

DAYTON INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2014

Dayton Independent School District
Annual Financial Report
For the Year Ended June 30, 2014

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

DAYTON INDEPENDENT SCHOOL DISTRICT
Name of School District

Liberty
County

146902
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved _____ disapproved for the year ended June 30, 2014 at a meeting of the Board of Trustees of such school district on the 18th day of November 2014.

C.D Williams, Jr.
Signature of Board Secretary

Linda Harris
Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

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FINANCIAL SECTION

WIGGINS & SMITH

Certified Public Accountants

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 10316 - 715 MAIN STREET - LIBERTY, TEXAS 77575 - (936) 336-6661 - FAX(936) 336-7086

Independent Auditor's Report

Board of Trustees
Dayton Independent School District
100 Cherry Creek Road
Dayton, Texas 77535

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dayton Independent School District (the District) as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the 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 of 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dayton Independent School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 7-13 and 42 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 other supplementary information as listed in the table of contents and the accompanying schedule of expenditures of federal awards as required by OMB Circular A-133, are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules 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 schedule of expenditures of federal awards and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wiggins & Smith
WIGGINS & SMITH
Certified Public Accountants

November 6, 2014

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DAYTON INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the annual Financial and Compliance Report, we, the management of the Dayton Independent School District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2014. Please read it in conjunction with the District's financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$1,554,381, or 4.2%, as a result of this year's operations.
- During the year, the District had total expenses of \$43,902,342, before reduction for program revenues and charges for services totaling \$7,403,781. The net expenses of \$36,498,561 were financed by taxes, state foundation program entitlements and other general revenues which totaled \$38,052,942.
- The General Fund ended the year with a fund balance of \$14,764,570, a decrease of \$1,116,569 from the prior year-end.
- The District had capital expenditures during the current period, totaling \$2,183,123. These costs primarily related to the completion of sewer improvements at the Nottingham and Richter campuses, the purchase of three new buses, installation of three new chillers, and other equipment and improvements.
- Subsequent to the end of the current fiscal year, the District's voters approved a bond referendum for \$87.8 million, to be used for construction of two new elementary campuses, repurposing of four existing campuses, improvements at the high school, and other district-wide improvements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (Exhibits A-1 and B-1). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriation budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 25) provide narrative explanation or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

Required Supplementary Information includes a budgetary comparison schedule for the General Fund. The section labeled Other Supplementary Information – TEA Required Schedules, and the Federal Award Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

DAYTON INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 9. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as payments received from students for food service and grants from state and federal agencies for specific programs (program revenues), and revenues provided by the local taxpayers or by the state in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current year or future years.

These two statements report the District's net position and changes in it. The District's net position (the difference between assets plus deferred outflows of Resources and liabilities plus deferred inflows of Resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District reports one kind of activity, Governmental Activities. The District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 18 and provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has only governmental funds, in which its basic services are reported. These funds use the modified accrual basis of accounting (a method that measures the receipts and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities reported in the Statement of Net Position and the Statement of Activities, and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23. We excluded these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the District's governmental activities increased from \$37,368,778 to \$38,923,159. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$17,667,718 at June 30, 2014, a decrease of \$875,352 from the prior year.

**Table I
Dayton Independent School District
NET POSITION**

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Current and other assets	\$21,435,883	\$23,861,574	(\$2,425,691)
Capital assets, net	33,742,212	34,288,557	(546,345)
Long term investments	5,304,185	2,712,168	2,592,017
Deferred charge for refunding and deferred outflows	<u>408,825</u>	<u>470,486</u>	<u>(61,661)</u>
Total assets and deferred outflows	<u>\$60,891,105</u>	<u>\$61,332,785</u>	<u>(\$441,680)</u>
Long term liabilities	\$16,602,384	\$19,564,025	(\$2,961,641)
Other liabilities	<u>5,365,562</u>	<u>4,399,982</u>	<u>965,580</u>
Total liabilities	<u>\$21,967,946</u>	<u>\$23,964,007</u>	<u>(\$1,996,061)</u>
Net Position:			
Invested in capital assets net of related debt	\$18,394,531	\$16,219,410	\$2,175,121
Restricted	2,860,910	2,606,298	254,612
Unrestricted	<u>17,667,718</u>	<u>18,543,070</u>	<u>(875,352)</u>
Total net positions	<u>\$38,923,159</u>	<u>\$37,368,778</u>	<u>\$1,554,381</u>

The net negative change in current and other assets and other liabilities, plus the positive change in long term investments, essentially reflects the use of current resources from operations of the governmental funds. The change in the capital assets reflects the acquisition of capital assets during the year less depreciation for the year. The reduction in long term liabilities primarily reflects the scheduled repayment of principal on long-term debt.

Unrestricted net assets includes \$6,600,000 which has been committed by the Board of Trustees as funds, recorded in the general fund, earmarked for additional capital improvements. Since commitment by the Board does not create a legally binding obligation, this amount is not considered a "restricted" net position for the purposes of the government-wide financial statements.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Table II
Dayton Independent School District
CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		Increase
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Revenues:			
Program Revenues:			
Charges for Services	\$1,121,484	\$1,237,385	(\$115,901)
Operating grants and contributions	6,282,297	6,000,722	281,575
General Revenues:			
Maintenance and operations taxes	14,626,009	15,074,734	(448,725)
Debt service taxes	2,359,194	2,434,321	(75,127)
State aid – formula grants	20,234,228	18,474,225	1,760,003
Investment Earnings	135,144	130,845	4,299
Penalty and interest - taxes	606,222	467,529	138,693
Miscellaneous and other	<u>92,145</u>	<u>87,159</u>	<u>4,986</u>
Total Revenue	<u>\$45,456,723</u>	<u>\$43,906,920</u>	<u>\$1,549,803</u>
Expenses:			
Instruction, curriculum and media services	\$24,737,239	\$23,494,941	\$1,242,298
Instructional and school leadership	2,942,766	2,872,352	70,414
Student support services	4,389,305	4,154,505	234,800
Child nutrition	2,707,730	2,771,183	(63,453)
Cocurricular activities	1,658,103	1,538,278	119,825
General administration	1,586,937	1,268,560	318,377
Plant maintenance, security and data processing	4,953,422	4,980,628	(27,206)
Community services	49,606	40,204	9,402
Debt service – interest and fees	300,446	810,815	(510,369)
Payments related to shared service arrangements	108,680	90,893	17,787
Appraisal district costs	<u>468,108</u>	<u>467,479</u>	<u>629</u>
Total Expenses	<u>\$43,902,342</u>	<u>\$42,489,838</u>	<u>\$1,412,504</u>
Increase in net position	\$1,554,381	\$1,417,082	\$137,299
Net assets at July 1,	37,368,778	36,159,638	1,209,140
Prior period adjustment - debt issuance costs	<u>0</u>	<u>(207,942)</u>	<u>207,942</u>
Net position at June 30,	<u>\$38,923,159</u>	<u>\$37,368,778</u>	<u>\$1,554,381</u>

The District's total revenues increased approximately 3.5%, or \$1,549,803 from prior year revenues. The total cost of all programs and services increased \$1,412,504, or 3.3%.

The District's primary sources of revenue includes local taxes (39%), state aid from formula grants (44%), and other state and federal grants (14%). The remaining 3% of revenues includes charges for services and other revenue. The most significant costs are for instructional services (56%).

DAYTON INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

The decrease in total revenues includes the following factors:

- (1) Overall property tax revenues, including penalties and interest from delinquent tax collections, decreased \$385,159, or 2.1%, from the prior period. This decrease was the result of a decrease in assessed value of taxable property of 2.6%.
- (2) Revenues from the State foundation funds increased \$1,760,003, or 9.5% from the prior year amounts, primarily due to a small increase in ADA, and due to changes in the state funding as a result of the school finance legislation passed by the 83rd session of the Texas Legislation..
- (3) Program revenues from grants and contributions increased approximately 4.7% from the prior year. The increase resulted primarily from an increase in revenues from the national school lunch and breakfast programs, and a grant from the Federal Highway Administration under the clean vehicles program for \$94,578.

The net increase in overall expenses of 3.3% resulted primarily from budgeted increases in payroll cost of approximately \$2.1 million as compared to prior year costs.

FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS

As of June 30, 2014, the District's governmental funds (as presented in the balance sheet on page 18) reported a combined ending fund balance of \$17,252,693, a decrease of \$904,087 from the prior period's combined balance. The decrease in combined fund balances results primarily from the decrease in the fund balance of the General Fund of \$1,116,569, which is offset by an increase in the fund balance of the Debt Service Fund of \$72,940, and an increase in the fund balance of the Food Service Fund of \$138,891.

The current year results of operations for the General Fund reflects the increase in state funding of \$1,760,003 discussed in the previous section, with expenditures increasing \$3,379,313. The increase in expenditures includes the increase in payroll costs, plus an increase in capital expenditures of \$945,913 as compared to the prior year.

General Fund Budgetary Highlights

In accordance with State law, the District prepares an annual budget for the General Fund, the Food Service Special Revenue Fund, and the Debt Service Fund. The District also budgets for Capital Projects Funds when necessary, and other Special Revenue Funds on a project basis.

During the year ended June 30, 2014, the Board of Trustees revised the budget for the General Fund several times, with the most significant increase resulting from anticipated additional expenditures for capital improvements, payroll, and transportation costs. Total estimated revenues included in the original budget were increased through amendments by approximately 6.8% during the year, with expenditure appropriations being increased approximately 4.5% from the original budget to the final amended budget.

As indicated on the Budgetary Comparison Schedule – General Fund on page 42, the overall budget variance for the period was positive, and there were no negative variances for any of the expenditure functions.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had \$75,348,598 invested in a broad range of capital assets (before depreciation), including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$2,170,869 from the prior year.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This year's major additions included:

Land on Houston Street	\$76,147
Fencing – Colbert and Richter	51,577
Telephone/intercom – Colbert and Richter	30,912
Chiller – Woodrow Wilson JH	54,343
2 Chillers – Kimmie Brown	282,390
Purchase of 3 buses	293,388
Sanitary sewer system improvements - Nottingham and Richter	1,256,255
Other purchases of equipment	138,111
Less: Undepreciated cost of assets retired	(12,254)
Net change	<u>\$2,170,869</u>

More detailed information about the District's capital assets is presented in Note III.F to the financial statements.

Long-Term Debt

Following is a summary of the outstanding long-term liabilities at June 30, 2014. More detailed information regarding these outstanding obligations is presented in Note III.G to the financial statements.

Analysis of Long-Term Liabilities

<u>Description of Liability</u>	<u>Governmental Activities June 30, 2014</u>
Unlimited Tax Refunding Bonds – Series 2008	\$465,000
Unlimited Tax Refunding Bonds – Series 2011	8,010,000
Unlimited Tax Refunding Bonds – Series 2012	5,270,000
QZAB Notes	248,922
Maintenance Tax Notes – Series 2011	950,000
Accrued Compensated Absences	673,834
Issuance Premiums and Accrued Interest	<u>984,628</u>
Total Long-Term Liabilities	<u>\$16,602,384</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The District's Board of Trustees and management officials considered many factors when setting the fiscal year 2015 budget and tax rates. Following are some items considered:

- Student enrollment for 2014-2015 is projected to be similar to the prior year.
- Revenue available for general operations from ad valorem taxes is projected to decrease approximately \$590,000 from the prior year actual revenues, primarily due to an anticipated decrease in collections from approximately 98% to 95% for budget purposes. The District adopted an M & O tax rate of \$1.04/\$100 valuation, plus a debt service rate of \$0.1580/\$100 valuation for 2014-2015, resulting in an overall rate of \$1.198, which is \$0.01 less than the rate adopted for 2013-2014.

**DAYTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**

- Preliminary estimates of State foundation program entitlements for the 2014-2015 school year indicate that the District should receive approximately \$20.6 million from State foundation and available school programs, an increase of \$700,000 from the 2013-2014 actual revenue.
- In order to promote recruitment of new staff and the retention of existing staff, across the board increases in salary were approved for the 2014-15 budget. These increases totaled approximately \$2.0 million in payroll and related benefits.

After considering all factors, an operating budget for the General Fund of \$40,911,987 was adopted which included approximately \$615,000 for capital expenditures. The budget reflects approximately a 5.6% increase over the fiscal 2014 actual expenditures. With total projected revenue of \$38,254,240, the General Fund budget is projected to reduce the available fund balance by \$2.66 million.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Assistant Superintendent of Business Services, at Dayton Independent School District, 100 Cherry Creek Road, Dayton, Texas 77535.

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BASIC FINANCIAL STATEMENTS

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2014

		Primary Government
Data		
Control		
Codes		Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	\$ 2,054,942
1120	Current Investments	8,219,220
1220	Property Taxes Receivable (Delinquent)	7,623,610
1230	Allowance for Uncollectible Taxes	(3,135,336)
1240	Due from Other Governments	6,479,514
1250	Accrued Interest	7,154
1267	Due from Fiduciary Funds	52,316
1290	Other Receivables, net	45,724
1410	Prepayments	87,739
1490	Other Current Assets	1,000
Capital Assets:		
1510	Land	2,038,435
1520	Buildings, Net	27,276,500
1530	Furniture and Equipment, Net	4,427,277
1580	Construction in Progress	-
1910	Long Term Investments	5,304,185
1000	Total Assets	60,482,280
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	408,825
1700	Total Deferred Outflows of Resources	408,825
LIABILITIES		
2110	Accounts Payable	1,055,565
2150	Payroll Deductions & Withholdings	226,236
2160	Accrued Wages Payable	3,825,145
2177	Due to Fiduciary Funds	420
2180	Due to Other Governments	51,694
2300	Unearned Revenue	206,502
Noncurrent Liabilities		
2501	Due Within One Year	2,765,966
2502	Due in More Than One Year	13,836,418
2000	Total Liabilities	21,967,946
NET POSITION		
3200	Net Investment in Capital Assets	18,394,531
3820	Restricted for Federal and State Programs	546,400
3850	Restricted for Debt Service	2,310,735
3890	Restricted for Other Purposes	3,775
3900	Unrestricted	17,667,718
3000	Total Net Position	\$ 38,923,159

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

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6 Primary Gov. Governmental Activities
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 23,794,866	\$ 154,185	\$ 2,662,987	\$ (20,977,694)
12 Instructional Resources and Media Services	379,118	-	11,874	(367,244)
13 Curriculum and Staff Development	563,255	-	93,865	(469,390)
21 Instructional Leadership	571,846	-	58,133	(513,713)
23 School Leadership	2,370,920	87,907	113,147	(2,169,866)
31 Guidance, Counseling and Evaluation Services	1,617,426	-	462,543	(1,154,883)
32 Social Work Services	1,403	-	1,403	-
33 Health Services	415,562	-	401,143	(14,419)
34 Student (Pupil) Transportation	2,354,914	-	172,221	(2,182,693)
35 Food Services	2,707,730	754,926	1,979,373	26,569
36 Extracurricular Activities	1,658,103	123,466	42,873	(1,491,764)
41 General Administration	1,586,937	-	52,617	(1,534,320)
51 Facilities Maintenance and Operations	4,253,919	1,000	85,144	(4,167,775)
52 Security and Monitoring Services	385,147	-	2,720	(382,427)
53 Data Processing Services	314,356	-	9,936	(304,420)
61 Community Services	49,606	-	49,606	-
72 Debt Service - Interest on Long Term Debt	297,096	-	-	(297,096)
73 Debt Service - Bond Issuance Cost and Fees	3,350	-	-	(3,350)
93 Payments related to Shared Services Arrangements	108,680	-	82,712	(25,968)
99 Other Intergovernmental Charges	468,108	-	-	(468,108)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 43,902,342	\$ 1,121,484	\$ 6,282,297	(36,498,561)
General Revenues:				
MT Property Taxes, Levied for General Purposes				14,626,009
DT Property Taxes, Levied for Debt Service				2,359,194
SF State Aid - Formula Grants				20,234,228
IE Investment Earnings				135,144
MI Miscellaneous Local and Intermediate Revenue				698,367
TR Total General Revenues				38,052,942
CN Change in Net Position				1,554,381
NB Net Position - Beginning				37,368,778
NE Net Position - Ending				\$ 38,923,159

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

DAYTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,295,389	\$ 162,724	\$ 596,829	\$ 2,054,942
1120 Investments - Current	6,204,288	1,702,564	312,368	8,219,220
1220 Property Taxes - Delinquent	6,634,633	988,977	-	7,623,610
1230 Allowance for Uncollectible Taxes (Credit)	(2,734,518)	(400,818)	-	(3,135,336)
1240 Receivables from Other Governments	5,961,468	19,998	498,048	6,479,514
1250 Accrued Interest	7,154	-	-	7,154
1260 Due from Other Funds	51,343	2,029	1,339	54,711
1290 Other Receivables	45,724	-	-	45,724
1410 Prepayments	87,739	-	-	87,739
1490 Other Current Assets	1,000	-	-	1,000
1910 Long Term Investments	5,304,185	-	-	5,304,185
1000 Total Assets	<u>\$ 22,858,405</u>	<u>\$ 2,475,474</u>	<u>\$ 1,408,584</u>	<u>\$ 26,742,463</u>
LIABILITIES				
2110 Accounts Payable	\$ 710,855	\$ -	\$ 344,710	\$ 1,055,565
2150 Payroll Deductions and Withholdings Payable	226,236	-	-	226,236
2160 Accrued Wages Payable	3,505,320	-	319,825	3,825,145
2170 Due to Other Funds	1,759	-	1,056	2,815
2180 Due to Other Governments	51,694	-	-	51,694
2300 Unearned Revenues	13,684	-	192,818	206,502
2000 Total Liabilities	<u>4,509,548</u>	<u>-</u>	<u>858,409</u>	<u>5,367,957</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	<u>3,584,287</u>	<u>537,526</u>	<u>-</u>	<u>4,121,813</u>
2600 Total Deferred Inflows of Resources	<u>3,584,287</u>	<u>537,526</u>	<u>-</u>	<u>4,121,813</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	87,739	-	-	87,739
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	546,400	546,400
3480 Retirement of Long-Term Debt	-	1,937,948	-	1,937,948
3490 Other Restricted Fund Balance	-	-	3,775	3,775
Committed Fund Balance:				
3510 Construction	6,600,000	-	-	6,600,000
3600 Unassigned Fund Balance	<u>8,076,831</u>	<u>-</u>	<u>-</u>	<u>8,076,831</u>
3000 Total Fund Balances	<u>14,764,570</u>	<u>1,937,948</u>	<u>550,175</u>	<u>17,252,693</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 22,858,405</u>	<u>\$ 2,475,474</u>	<u>\$ 1,408,584</u>	<u>\$ 26,742,463</u>

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

DAYTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2014

Total Fund Balances - Governmental Funds	\$ 17,252,693
1 Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and therefore are not reported in governmental funds.	33,742,212
2 Property taxes receivable which are unavailable to pay for current period expenditures are deferred in the governmental fund balance sheet.	4,121,813
3 Liabilities for unmatured bond principal are not reported in the governmental funds.	(13,745,000)
4 Liabilities for unmatured principal on maintenance tax notes and QZAB notes are not reported in the governmental funds.	(1,198,922)
5 Liability for compensated absences is not reported in the governmental funds.	(673,834)
6 Accrued interest on long term debt is not reported in the governmental funds.	(172,044)
7 Deferred amounts from refundings, net of amortization, is not reported in the governmental funds.	408,825
8 Premium/discount on bonds, net of amortization, is not reported in the governmental funds.	(812,584)
19 Net Position of Governmental Activities	\$ 38,923,159

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

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 15,639,633	\$ 2,426,529	\$ 769,203	\$ 18,835,365
5800 State Program Revenues	21,514,436	331,491	89,776	21,935,703
5900 Federal Program Revenues	476,287	-	4,104,535	4,580,822
5020 Total Revenues	<u>37,630,356</u>	<u>2,758,020</u>	<u>4,963,514</u>	<u>45,351,890</u>
EXPENDITURES:				
Current:				
0011 Instruction	20,905,480	-	1,569,974	22,475,454
0012 Instructional Resources and Media Services	359,675	-	-	359,675
0013 Curriculum and Instructional Staff Development	481,813	-	73,923	555,736
0021 Instructional Leadership	534,500	-	33,950	568,450
0023 School Leadership	2,204,657	-	7,445	2,212,102
0031 Guidance, Counseling and Evaluation Services	1,170,551	-	388,734	1,559,285
0032 Social Work Services	-	-	1,403	1,403
0033 Health Services	390,271	-	-	390,271
0034 Student (Pupil) Transportation	2,354,012	-	7,540	2,361,552
0035 Food Services	-	-	2,608,685	2,608,685
0036 Extracurricular Activities	1,408,507	-	-	1,408,507
0041 General Administration	1,563,992	-	-	1,563,992
0051 Facilities Maintenance and Operations	4,468,962	-	-	4,468,962
0052 Security and Monitoring Services	422,531	-	-	422,531
0053 Data Processing Services	293,736	-	-	293,736
0061 Community Services	-	-	49,606	49,606
Debt Service:				
0071 Principal on Long Term Debt	264,165	2,175,000	-	2,439,165
0072 Interest on Long Term Debt	97,095	507,230	-	604,325
0073 Bond Issuance Cost and Fees	500	2,850	-	3,350
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,332,402	-	-	1,332,402
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	25,968	-	82,712	108,680
0099 Other Intergovernmental Charges	468,108	-	-	468,108
6030 Total Expenditures	<u>38,746,925</u>	<u>2,685,080</u>	<u>4,823,972</u>	<u>46,255,977</u>
1200 Net Change in Fund Balances	(1,116,569)	72,940	139,542	(904,087)
0100 Fund Balance - July 1 (Beginning)	<u>15,881,139</u>	<u>1,865,008</u>	<u>410,633</u>	<u>18,156,780</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 14,764,570</u>	<u>\$ 1,937,948</u>	<u>\$ 550,175</u>	<u>\$ 17,252,693</u>

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

DAYTON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds	\$ (904,087)
Current year capital outlays are expenditures in the fund financial statements but increase capital assets in the government-wide financial statements.	2,183,123
Depreciation of capital assets is included in the statement of activities but not in the fund statements.	(2,729,468)
Repayment of long term debt principal is an expenditure in the fund statements but reduces the liability in the statement of net assets.	2,515,426
Certain property tax revenues not available to pay current expenditures are deferred in the fund statements. Tax revenue in the statement of activities is recognized on the accrual basis when levied. The net change in tax revenue recognition for the year is this amount.	104,833
Interest is accrued on long term debt for the statement of activities. The decrease in accrued interest from the beginning of the year to the end of the year is the following amount.	24,928
Compensated absences are recorded as expended in the fund statements and as accrued in the statement of activities, with this amount being the difference.	153,586
Amortization of premium/discount on bonds, and deferred amounts are recorded in the statement of activities.	206,040
Change in Net Position of Governmental Activities	<u>\$ 1,554,381</u>

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

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$ 22,530	\$ 421,940
Investments - Current	13,036	106,945
Due from Other Funds	-	420
Total Assets	<u>35,566</u>	<u>\$ 529,305</u>
LIABILITIES		
Accounts Payable	-	\$ 685
Due to Other Funds	-	52,316
Due to Student Groups	-	427,333
Unearned Revenues	-	48,971
Total Liabilities	<u>-</u>	<u>\$ 529,305</u>
NET POSITION		
Restricted for Scholarships	<u>35,566</u>	
Total Net Position	<u>\$ 35,566</u>	

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

DAYTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Private Purpose Trust Fund
ADDITIONS:	
Donations and Earnings	\$ 5,328
Total Additions	<u>5,328</u>
DEDUCTIONS:	
Scholarships	<u>3,450</u>
Total Deductions	<u>3,450</u>
Change in Net Position	1,878
 Total Net Position July 1 (Beginning)	 <u>33,688</u>
 Total Net Position June 30 (Ending)	 <u><u>\$ 35,566</u></u>

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

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DAYTON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Dayton Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's *Financial Accountability System Resource Guide* ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The Board of Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from the local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Dayton Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to or due from other funds on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statement. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses). The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may require the District to refund all or part of the unused amount.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources. The determination of whether resources should be classified as restricted in the government-wide statement of net position begins at the fund level.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

The General Fund – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the District reports the following fund types:

Other Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Fiduciary Fund Types:

Private Purpose Trust Funds – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the Scholarship Trust Fund. These funds are held in a trustee capacity and are not available to support District programs. Therefore, they are not included in the government-wide statements.

Agency Funds – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are student activity funds and tax partial payment funds.

E. OTHER ACCOUNTING POLICIES

1. **Cash and Temporary Investments** - Cash includes cash on hand and cash in demand and short-term time deposit accounts. Cash deposits are reported at carrying amount which reasonably estimates fair value.

Temporary investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, and investments that do not have an established market are reported at estimated fair value.

2. **Inventories and Prepaid Items** – The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

3. **Long-Term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Significant bond premiums and discounts, and any charges resulting from refundings, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period the debt was issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. **Compensated Absences** – It is the District's policy to permit employees with a minimum of ten years of service with the District, to accumulate earned but unused sick pay benefits. A liability is calculated for unpaid accumulated sick leave since the District has a policy to pay such amounts when employees separate from service with the District through retirement. All vacation pay is accrued when incurred in the government-wide and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
5. **Capital Assets** – Capital assets, which include land, buildings, furniture and equipment (and infrastructure assets) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	20-30
Vehicles and Other Equipment	5-10

6. Fund Balances of Governmental Funds –Fund balances of the governmental funds are classified as follows:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory or prepaid items) 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 a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official body to which the governing body delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

The District’s Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. Authority to assign fund balance has been delegated by the Trustees to the Superintendent and the Assistant Superintendent of Business Services. Assigned fund balance can be established through adoption or amendment of the budget for a specific purpose (such as purchase of fixed assets, construction, or other purposes).

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

7. Interfund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers. All interfund transactions and balances were eliminated in the preparation of the government-wide statement of net position and statement of activities.

8. Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

9. **Data Control Codes** - The Data Control Codes refer to the account code structure prescribed by TEA in the **Financial Accountability System Resource Guide**. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund, and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report is included as Required Supplementary Information and appears in Exhibit E-1, and the Debt Service Fund and Food Service Fund Budget reports are included as Exhibits F-4 and F-5 in Other Supplementary Information.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to the end of its fiscal period, the District prepares a budget for the next succeeding fiscal period. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to the beginning of the succeeding fiscal year, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year, with such amendments being reflected in the final budget amounts in the applicable budgetary comparison schedule.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	June 30, 2014 <u>Fund Balance</u>
Appropriated Budget Funds – Food Service Special Revenue Fund	\$546,400
Nonappropriated Budget Funds	<u>3,775</u>
All Special Revenue Funds	<u>\$550,175</u>

5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year end, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District had no significant end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance – Related Legal and Contractual Provisions –
In Accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance – related legal and contractual provisions must be reported, along with actions taken to address such violations. No violations were noted which would require disclosure.

2. Deficit Fund Balance or Fund Net Assets of Individual Funds –
The District had no funds at June 30, 2014, with a deficit fund balance.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The Dayton Independent School District is in substantial compliance with the requirements of the Act and with local policies.

As of June 30, 2014, the Dayton Independent School District had the following investments:

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Percentage</u>
Lone Star Investment Pool - Government Overnight Fund	40 Days Average	\$3,044,963	22.3%
Tex Star Investments – Cash Reserve Fund	48 Days Average	3,471,268	25.4%
First Liberty National Bank Investment Services -			
Certificates of Deposit - Non Negotiable	Less than One year	800,000	5.9%
Certificates of Deposit - Non Negotiable	1-3 Years	600,000	4.4%
First Liberty National Bank -			
Certificates of Deposit	Less than 1 Year	816,128	6.0%
Certificates of Deposit	1-3 Years	4,704,186	34.5%
Security State Bank -			
Certificates of Deposit	Less than 1 Year	<u>206,841</u>	1.5%
Total Investments		<u>\$13,643,386</u>	100%

The Lone Star Investment Pool (Lone Star) and Tex Star Investment (Tex Star) are local government investment “pools” organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District’s investments in Lone Star and Tex Star are reported at an amount determined by the fair value per share of the pool’s underlying portfolio. Investments in the pool are not exposed to custodial credit or interest risk because their existence is not evidenced by securities that exist in physical or book entry form. Financial information regarding the pools’ investments and performance may be obtained from the funds.

Additional policies and contractual provisions governing deposits and investments for the Dayton Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District’s policy limits its investments in obligations and securities authorized by state statutes to the top ratings issued by nationally recognized statistical rating organizations. As of June 30, 2014, and the year then ended, the District invested only in certificates of deposit, which were fully secured by pledged securities or FDIC coverage, or in the Lone Star Investment Pool and Tex Star Investments, which are rated AAA and AAA-m, respectively, by Standard Poor’s.

Custodial Credit Risk for Investments As previously stated, the District’s investments during the current year were limited to certificates of deposit at the depository institution, which were fully secured at all times, and investments in the Lone Star Investment Pool and Tex Star Investments.

Concentration of Credit Risk The District’s investment policy does not specifically limit an investment in any one issuer. The District’s investments representing more than 5% of total investments are disclosed above.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District normally requires that investments in certificates of deposit or other instruments be monitored by using weighted average maturity and specific identification. As indicated above, the District had \$5,304,186 in CD’s maturing in 1-3 years at June 30, 2014.

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available, (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The District's current year tax rate was \$1.04 for maintenance and operations, and \$0.1680 for debt service, for a total rate of \$1.2080 per \$100 valuation. Total net assessed value for the current year was \$1,429,109,603.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

1. Due To and From Other Funds –

Interfund balances at June 30, 2014 consisted of the following individual fund balances:

	<u>Due From Other funds</u>	<u>Due To Other Funds</u>
General Fund:		
Special Revenue Funds	\$1,056	\$1,339
Agency Funds	50,287	420
Debt Service Fund:		
Agency Funds	2,029	0
Special Revenue Funds:		
General Fund	1,339	1,056
Agency Funds:		
General Fund	420	50,287
Debt Service Fund	<u>0</u>	<u>2,029</u>
TOTAL	<u>\$55,131</u>	<u>\$55,131</u>

All interfund balances result from normal operating activity, and are expected to be repaid within one year.

2. Transfers To and From Other Funds –

The District had no interfund transfers during the current year.

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2014, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Accrual and Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$6,634,633	\$5,961,468	\$51,343	\$52,878	\$12,700,322
Debt Service Fund	988,977	19,998	2,029	0	1,011,004
Nonmajor Funds	<u>0</u>	<u>498,048</u>	<u>1,339</u>	<u>0</u>	<u>499,387</u>
Total	<u>\$7,623,610</u>	<u>\$6,479,514</u>	<u>\$54,711</u>	<u>\$52,878</u>	<u>\$14,210,713</u>

Amount not scheduled for
collection during the
subsequent year

<u>\$3,135,336</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$3,135,336</u>
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Payables at June 30, 2014, were as follows:

	<u>Accounts Payable</u>	<u>Salaries and Benefits</u>	<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$710,855	\$3,731,556	\$1,759	\$51,694	\$4,495,864
Debt Service Fund	0	0	0	0	0
Nonmajor Funds	<u>344,710</u>	<u>319,825</u>	<u>1,056</u>	<u>0</u>	<u>665,591</u>
Total	<u>\$1,055,565</u>	<u>\$4,051,381</u>	<u>\$2,815</u>	<u>\$51,694</u>	<u>\$5,161,455</u>

Amounts not scheduled for payments
during the subsequent year

<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
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F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the period ended June 30, 2014, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$1,962,288	\$76,147	\$ 0	\$2,038,435
Construction in Progress	<u>164,729</u>	<u>0</u>	<u>(164,729)</u>	<u>0</u>
Total Capital Assets not being Depreciated	<u>\$2,127,017</u>	<u>\$76,147</u>	<u>(164,729)</u>	<u>\$2,038,435</u>
Capital Assets being Depreciated:				
Buildings and Improvements	\$60,637,723	\$1,420,984	\$ 0	\$62,058,707
Furniture and Equipment	8,780,745	850,721	(12,254)	9,619,212
Capital Lease Property	<u>1,632,244</u>	<u>0</u>	<u>0</u>	<u>1,632,244</u>
Total Capital Assets being Depreciated	<u>\$71,050,712</u>	<u>\$2,271,705</u>	<u>(\$12,254)</u>	<u>\$73,310,163</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(\$32,766,662)	(\$2,015,545)	\$ 0	(\$34,782,207)
Furniture and Equipment	(4,490,266)	(713,923)	12,254	(5,191,935)
Capital Lease Property	<u>(1,632,244)</u>	<u>0</u>	<u>0</u>	<u>(1,632,244)</u>
Total Accumulated Depreciation	<u>(\$38,889,172)</u>	<u>(\$2,729,468)</u>	<u>\$12,254</u>	<u>(\$41,606,386)</u>
Capital Assets being Depreciated - Net	<u>\$32,161,540</u>	<u>(\$457,763)</u>	<u>\$ 0</u>	<u>\$31,703,777</u>
Governmental Activity Capital Assets - Net	<u>\$34,288,557</u>	<u>(\$381,616)</u>	<u>(\$164,729)</u>	<u>\$33,742,212</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$1,482,900
Instructional Resources and Staff Development	26,962
Instructional Leadership	3,396
School Leadership	189,992
Guidance, Counseling and Evaluation Services	58,141
Health Services	25,291
Student (Pupil) Transportation	315,616
Food Services	120,863
Cocurricular/Extracurricular Activities	249,596
General Administration	31,269
Plant Maintenance and Operations	182,240
Security and Monitoring	14,193
Data Processing services	<u>29,009</u>
Total Depreciation Expense	<u>\$2,729,468</u>

G. LONG-TERM LIABILITIES

Long-term liabilities include building and refunding tax bonds, which are serviced through the Debt Service Fund. Other liabilities include two series of Limited Maintenance Tax Notes, and liability for compensated absences, which are paid from the General Fund. The District has no local policies regarding debt limitation or debt margin, but must comply with State requirements.

Changes in long-term liabilities for the year ended June 30, 2014, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable -					
Unlimited Tax Refunding Bonds, Series 2008, 3.3% Interest	\$610,000	\$ 0	(\$145,000)	\$465,000	\$150,000
Unlimited Tax Refunding Bonds, Series 2011, 2.00 – 4.00% Interest	8,030,000	0	(20,000)	8,010,000	20,000
Unlimited Tax Refunding Bonds, Series 2012, 3% Interest	7,280,000	0	(2,010,000)	5,270,000	2,070,000
Issuance Premiums	<u>1,080,285</u>	<u>0</u>	<u>(267,701)</u>	<u>812,584</u>	<u>0</u>
Total Bonds Payable	<u>\$17,000,285</u>	<u>\$ 0</u>	<u>(\$2,442,701)</u>	<u>\$14,557,584</u>	<u>\$2,240,000</u>
Other Liabilities -					
Qualified Zone Academy Limited Maintenance Tax Notes, Series 2002	\$489,348	\$ 0	(\$240,426)	\$248,922	\$248,922
Limited Maintenance Tax Notes, Series 2011, 1.25-2.50% Interest	1,050,000	0	(100,000)	950,000	105,000
Compensated Absences	827,420	0	(153,586)	673,834	0
Accrued Interest	<u>196,972</u>	<u>172,044</u>	<u>(196,972)</u>	<u>172,044</u>	<u>172,044</u>
Total Other Liabilities	<u>\$2,563,740</u>	<u>\$172,044</u>	<u>(\$690,984)</u>	<u>\$2,044,800</u>	<u>\$525,966</u>
Governmental Activities Long-Term Liabilities	<u>\$19,564,025</u>	<u>\$172,044</u>	<u>(\$3,133,685)</u>	<u>\$16,602,384</u>	<u>\$2,765,966</u>
Deferred Charges for Refunding - Deferred Amounts:					
Deferred Amount - 2008 Refunding Bonds	(\$5,674)	\$0	\$2,450	(\$3,224)	\$ 0
Deferred Amount - 2011 Refunding Bonds	<u>(464,812)</u>	<u>0</u>	<u>59,211</u>	<u>(405,601)</u>	<u>0</u>
Total Deferred Charges for Refunding	<u>(\$470,486)</u>	<u>\$ 0</u>	<u>\$61,661</u>	<u>(\$408,825)</u>	<u>\$ 0</u>

Debt service requirements on long-term liabilities are as follows:

Year Ended June 30,	<u>General Obligation Bonds</u>		<u>QZAB, No Interest</u>	<u>Limited Tax Notes</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>	
2015	\$2,240,000	\$441,745	\$248,922	\$105,000	\$19,588	\$3,055,255
2016	2,300,000	374,295	0	205,000	18,012	2,897,307
2017	2,365,000	308,230	0	210,000	14,425	2,897,655
2018	845,000	236,800	0	210,000	10,225	1,302,025
2019	910,000	211,450	0	220,000	5,500	1,346,950
2020-2024	<u>5,085,000</u>	<u>595,750</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,680,750</u>
Total	<u>\$13,745,000</u>	<u>\$2,168,270</u>	<u>\$248,922</u>	<u>\$950,000</u>	<u>\$67,750</u>	<u>\$17,179,942</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2014.

H. COMMITMENTS UNDER LEASES

The District has the following commitments under operating (noncapitalized) lease agreements for equipment which provides for minimum future rental payments beyond the current year:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2015	\$170,863
2016	175,488
2017	175,488
2018	109,944
2019	44,400
2020	<u>18,500</u>
Total Minimum Rentals	<u>\$694,683</u>
Rental Expenditures for the fiscal year ended June 30, 2014	<u>\$177,485</u>

The District had no capital leases outstanding during the current year.

I. ACCUMULATED COMPENSATED ABSENCES

The District has a policy for the payment of up to 30 days of accumulated sick leave/local leave to all full time employees, subject to the vesting schedule. For applicable employees whose contract started before July 1, 1991, and who meet certain minimum requirements for continuous employment by the District (minimum of 10 years), payment is allowed upon retirement, death or leaving the District upon completion of the contract. For employees commencing after July 1, 1991, payments are allowed upon retirement from the District or death. The District's liability is included in long-term liabilities discussed in Note III-G. A summary of changes in the accumulated sick leave liability follows:

	<u>Sick Leave</u>
Balance July 1, 2013	\$827,420
Additions (Deductions)	
New Entrants and Changes for Absences Accrued	(108,327)
Payments to Retirees	<u>(45,259)</u>
Balance June 30, 2014	<u>\$673,834</u>

J. DEFINED BENEFIT PENSION PLAN

Plan Description. Dayton Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas, 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period

that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012, and a state contribution rate 6.644% for January 1, 2010 to August 31, 2011, 6.0% for September 1, 2011 through August 31, 2012, 6.4% for September 1, 2012 through August 31, 2013, and 6.8% effective September 1, 2013. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of Dayton Independent School District's employees for the years ended June 30, 2014, 2013, and 2012 were \$1,311,587, \$1,196,950, and \$1,312,766, respectively. Dayton Independent School District paid additional state contributions for the years ended June 30, 2014, 2013, and 2012, in the amount of \$455,145, \$357,819, and \$339,369, respectively, on the portion of the employees' salaries that exceeded the statutory minimum and from Federal Grants.

K. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. The Dayton Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% (reduced to 0.5% effective September 1, 2012) and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the fiscal years 2014, 2013 and 2012, the State's contributions to TRS-Care with respect to the Dayton ISD payroll were \$223,639, \$142,336, and \$199,509, respectively, the active member contributions were \$170,421, \$159,202, and \$158,782, respectively, and the school district's contributions were \$162,581, \$134,709, and \$134,354, respectively, which equaled the required contributions for each period.

Medicare Part D Subsidy. The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care Program to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each school district. The total subsidy to TRS-Care allocable to Dayton ISD for the current fiscal year is \$64,148.

L. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from other governments as of June 30, 2014, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>State or Federal Grants</u>	<u>Other Governmental Entities</u>	<u>Total</u>
General	\$5,961,468	\$ 0	\$ 0	\$5,961,468
Special Revenue	0	495,736	2,312	498,048
Debt Service	<u>19,998</u>	<u>0</u>	<u>0</u>	<u>19,998</u>
Total	<u>\$5,981,466</u>	<u>\$495,736</u>	<u>\$2,312</u>	<u>\$6,479,514</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following, as recorded in the governmental funds:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$14,535,573	\$2,344,897	\$ 0	\$16,880,470
Penalties, Interest and Other				
Tax-Related Income	525,292	80,929	0	606,221
Investment Income	134,310	703	131	135,144
Food Sales	0	0	754,926	754,926
Co-Curricular Student				
Activities	123,465	0	0	123,465
Campus Activities	135,242	0	0	135,242
Other	<u>185,751</u>	<u>0</u>	<u>14,146</u>	<u>199,897</u>
Total	<u>\$15,639,633</u>	<u>\$2,426,529</u>	<u>\$769,203</u>	<u>\$18,835,365</u>

N. LITIGATION AND CONTINGENCIES

At June 30, 2014, management of the Dayton Independent School District indicated that there were no significant known lawsuits, claims or assessments pending or threatened directly against it which could have a material adverse effect on its financial condition.

Federal grant funds and certain state funds require expenditures in prescribed programs or for specific items. Such funds are subject to future audit by applicable state and federal agencies. The District does not anticipate any substantial disallowance of project costs or reduction in future funding due to any such examinations.

Additionally, the District's allocation of state funds for the 2013-2014 fiscal year is subject to change based upon actual daily attendance and other factors. Any change in this allocation will be reflected as an increase or decrease in funding for the subsequent year.

As part of the District's risk management policies, insurance coverage is obtained against loss from physical damage to facilities, contents, and equipment, and general liabilities of the District and the board of trustees. The District's potential loss from any related event or litigation is generally limited to its deductible.

O. RISK MANAGEMENT

General

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. During fiscal 2014, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

Health Care Coverage

During the year ended June 30, 2014, the District participated in the TRS Active Care Health Insurance Plan administered by the State. The District paid \$338 per month per employee toward the cost of the insurance for those who elected to participate in the plan.

Insurance

During the current year, the District participated in several programs or pools in the Texas Association of School Boards Risk Management Fund (the Fund). These funds were created and are operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin, Texas.

The following coverage was obtained through the Fund for the year ended June 30, 2014:

Property/Liability Programs -

During the current year, the District participated in the TASB Risk Management Fund's (the Fund's) Property Program and Liability Program with coverage for vehicle liability and physical damage, crime, general liability, and other liabilities.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

Based on information currently available for the current fiscal year, the District should have no additional liability beyond the contractual obligations for payment of contributions.

Unemployment Compensation Pool –

The Dayton Independent School District also provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for Unemployment Compensation pool members.

P. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Capital projects for sewer improvements at the Nottingham Middle School and E.R. Richter Elementary campuses were completed during the current year. No significant construction projects were included in the original budget adopted for the 2014-15 fiscal year.

Q. JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District participates in a cooperative program for special education serving deaf and hard of hearing students, which includes 17 school districts. The Goose Creek Independent School District is the fiscal agent manager and is responsible for reporting all financial activities of the Tri-County East Regional Day School Program for the Deaf. The member districts provide funds to the fiscal agent, with these expenditures being recorded in function 93 in the general or special revenue funds, as applicable. Payments from the Dayton Independent School District to the cooperative in the current period totaled \$82,712.

The District participates in a shared services arrangement for alternative education for at risk groups with seven other school districts, through the Gulf Coast Education Consortium. The Liberty Independent School District is the fiscal agent manager and is responsible for reporting all financial activity of the consortium. Current year payments from the District to the consortium totaled \$25,968 and were recorded in the general operating fund.

The District does not account for revenues or expenditures of the Tri-County East Regional Day School Program for the Deaf or the Gulf Coast Education Consortium and does not disclose them in these financial statements. The District does not have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal requirements that would give rise to a future additional benefit or burden to Dayton Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

The District participates in a shared service arrangement for special education visually impaired orientation and mobility services. Region 4 Education Service Center serves as the fiscal agent. The fiscal agent receives funding from a state grant and reimburses the District for a portion of the orientation and mobility services provided by the District. The District accounted for these funds in Fund 385, a Special Revenue Fund. Current year revenues and expenditures were \$1,697.

The District acts as fiscal agent for a locally funded shared service arrangement (SSA), which was established to share certain administrative costs associated with the Liberty County Workforce Academy (the Academy), a 501(c)(3) organization. Funding is provided by the districts who participate in the Academy. All activities of the Academy, excluding these administrative costs, are accounted for in the exempt organization. In accordance with guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of this SSA in Special Revenue Fund 457 using model 3 as described in the SSA section of the Resource Guide. Total expenditures for the SSA for the current fiscal year totaled \$349, utilizing amounts available from a carryover fund balance. The member districts include Cleveland ISD, Dayton ISD, Hardin ISD, Hull-Daisetta ISD, Liberty ISD, and Tarkington ISD.

R. SUBSEQUENT EVENTS

Subsequent to the end of the current fiscal year, the board of trustees authorized a bond referendum requesting the District's voters to approve the issuance of \$87.8 million in bonds. The bond referendum, passed by voters on November 4, 2014, includes funds for the construction of two new elementary schools, repurposing of four existing campuses, significant upgrades to the high school campus, and other district-wide improvements.

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic 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, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 15,153,610	\$ 15,233,737	\$ 15,639,633	\$ 405,896
5800 State Program Revenues	19,206,647	21,471,120	21,514,436	43,316
5900 Federal Program Revenues	305,174	320,899	476,287	155,388
5020 Total Revenues	34,665,431	37,025,756	37,630,356	604,600
EXPENDITURES:				
Current:				
0011 Instruction	21,170,956	21,435,205	20,905,480	529,725
0012 Instructional Resources and Media Services	403,418	414,243	359,675	54,568
0013 Curriculum and Instructional Staff Development	445,483	507,018	481,813	25,205
0021 Instructional Leadership	513,463	552,167	534,500	17,667
0023 School Leadership	2,264,170	2,323,744	2,204,657	119,087
0031 Guidance, Counseling and Evaluation Services	1,123,826	1,199,554	1,170,551	29,003
0033 Health Services	402,637	400,135	390,271	9,864
0034 Student (Pupil) Transportation	2,277,252	2,624,183	2,354,012	270,171
0036 Extracurricular Activities	1,389,502	1,502,431	1,408,507	93,924
0041 General Administration	1,619,549	1,797,733	1,563,992	233,741
0051 Facilities Maintenance and Operations	5,019,202	5,217,486	4,468,962	748,524
0052 Security and Monitoring Services	388,665	491,576	422,531	69,045
0053 Data Processing Services	298,820	308,997	293,736	15,261
0061 Community Services	500	500	-	500
Debt Service:				
0071 Principal on Long Term Debt	264,166	264,166	264,165	1
0072 Interest on Long Term Debt	97,099	97,099	97,095	4
0073 Bond Issuance Cost and Fees	3,000	3,000	500	2,500
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,050,000	1,362,686	1,332,402	30,284
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of	53,849	53,849	25,968	27,881
0099 Other Intergovernmental Charges	500,031	500,031	468,108	31,923
6030 Total Expenditures	39,285,588	41,055,803	38,746,925	2,308,878
1200 Net Change in Fund Balances	(4,620,157)	(4,030,047)	(1,116,569)	2,913,478
0100 Fund Balance - July 1 (Beginning)	15,881,139	15,881,139	15,881,139	-
3000 Fund Balance - June 30 (Ending)	\$ 11,260,982	\$ 11,851,092	\$ 14,764,570	\$ 2,913,478

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It includes information which is required by the Texas Education Agency.

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2014

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.500000	0.15930	1,036,198,796
2007	1.370000	0.17000	1,139,211,104
2008	1.040000	0.18000	1,181,991,281
2009	1.040000	0.16800	1,352,448,510
2010	1.040000	0.16800	1,318,706,457
2011	1.040000	0.16800	1,335,321,523
2012	1.040000	0.16800	1,448,196,358
2013	1.040000	0.16800	1,467,200,414
2014 (School year under audit)	1.040000	0.16800	1,429,109,603
100 TOTALS			

(10) Beginning Balance 7/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2014
\$ 2,257,887	\$ -	\$ 40,909	\$ 5,579	\$ (20,873)	\$ 2,190,526
455,978	-	19,108	2,029	(7,740)	427,101
429,250	-	25,682	3,187	(5,842)	394,539
367,071	-	26,708	4,623	(6,550)	329,190
438,147	-	46,007	7,431	(5,040)	379,669
557,841	-	73,631	11,895	(3,897)	468,418
678,365	-	108,771	17,570	(878)	551,146
827,204	-	146,706	23,698	(5,336)	651,464
1,473,077	-	543,773	87,838	(26,641)	814,825
-	17,263,644	13,618,087	2,199,792	(29,033)	1,416,732
<u>\$ 7,484,820</u>	<u>\$ 17,263,644</u>	<u>\$ 14,649,382</u>	<u>\$ 2,363,642</u>	<u>\$ (111,830)</u>	<u>\$ 7,623,610</u>

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2015-2016
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ 73,824	\$ 396,761	\$ 723,094	\$ -	\$ -	\$ 1,193,679
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	1,485	-	61,596	-	-	-	63,081
6212	Audit Services	-	-	-	18,900	-	-	18,900
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	468,108	-	-	-	-	468,108
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	163	-	-	163
6240	Contr. Maint. and Repair	-	-	-	-	8,955	-	8,955
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	383	-	9,330	-	-	9,713
6290	Miscellaneous Contr.	-	-	17,700	91,802	-	-	109,502
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,601	11,836	1,683	21,764	-	-	36,884
6410	Travel, Subsistence, Stipends	2,384	844	3,740	15,702	-	-	22,670
6420	Ins. and Bonding Costs	-	-	-	27,368	-	-	27,368
6430	Election Costs	6,208	-	-	-	-	-	6,208
6490	Miscellaneous Operating	4,573	260	34,480	17,345	-	-	56,658
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	10,211	10,211
6000	TOTAL	\$ 16,251	\$ 555,255	\$ 515,960	\$ 925,468	\$ 8,955	\$ 10,211	\$ 2,032,100

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 43,570,897

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,424,406
Total Debt & Lease(6500)	(11)	361,760
Plant Maintenance (Function 51, 6100-6400)	(12)	4,066,696
Food (Function 35, 6341 and 6499)	(13)	1,064,489
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		925,468

SubTotal: 8,842,818

Net Allowed Direct Cost \$ 34,728,079

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 62,058,707
Historical Cost of Building over 50 years old	(16)	\$ 1,971,971
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 9,619,212
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 1,099,267
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 490,904

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.

\$468,108 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 759,296	\$ 785,036	\$ 769,203	\$ (15,833)
5800 State Program Revenues	15,000	15,000	16,423	1,423
5900 Federal Program Revenues	1,937,945	1,992,533	1,948,546	(43,987)
5020 Total Revenues	2,712,241	2,792,569	2,734,172	(58,397)
EXPENDITURES:				
Current:				
0035 Food Services	2,623,142	2,703,470	2,594,281	109,189
6030 Total Expenditures	2,623,142	2,703,470	2,594,281	109,189
1200 Net Change in Fund Balances	89,099	89,099	139,891	50,792
0100 Fund Balance - July 1 (Beginning)	406,509	406,509	406,509	-
3000 Fund Balance - June 30 (Ending)	\$ 495,608	\$ 495,608	\$ 546,400	\$ 50,792

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,362,788	\$ 2,362,788	\$ 2,426,529	\$ 63,741
5800	State Program Revenues	314,098	314,098	331,491	17,393
5020	Total Revenues	2,676,886	2,676,886	2,758,020	81,134
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,175,000	2,175,000	2,175,000	-
0072	Interest on Long Term Debt	507,230	507,230	507,230	-
0073	Bond Issuance Cost and Fees	5,000	5,000	2,850	2,150
6030	Total Expenditures	2,687,230	2,687,230	2,685,080	2,150
1200	Net Change in Fund Balances	(10,344)	(10,344)	72,940	83,284
0100	Fund Balance - July 1 (Beginning)	1,865,008	1,865,008	1,865,008	-
3000	Fund Balance - June 30 (Ending)	\$ 1,854,664	\$ 1,854,664	\$ 1,937,948	\$ 83,284

FEDERAL AWARD SECTION

WIGGINS & SMITH

Certified Public Accountants

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 10316 - 715 MAIN STREET - LIBERTY, TEXAS 77575 - (936) 336-6661 - FAX(936) 336-7086

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

Board of Trustees
Dayton Independent School District
100 Cherry Creek Road
Dayton, Texas 77535

Members of the Board:

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, each major fund, and the aggregate remaining fund information of the Dayton Independent School District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 6, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wiggins & Smith
WIGGINS & SMITH
Certified Public Accountants

November 6, 2014

WIGGINS & SMITH

Certified Public Accountants

MEMBERS OF
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

P.O. BOX 10316 - 715 MAIN STREET - LIBERTY, TEXAS 77575 - (936) 336-6661 - FAX(936) 336-7086

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
Dayton Independent School District
100 Cherry Creek Road
Dayton, Texas 77535

Members of the Board:

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 U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 for each of the 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 the 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 the Dayton Independent School District's compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

The administration of Dayton Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to on the previous page. In planning and performing our audit of compliance, we considered the 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 the 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.

Wiggins & Smith
WIGGINS & SMITH
Certified Public Accountants

November 6, 2014

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

I. Summary of the Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

☐ Material weakness identified? Yes X No
☐ Significant deficiency identified that is not
considered to be a material weakness? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

☐ Material weakness identified? Yes X No
☐ Significant deficiency identified that is not
considered to be a material weakness? Yes X None Reported

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027A, 84.173A	IDEA, Part B, Formula and Preschool Cluster

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

Auditee qualified as low-risk auditee? X Yes No

II. Financial Statement Findings

None

III. Federal Award Findings and Questioned Costs

None

DAYTON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

(Prepared by the District's Administration)

No response required.

DAYTON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2014
(Prepared by the District's Administration)

No response required.

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION			
<u>Passed Through Texas Dept. of Transportation</u>			
Highway Research and Development	20.200	146902	\$ 94,578
Total Passed Through Texas Dept. of Transportation			\$ 94,578
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			\$ 94,578
 U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region X</u>			
ESEA, Title X, Part C - Homeless Children	84.196A	13045	\$ 2,158
ESEA, Title X, Part C - Homeless Children	84.196A	14045	9,224
Total CFDA Number 84.196A			11,382
Total Passed Through Region X			\$ 11,382
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101146902	\$ 22,360
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101146902	771,308
*ESEA, Title I, 1003(A)-Priority and Focus School	84.010A	14610112146902103	7,211
Total CFDA Number 84.010A			800,879
Total Title I, Part A Cluster			800,879
*IDEA - Part B, Formula	84.027A	136600011469026600	16,077
*IDEA - Part B, Formula	84.027A	146600011469026600	1,065,405
Total CFDA Number 84.027A			1,081,482
*IDEA - Part B, Preschool	84.173A	146610011469026610	19,853
Total Special Education Cluster (IDEA)			1,101,335
Career and Technical - Basic Grant	84.048A	14420006146902	47,092
Title III, Part A - English Language Acquisition	84.365A	13671001146902	1,895
Title III, Part A - English Language Acquisition	84.365A	14671001146902	64,169
Total CFDA Number 84.365A			66,064
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501146902	112,894
Summer School LEP	84.369A	69551402	2,226
Total Passed Through State Department of Education			\$ 2,130,490
TOTAL DEPARTMENT OF EDUCATION			\$ 2,141,872
 U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Medicaid Administrative Claiming Program - MAC	93.778	146902	\$ 9,085
Total Passed Through Texas Dept of Human Services			\$ 9,085
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 9,085

DAYTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401401	\$ 427,967
*National School Lunch Program - Cash Assistance	10.555	71301401	1,375,636
*National School Lunch Prog. - Non-Cash Assistance	10.555	146005A	144,944
Total CFDA Number 10.555			<u>1,520,580</u>
*Summer Feeding Program - Cash Assistance	10.559	146902	14,404
Total Child Nutrition Cluster			<u>1,962,951</u>
Total Passed Through the State Department of Agriculture			<u>\$ 1,962,951</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 1,962,951</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u><u>\$ 4,208,486</u></u>

*Clustered Programs

DAYTON INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide***. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in the General Fund or Special Revenue Funds which are Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period expended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.

Amounts presented on the accompanying schedule differ from the total amount of federal revenues presented in the fund financial statements as follows:

Total Expenditures of Federal Awards per the Schedule of Federal Awards	\$4,208,486
Amount Reported in the General Fund as part of the School Health and Related Services – Not Included in the Schedule of Federal Awards	<u>372,336</u>
Total Federal Revenues per Exhibit C-3	<u>\$4,580,822</u>

SCHOOLS FIRST QUESTIONNAIRE

Dayton Independent School District

Fiscal Year 2014

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	0