**NOTE B - ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, designated fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE C - CASH AND CASH EQUIVALENTS**

At year end, the District had on deposit cash and cash equivalents totaling \$2,178,752. Of the total cash balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), with the remainder covered by a collateral agreement and collateral held by the pledging bank's trust department in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Cash and cash equivalents at June 30, 2013 consist of the following:

	<u>Bank Balance</u>	<u>Book Balance</u>
Citizens Bank	\$ <u>2,178,752</u>	\$ <u>1,881,774</u>

Allocation per financial statements:

Governmental funds	\$ 1,761,843
Proprietary funds	9,414
Activity funds	<u>110,517</u>
	<u>\$ 1,881,774</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE D - ACCUMULATED UNPAID SICK LEAVE BENEFITS**

Upon providing proof of qualification as an annuitant from the Kentucky Teacher's Retirement System, certified and classified employees will receive from the District an amount equal to 30% of the value of accumulated sick leave. At June 30, 2013, this amount totaled approximately \$230,022 for those employees with twenty-seven or more years of experience. The Board has not reserved any portion of its General Fund for unpaid sick leave benefits.

**NOTE E - COMMITMENTS UNDER NONCAPITALIZED LEASES**

The District leases equipment under operating leases expiring in various years through 2015. Future minimum lease payments under operating lease agreements for equipment as of June 30, 2013, are as follows:

Year ending June 30:

2014	\$	46,060
2015		46,060
2016		-
2017		-
2018		-
Thereafter		-
		-
Total minimum lease payments	\$	92,120

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE F - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

<u>Governmental Activities</u>	Balance July 01, 2012	Additions	Deductions	Balance June 30, 2013
Land and land improvements	\$ 260,482	\$ -	\$ -	\$ 260,482
Buildings and improvements	10,518,373	-	-	10,518,373
Technology equipment	1,170,267	51,564	-	1,221,831
Vehicles	428,244	-	-	428,244
General equipment	225,280	-	-	225,280
Construction in progress	-	258,088	-	258,088
	<hr/>	<hr/>	<hr/>	<hr/>
Totals at historical cost	12,602,646	309,652	-	12,912,298
	<hr/>	<hr/>	<hr/>	<hr/>
Less: accumulated depreciation				
Land improvements	68,975	2,368	-	71,343
Buildings and improvements	4,700,621	232,932	-	4,933,553
Technology equipment	881,654	99,852	-	981,506
Vehicles	266,334	31,378	-	297,712
General equipment	157,127	10,424	-	167,551
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	6,074,711	376,954	-	6,451,665
	<hr/>	<hr/>	<hr/>	<hr/>
Governmental activities capital assets - net	<u>\$ 6,527,935</u>	<u>\$ (67,302)</u>	<u>\$ -</u>	<u>\$ 6,460,633</u>
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Business - Type Activities</u>				
Buildings and improvements	\$ 165,279	\$ -	\$ -	\$ 165,279
Technology equipment	10,667	-	-	10,667
Vehicles	4,000	-	-	4,000
General equipment	157,763	20,434	-	178,197
	<hr/>	<hr/>	<hr/>	<hr/>
Totals at historical cost	337,709	20,434	-	358,143
	<hr/>	<hr/>	<hr/>	<hr/>
Less: accumulated depreciation				
Buildings and improvements	109,010	3,306	-	112,316
Technology equipment	6,848	1,903	-	8,751
Vehicles	1,133	800	-	1,933
General equipment	121,820	4,530	-	126,350
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	238,811	10,539	-	249,350
	<hr/>	<hr/>	<hr/>	<hr/>
Business - type activities capital assets - net	<u>\$ 98,898</u>	<u>\$ 9,895</u>	<u>\$ -</u>	<u>\$ 108,793</u>
	<hr/>	<hr/>	<hr/>	<hr/>

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

<u>Issue Date</u>	<u>Proceeds</u>	<u>Rates</u>
January 2004	\$ 67,847	3.40% - 3.500%
November 2004	\$ 645,000	3.55% - 3.750%
June 2006	\$ 78,725	3.30% - 4.000%
January 2008	\$ 90,989	3.30% - 3.750%
February 2009	\$ 1,290,000	3.00% - 3.500%
June 2009	\$ 1,990,000	2.80% - 4.400%
December 2009	\$ 73,880	2.00% - 3.250%
January 2011	\$ 83,893	1.30% - 4.000%
June 2011	\$ 950,000	3.00% - 4.375%
May 1, 2013	\$ 1,735,000	1.25% - 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.

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

All issues may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2013, for debt service (principal and interest) are as reported on Note R on page 35.

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE H - RETIREMENT PLANS**

Kentucky Teachers Retirement System

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

Funding policy – Contribution rates are established by Kentucky Revised Statutes. Members are required to contribute 10.855% of their salaries to KTRS. The Commonwealth of Kentucky is required to contribute 13.105% of salaries for members in a state retirement before July 1, 2008 and 14.105% of salaries for members who started their account after July 1, 2008. The federal program for any salaries paid by that program pays the matching contributions. The contribution requirement for KTRS for the year ended June 30, 2013, was \$607,135, which consisted of \$116,304 from the District and \$490,831 from the employees. Total contributions for the year ended June 30, 2012 and 2011 were \$582,700 and \$492,807, respectively. The contributions have been contributed in full for fiscal years 2013, 2012 and 2011.

County Employees Retirement System

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

Participating employees contribute 5% of creditable compensation. Participants hired after August 31, 2008 are required to contribute 6%. Matching contributions are made by the District at a rate of 18.96% as required by the CERS Board of Trustees as deemed necessary for the actuarial soundness per Kentucky Revised Statute 61.565. The contribution requirement for CERS for the year ended June 30, 2013, was \$266,580, which consisted of \$212,912 from the District and \$53,668 from the employees. Total contributions for the year ended June 30, 2012 and 2011 were \$260,866 and \$225,853, respectively. The contributions have been contributed in full for fiscal years 2013, 2012 and 2011.

The District's total payroll for the year was \$5,579,331. The payroll for employees covered under KTRS was \$4,521,703 and for CERS was \$1,089,064.

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE I - RETIREMENT PLANS (CONT'D)**

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

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

**NOTE J - CONTINGENCIES**

Grant Fund Approval

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

**NOTE K - INSURANCE AND RELATED ACTIVITIES**

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

**NOTE L - RISK MANAGEMENT**

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE L - RISK MANAGEMENT (CONT'D)**

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

**NOTE M – 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, 2013, 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 \$77,021. This contingent liability has been recorded in the District Wide Financial Statements but not included in the Governmental Financial Statements.

**NOTE N - DEFICIT OPERATING/FUND BALANCES**

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of revenues over expenditures, excluding interfund transfers. Special Revenue fund deficit was supplemented with transfers from the general fund

General Fund	\$ 338,868
Special Revenue Fund	\$ 12,304
Day Care Fund	\$ 17,441
Dayton High School	\$ 15,143
Lincoln Elementary School	\$ 1,214

**NOTE O – 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 P - TRANSFER OF FUNDS**

The following transfers were made during the year.

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
1	2	Matching	\$ 12,304
1	52	Operating	\$ 3,407
310	1	Operating	\$ 76,907
51	1	Indirect	\$ 18,217
320	1	Operating	\$ 5,142
320	400	Debt Service	\$ 273,645

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE Q - ON-BEHALF PAYMENTS**

For the year ended June 30, 2013, total payments of \$1,523,782 were made for life insurance, health insurance, KTRS matching and administrative fees by the Commonwealth of Kentucky on behalf of the District. These payments were recognized as on-behalf payments and are recorded as revenues and expenses in the following funds:

General Fund	\$ 1,352,667
Debt Service Fund	127,934
Food Service Fund	31,085
Daycare Fund	<u>12,096</u>
	<u>\$ 1,523,782</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE R - SCHEDULE OF LONG-TERM OBLIGATIONS**

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

<u>FISCAL YEAR</u>	<u>DAYTON INDEPENDENT SCHOOL DISTRICT</u>		<u>KY SCHOOL FACILITIES CONSTRUCTION COMMISSION</u>		<u>TOTAL REQUIREMENTS</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2013-2014	\$ 204,848	\$ 147,367	\$ 115,250	\$ 39,537	\$ 507,002
2014-2015	200,797	143,295	117,774	36,668	498,534
2015-2016	208,953	136,879	106,782	33,161	485,775
2016-2017	206,977	130,483	109,708	30,014	477,182
2017-2018	215,076	123,856	113,161	26,625	478,718
2018-2019	208,892	116,835	116,353	23,055	465,135
2019-2020	215,554	109,881	42,014	19,376	386,825
2020-2021	224,499	103,385	43,327	18,063	389,274
2021-2022	220,313	96,646	44,687	16,702	378,348
2022-2023	228,902	89,956	46,098	15,291	380,247
2023-2024	237,440	83,081	47,560	13,829	381,910
2024-2025	245,751	74,910	49,249	12,140	382,050
2025-2026	253,998	66,391	51,002	10,386	381,777
2026-2027	262,069	57,128	52,931	8,457	380,585
2027-2028	270,061	47,524	54,939	6,451	378,975
2028-2029	282,898	37,057	57,102	4,287	381,344
2029-2030	233,788	26,103	16,212	2,035	278,138
2030-2031	238,301	17,920	16,699	1,548	274,468
2031-2032	157,801	9,603	17,199	1,047	185,650
2032-2033	162,285	4,869	17,715	531	185,400
	<u>\$ 4,479,203</u>	<u>\$ 1,623,169</u>	<u>\$ 1,235,762</u>	<u>\$ 319,203</u>	<u>\$ 7,657,337</u>

**NOTE S - SUBSEQUENT EVENTS**

Subsequent events were considered through November 15, 2013 which represents the release date of the report.

**DAYTON INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2013**

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

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>CAPITAL OUTLAY FUND</b>	<b>BUILDING FUND</b>	<b>DEBT SERVICE</b>	<b>TOTAL NONMAJOR GOVERNMENTAL FUNDS</b>
<b>REVENUES:</b>				
Taxes	\$ -	\$ 94,155	\$ -	\$ 94,155
Earnings on investments	-	-	-	-
State sources	76,907	184,632	127,934	389,473
Federal sources	-	-	-	-
Other sources	-	-	-	-
<b>Total revenues</b>	<b>76,907</b>	<b>278,787</b>	<b>127,934</b>	<b>483,628</b>
<b>EXPENDITURES:</b>				
Instructional	-	-	-	-
Student support services	-	-	-	-
Staff support services	-	-	-	-
District administration	-	-	-	-
School administration	-	-	-	-
Business support services	-	-	-	-
Plant operation and maintenance	-	-	-	-
Student transportation	-	-	-	-
Central office	-	-	-	-
Community service operations	-	-	-	-
Facility acquisition and construction	-	-	-	-
Debt service:				
Principal	-	-	250,976	250,976
Interest	-	-	150,603	150,603
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>401,579</b>	<b>401,579</b>
Excess (deficit) of revenues over expenditures	76,907	278,787	(273,645)	82,049
<b>OTHER FINANCING SOURCES(USES):</b>				
Proceeds from sale of bonds	-	-	-	-
Proceeds from sale of assets	-	-	-	-
Operating transfers in	-	-	273,645	273,645
Operating transfers out	(76,907)	(278,787)	-	(355,694)
<b>Total other financing sources(uses)</b>	<b>(76,907)</b>	<b>(278,787)</b>	<b>273,645</b>	<b>(82,049)</b>
Net change in fund balance	-	-	-	-
Fund balance, July 1, 2012	-	-	-	-
Fund balance, June 30, 2013	\$ -	\$ -	\$ -	\$ -

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
BOND AND INTEREST REDEMPTION FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	ISSUE OF 2004	ISSUE OF 2004 KISTA	ISSUE OF 2006 KISTA	ISSUE OF 2008 KISTA	ISSUE OF 2009R	ISSUE OF 2009
<b>Cash at July 1, 2012</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>						
Transfers and miscellaneous deposits	72,370	6,570	9,486	10,853	145,880	123,560
<b>Disbursements:</b>						
Bonds paid	65,000	6,139	8,280	8,912	115,000	50,000
Interest coupons	7,370	431	1,206	1,941	30,880	73,560
Transfers and miscellaneous	-	-	-	-	-	-
Call fee	-	-	-	-	-	-
Total disbursements	72,370	6,570	9,486	10,853	145,880	123,560
Excess or (deficiency) of receipts over disbursements	-	-	-	-	-	-
<b>Cash at June 30, 2013</b>	-	-	-	-	-	-
<b>Accounts Receivable and Payable</b>						
Matured interest and bonds outstanding	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-	-
<b>Fund balance at June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	ISSUE OF 2009 KISTA	ISSUE OF 2011	ISSUE OF 2011 KISTA	ISSUE OF 2013	Total
<b>Cash at July 1, 2012</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Receipts:</b>					
Transfers and miscellaneous deposits	21,961	46,712	11,287	-	448,679
<b>Disbursements:</b>					
Bonds paid	18,536	10,000	9,245	-	291,112
Interest coupons	3,425	36,712	2,042	-	157,567
Transfers and miscellaneous	-	-	-	-	-
Call fee	-	-	-	-	-
Total disbursements	21,961	46,712	11,287	-	448,679
Excess or (deficiency) of receipts over disbursements	-	-	-	-	-
<b>Cash at June 30, 2013</b>	-	-	-	-	-
<b>Accounts Receivable and Payable</b>					
Matured interest and bonds outstanding	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due to other funds	-	-	-	-	-
Total accounts receivable and payable	-	-	-	-	-
<b>Fund balance at June 30, 2013</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
DAYTON HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FUND BALANCE JULY 1, 2012</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2013</u>
ABLE	\$ 1,195	\$ 5,195	\$ 60	\$ 6,330
After prom	2,562	3,028	3,248	2,342
Annual	3,665	1,558	3,363	1,860
Art club	644	491	265	870
Art department	151	90	124	117
Arts and humanities	76	-	-	76
Bankd	186	-	-	186
Business department	576	151	-	727
C.A.K.E.	11,403	2,526	9,576	4,353
Class of 2013	564	1,096	1,127	533
Class of 2014	794	4,269	4,900	163
Class of 2015	178	730	209	699
Class of 2016	-	302	208	94
7th grade account	339	641	567	413
8th grade account	288	29	145	172
Coke	2,705	1,494	1,331	2,868
Dayton special olympics	83	-	-	83
Dayton textbook fund	2,644	2,127	-	4,771
DECA	6	1,845	1,777	74
Drama	13	-	-	13
Earth club	126	93	-	219
English department	416	94	-	510
Greendevil spirit shop	650	20	-	670
Green zone	204	3,425	3,411	218
Guidance department	474	400	128	746
High school newspaper	200	-	-	200
High school student council	68	-	-	68
Industrial communications	300	825	853	272
Library	1,901	695	424	2,172
Life skills	144	37	-	181
math department	4,750	223	2,718	2,255
Middle school book store	23	-	-	23
Middle school field day	83	-	-	83
Middle school pep club	14	-	-	14
Middle school science club	1,209	622	1,075	756
Middle school science department	3,605	30	3,608	27
Middle school student council	12	-	-	12
Ms. Buschles class fundraisers	26	-	-	26
National honor society	176	251	251	176
National Jr. honor society	175	42	-	217
Postage and stationary	34	-	-	34
Pirncipals account	4,803	7,118	9,892	2,029
Scholarships	12,452	10,471	13,950	8,973
School agendas	1,472	885	1,412	945
Science department	6,414	725	2,732	4,407

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
DAYTON HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FUND BALANCE</u> <u>JULY 1, 2012</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE</u> <u>JUNE 30, 2013</u>
Senior banquet	\$ 169	\$ 479	\$ -	\$ 648
Senior trip	2,020	-	-	2,020
Social studies department	2	800	800	2
Special education department	6	-	-	6
Staff flower fund	35	317	293	59
Student/teacher incentives	4,937	3,136	5,621	2,452
Technology club	99	-	-	99
Transcript fees	627	198	231	594
Video department	209	-	-	209
Youth service center	3,187	6,428	6,179	3,436
Fellowship of Christian Athletes	9	-	-	9
Middle school dance	1,205	491	28	1,668
Future Educators Association	19	270	246	43
Overseas trip fund	966	244	1,210	-
Middle school field trips	121	54	-	175
High school field trips	143	88	-	231
Microsoft certification grant	874	-	-	874
Dayton Walking Tour	-	200	-	200
Athletics	2,425	14,077	14,081	2,421
Football	-	12,937	12,937	-
Volleyball	-	3,252	3,252	-
Girls soccer	-	2,911	2,911	-
Boys cross country	-	1,065	1,065	-
Girls cross country	-	1,329	1,329	-
Boys basketball	-	9,033	9,033	-
Girls basketball	-	3,879	3,879	-
Youth league basketball	-	24,340	24,340	-
Baseball	-	2,048	2,048	-
Softball	-	2,520	2,520	-
Boys track	-	1,750	1,750	-
Girls track	-	2,093	2,093	-
Girls tennis	-	324	324	-
Weight room	27	-	-	27
Athletic transportation	1,739	20,450	17,949	4,240
Cheerleading	-	90	90	-
Davis Field fund	1,165	-	-	1,165
Bowling	-	520	520	-
River City Classic Volleyball tournament	-	915	915	-
Middle school basketball tournament	-	14,413	14,413	-
All A boys tournament	-	714	714	-
Football fundraiser	1,600	5,137	4,868	1,869
Volleyball fundraiser	3,496	6,137	4,377	5,256
Soccer fundraiser	3,452	4,163	5,578	2,037
Cross country fundraiser	654	1,322	1,209	767
Boys golf fundraiser	287	61	-	348

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
DAYTON HIGH SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>FUND BALANCE JULY 1, 2012</u>	<u>RECEIPTS</u>	<u>DISBURSEMENTS</u>	<u>FUND BALANCE JUNE 30, 2013</u>
Cheerleading fundraiser	\$ 815	\$ 7,905	\$ 6,129	\$ 2,591
Boys basketball fundraiser	6,537	4,401	9,133	1,805
Middle school boys basketball fundraiser	-	2,380	1,926	454
Girls basketball fundraiser	631	480	999	112
Middle school girls basketball fundraiser	482	885	1,133	234
Baseball fundraiser	3,410	2,224	736	4,898
Softball fundraiser	3,749	3,203	2,552	4,400
Track fundraiser	127	3,454	3,493	88
Girls tennis fundraiser	91	-	-	91
Dance team fundraiser	64	-	-	64
Bowling fundraiser	143	789	335	597
Athletic Booster club	2,969	7,513	7,497	2,985
	<u>2,969</u>	<u>7,513</u>	<u>7,497</u>	<u>2,985</u>
Total	<u>\$ 116,294</u>	<u>\$ 232,947</u>	<u>\$ 248,090</u>	<u>\$ 101,151</u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCES  
SCHOOL ACTIVITY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u>LINCOLN ELEMENTARY SCHOOL</u>	<u>TOTAL</u>
Fund balance at July 01, 2012	\$ 10,580	\$ 10,580
Add: receipts	62,749	62,749
Less: disbursements	<u>(63,963)</u>	<u>(63,963)</u>
Fund balance at June 30, 2013	<u>\$ 9,366</u>	<u>\$ 9,366</u>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

	<b>CFDA NUMBER</b>	<b>PASS- THROUGH GRANTOR'S NUMBER</b>	<b>EXPENDITURES</b>	<b>PROGRAM/ CLUSTER TOTALS</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed through the Northern Kentucky Cooperative for Educational Services:</i>				
Improvement of Education	84.215	5813	\$ 36,372	\$ 36,372
<i>Passed through the Kentucky Department of Education:</i>				
Title II - Improving Teacher Quality State Grant	84.367	3230002 11	2,097	
Title II - Improving Teacher Quality State Grant	84.367	3230002 10	69,412	71,509
Race to the Top	84.413	3960002 11	10,899	10,899
Education Jobs Fund	84.410	EJOB00 10	2,006	2,006
Title I - Grants to Local Educational Agencies	84.010	3100002 12	327,003	
Title I - Grants to Local Educational Agencies	84.010	3100002 11	36,398	
Title I - Grants to Local Educational Agencies	84.010	3100202 12	83,269	
Title I - Grants to Local Educational Agencies	84.010	3100202 11	45,651	
Title I - Grants to Local Educational Agencies	84.010	3100202 10	14,123	506,444
Special Education Cluster:				
Special Education Grants to States	84.027	3810002 11	29,324	
Special Education Grants to States	84.027	3810002 12	247,436	
Special Education Preschool Grants	84.173	3800002 11	18	
Special Education Preschool Grants	84.173	3800002 12	30,209	306,987
<i>Passed through the Walton-Verona Independent School District:</i>				
Career and Technical Education - Basic Grants to States	84.048	3483	10,878	
<i>Passed through the Beechwood Independent School District:</i>				
Career and Technical Education - Basic Grants to States	84.048	3482	455	11,333
<b>Total U.S. Department of Education</b>			<b>945,550</b>	<b>945,550</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed through the Kentucky Department of Education:</i>				
Fresh Fruit and Vegetable Program	10.582	7720012 12	7,702	
Fresh Fruit and Vegetable Program	10.582	7720012 13	23,104	30,806
Child Nutrition Cluster:				
National School Lunch Program	10.555	7750002 12	66,381	
National School Lunch Program	10.555	7750002 13	280,756	
School Breakfast Program	10.553	7760005 12	30,937	
School Breakfast Program	10.553	7760005 13	139,471	
Summer Food Service Program for Children	10.559	7690024 12	3,665	
Summer Food Service Program for Children	10.559	7740023 12	35,517	
<i>Passed through the Kentucky Department of Agriculture:</i>				
National School Lunch Program - Food Donation	10.555	4001566	32,465	589,192
<b>Total U.S. Department of Agriculture</b>			<b>619,998</b>	<b>619,998</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,565,548</b>	<b>\$ 1,565,548</b>

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

**DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013**

**NOTE A – 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, 2013, and is reported on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *U.S. OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. 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 B – FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the schedule at the fair value of the commodities disbursed. For the year ended June 30, 2013, the District reported food commodities expended in the amount of \$32,465.

**DAYTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

**SUMMARY OF AUDITORS' RESULTS**

1. The Independent Auditors' Report expresses an unmodified opinion on the basic financial statements of the Dayton Independent School District.
2. No significant deficiencies were disclosed during the audit of the financial statements or reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Dayton Independent School District, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit or reported in the Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133. No material weaknesses are reported.
5. Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 for Dayton Independent School District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any audit findings required to be reported under section 510 (a) of OMB Circular A-133.
7. The programs tested as major programs include: School Breakfast Program, CFDA #10.553; National School Lunch Program, CFDA #10.555; Summer Food Service Program for Children, CFDA #10.559; National School Lunch Program - Food Donation, CFDA #10.555; Title I - Grants to Local Educational Agencies, CFDA #84.010; Improvement of Education, CFDA #84.215; Race to the Top, CFDA #84.413 and Career and Technical Education - Basic Grants to States, CFDA #84.048.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Dayton Independent School District does not qualify as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

None

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

2012-01

Condition:	Internal controls that have been established at the District are not being followed consistently.
Recommendation:	Reimbursement request made should be approved by the next level of management, all requests made by the superintendent should be approved by the Board. A Central Office designee should approve all payments to the school Principals.
Status:	Currently the Board is approving all payments to the Superintendent for expense reimbursements and other payments. School Principals are required to obtain Central Office approval prior to receiving any reimbursement payment from school activity funds.

**DAYTON INDEPENDENT SCHOOL DISTRICT  
BOARD MEMBERS AND ADMINISTRATIVE PERSONNEL  
JUNE 30, 2013**

**BOARD MEMBERS**

John Hall  
Term Expires – December 31, 2016

Diane Huff  
Term Expires – December 31, 2014

Bernie Pfeffer  
Term Expires – December 31, 2016

Rosann Sharon  
Term Expires – December 31, 2014

Jeff Volter  
Term Expires – December 31, 20126

**ADMINISTRATIVE PERSONNEL**

Mr. Jay Brewer  
Superintendent

Patricia Patterson  
Assistant Superintendent  
Director of Special Programs/Technology

Patricia Gosney  
Director of Finance



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

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

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Dayton Independent School District, as of and for the year ended June 30, 2013, 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 October 30, 2013.

**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.

2617 Legends Way, Suite 100, Crestview Hills, KY 41017 859-4344-6400 fax 859-578-7522 [www.bsckpas.com](http://www.bsckpas.com)



### **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*.

### **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.



Crestview Hills, Kentucky  
October 30, 2013

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

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

**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, 2013. Dayton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Dayton Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dayton Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Dayton Independent School District's compliance.

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

In our opinion, Dayton Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## 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.

*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.



Crestview Hills, Kentucky  
October 30, 2013

**DAYTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS  
FOR THE YEAR ENDED JUNE 30, 2013**

In planning and performing our audit of the financial statements of the Dayton Independent School District for the year ended June 30, 2013, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding those matters. A separate report dated October 30, 2013, contains our report on significant deficiencies and material weaknesses in the District's internal control structure. This letter does not affect our report dated October 30, 2013, on the financial statements of the Dayton Independent School District.

**CURRENT YEAR RECOMMENDATIONS**

**Central Office**

Any exceptions noted during testing appeared to be isolated incidents only.

**ACTIVITY FUNDS**

**Dayton High School**

Any exceptions noted during testing appeared to be isolated incidents only.

**Lincoln Elementary School**

Any exceptions noted during testing appeared to be isolated incidents only.

**DAYTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**STATUS OF PRIOR YEAR RECOMMENDATIONS**

**Central Office**

Condition: Funds on deposit at the District's financial depository were under-collateralized.

Recommendation: The District's financial institution should be notified in advance of the receipt of any future bond issues in order to obtain a timely increase in the depository bond if needed.

Status: A review of the District's collateralization during the year showed adequate collateralization throughout the year.

\*\*\*\*\*

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

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

Status: Currently purchases are authorized with a purchase order and approved by appropriate administrator before the orders are placed.

\*\*\*\*\*

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

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

Status: Currently District personnel are required to substantiate all reimbursement requests and credit card purchases with detailed receipts.

**DAYTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**STATUS OF PRIOR YEAR RECOMMENDATIONS (CONT'D)**

**Central Office (cont'd)**

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

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

Status: Currently the Finance Officer is obtaining supporting for hotel reservations and reimbursements on overnight stays. Purchase orders are prepared and attached with the hotel receipts which also state the business purpose of the stay. Also if more than one employee attends and rooms together, all names are listed on the receipt.

\*\*\*\*\*

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

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

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

**ACTIVITY FUNDS**

**Dayton High School**

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

Recommendation: A District-Wide policy should be put in place that requires all payments to school Principals made out of the activity fund accounts be approved by a Central Office designee.

Status: Central Office Staff is approving all disbursements being made out of the activity funds to the Principal.

**DAYTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT LETTER COMMENTS (CONT'D)  
FOR THE YEAR ENDED JUNE 30, 2013**

**STATUS OF PRIOR YEAR RECOMMENDATIONS (CONT'D)**

**ACTIVITY FUNDS (CONT'D)**

**Lincoln Elementary School**

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

Recommendation: A District-Wide policy should be put in place that requires all payments to school Principals made out of the activity fund accounts be approved by a Central Office designee.

Status: Central Office Staff is approving all disbursements being made out of the activity funds to the Principal.