

**DAYTON INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED JUNE 30, 2015**

Dayton Independent School District  
Annual Financial Report  
For the Year Ended June 30, 2015

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Annual Financial Report  
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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, 2015 at a meeting of the Board of Trustees of such school district on the 17<sup>th</sup> day of November 2015.

Thomas Payne  
Signature of Board Secretary

Larry Wadzeck  
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

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

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## **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, 2015 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, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter - Change in Accounting Principle**

As discussed in Note I and Note III-J to the financial statements, in the current fiscal year, the District adopted new accounting guidance prescribed by GASB No. 68 for its pension plan, a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB No. 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government Wide Statements. Exhibit A-1 discloses the District's Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District's pension plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to this matter.

### **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 and other information on pages 7-13 and 48-50 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, 2015, 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, 2015

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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, 2015. Please read it in conjunction with the District's financial statements which follow this section.

#### **FINANCIAL HIGHLIGHTS**

- The District's total net position decreased by \$2,725,381, or 7.0%, as a result of a prior period adjustment of \$5,768,399 to book net pension liability as required by GASB 68, which offset positive results of operations of \$3,043,018.
- During the year, the District had total expenses of \$46,868,533, before reduction for program revenues and charges for services totaling \$8,615,408. The net expenses of \$38,253,125 were financed by taxes, state foundation program entitlements and other general revenues which totaled \$41,296,143.
- The General Fund ended the year with a fund balance of \$16,742,474, an increase of \$1,977,904 from the prior year-end.
- The District had capital expenditures during the current period, totaling \$2,890,988. These costs primarily related to the initial phase of construction projects financed by building bonds - \$2,160,592, plus the purchase of 2 new buses, chillers at the high school campus, and other vehicles and equipment.
- During 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. The initial issuance of bonds for \$9.9 million was made in December, 2014, with the remaining bonds issued subsequent to the end of the current fiscal year, in August, 2015.

#### **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 27) 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 25 and 26. 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 decreased from \$38,923,159 to \$36,197,778. 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 \$13,862,629 at June 30, 2015, a decrease of \$3,805,089 from the prior year.

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

|                                                   | <u>Governmental Activities</u> |                     | <u>Increase</u>      |
|---------------------------------------------------|--------------------------------|---------------------|----------------------|
|                                                   | <u>2015</u>                    | <u>2014</u>         | <u>(Decrease)</u>    |
| Current and other assets                          | \$30,998,847                   | \$21,435,883        | \$9,562,964          |
| Capital assets, net                               | 33,818,684                     | 33,742,212          | 76,472               |
| Long term investments                             | 6,257,085                      | 5,304,185           | 952,900              |
| Deferred charge for refunding                     | 347,948                        | 408,825             | (60,877)             |
| Deferred outflows related to TRS                  | <u>1,125,046</u>               | <u>0</u>            | <u>1,125,046</u>     |
| Total assets and deferred outflows                | <u>\$72,547,610</u>            | <u>\$60,891,105</u> | <u>\$11,656,505</u>  |
| Long term liabilities                             | \$28,952,684                   | \$16,602,384        | \$12,350,300         |
| Other liabilities                                 | 5,858,573                      | 5,365,562           | 493,011              |
| Deferred inflows related to TRS                   | <u>1,538,575</u>               | <u>0</u>            | <u>1,538,575</u>     |
| Total liabilities and deferred inflows            | <u>\$36,349,832</u>            | <u>\$21,967,946</u> | <u>\$14,381,886</u>  |
| Net Position:                                     |                                |                     |                      |
| Invested in capital assets net<br>of related debt | \$11,221,489                   | \$18,394,531        | (\$7,173,042)        |
| Restricted                                        | 11,113,660                     | 2,860,910           | 8,252,750            |
| Unrestricted                                      | <u>13,862,629</u>              | <u>17,667,718</u>   | <u>(3,805,089)</u>   |
| Total net positions                               | <u>\$36,197,778</u>            | <u>\$38,923,159</u> | <u>(\$2,725,381)</u> |

The significant increases in total assets and deferred outflows, and liabilities and deferred inflows, with a net decrease in the District's total net position are primarily the result of:

- (1) Increase in both assets and liabilities resulting from the issuance of building bonds for \$9.9 million.
- (2) Net assets increased due to positive operating results of \$3,043,018.
- (3) Adjustments required by GASB 68 to reflect the District's proportional share of the Net Pension Liability of the Teacher Retirement System of Texas. The District's share of the Net Pension Liability was \$5,029,620, and is recorded as a noncurrent liability. Recording of the District's proportional share of the net Pension Liability also resulted in the recording of a prior period adjustment to the District's net position of \$5,768,399.

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>2015</u>                    | <u>2014</u>         | <u>(Decrease)</u>    |
| Revenues:                                       |                                |                     |                      |
| Program Revenues:                               |                                |                     |                      |
| Charges for Services                            | \$1,199,513                    | \$1,121,484         | \$78,029             |
| Operating grants and contributions              | 7,415,895                      | 6,282,297           | 1,133,598            |
| General Revenues:                               |                                |                     |                      |
| Maintenance and operations taxes                | 15,600,552                     | 14,626,009          | 974,543              |
| Debt service taxes                              | 2,366,810                      | 2,359,194           | 7,616                |
| State aid – formula grants                      | 22,396,586                     | 20,234,228          | 2,162,358            |
| Investment Earnings                             | 164,988                        | 135,144             | 29,844               |
| Penalty and interest - taxes                    | 670,701                        | 606,222             | 64,479               |
| Miscellaneous and other                         | <u>96,506</u>                  | <u>92,145</u>       | <u>4,361</u>         |
| Total Revenue                                   | <u>\$49,911,551</u>            | <u>\$45,456,723</u> | <u>\$4,454,828</u>   |
| Expenses:                                       |                                |                     |                      |
| Instruction, curriculum and media services      | \$26,494,664                   | \$24,737,239        | \$1,757,425          |
| Instructional and school leadership             | 3,145,885                      | 2,942,766           | 203,119              |
| Student support services                        | 4,552,285                      | 4,389,305           | 162,980              |
| Child nutrition                                 | 2,664,738                      | 2,707,730           | (42,992)             |
| Cocurricular activities                         | 1,671,780                      | 1,658,103           | 13,677               |
| General administration                          | 1,458,797                      | 1,586,937           | (128,140)            |
| Plant maintenance, security and data processing | 5,641,264                      | 4,953,422           | 687,842              |
| Community services                              | 111,476                        | 49,606              | 61,870               |
| Debt service – interest and fees                | 536,494                        | 300,446             | 236,048              |
| Payments related to shared service arrangements | 125,919                        | 108,680             | 17,239               |
| Appraisal district costs                        | <u>465,231</u>                 | <u>468,108</u>      | <u>(2,877)</u>       |
| Total Expenses                                  | <u>\$46,868,533</u>            | <u>\$43,902,342</u> | <u>\$2,966,191</u>   |
| Increase in net position                        | \$3,043,018                    | \$1,554,381         | \$1,488,637          |
| Net assets at July 1,                           | 38,923,159                     | 37,368,778          | 1,554,381            |
| Prior period adjustment –net pension liability  | <u>(5,768,399)</u>             | <u>0</u>            | <u>(5,768,399)</u>   |
| Net position at June 30,                        | <u>\$36,197,778</u>            | <u>\$38,923,159</u> | <u>(\$2,725,381)</u> |

The District's total revenues increased approximately 9.8%, or \$4,454,828 from prior year revenues. The total cost of all programs and services increased \$2,966,191, or 6.8%.

The District's primary sources of revenue includes local taxes (37%), state aid from formula grants (45%), and other state and federal grants (15%). The remaining 3% of revenues includes charges for services and other revenue. The most significant costs are for instructional services (57%).

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

The increase in total revenues includes the following factors:

- (1) Overall property tax revenues, including penalties and interest from delinquent tax collections, increased \$1,046,638, or 5.9%, from the prior period. This increase was the result of an increase in assessed value of taxable property of 6.6%.
- (2) Revenues from the State foundation funds increased \$2,162,358, or 10.7% from the prior year amounts, primarily due to a 2.2% increase in weighted ADA, and due to changes in the state funding allotment.
- (3) Program revenues from grants and contributions increased approximately 18.0% from the prior year. The increase resulted primarily from an increase in revenues from the state for instructional materials and technology allotment - \$656,112 increase, and increased funding under the State Health and Related Services (SHARS) program of \$402,682.

The net increase in overall expenses of 6.8% resulted primarily from budgeted increases in payroll cost of approximately \$1.9 million as compared to prior year costs, and increased cost for facility maintenance and repairs and operating costs.

### **FINANCIAL ANALYSIS OF THE DISTRICT'S INDIVIDUAL FUNDS**

As of June 30, 2015, the District's governmental funds (as presented in the balance sheet on pages 18 and 19) reported a combined ending fund balance of \$27,483,199, a significant increase from the prior period's combined balance of \$17,252,693.

The most significant change results from the fund balance in the Capital Projects Fund of \$7,742,377 at year end. This fund was opened in the current year to account for bond proceeds and the related use. Fund balances also increased for the General Fund - \$1,977,904, the Debt Service Fund - \$215,770, and the Food Service Fund - \$295,379.

The current year results of operations for the General Fund reflects the increases in property tax revenue, state funding and program revenue discussed in the previous section (approximately \$3.9 million total increase), with increases in payroll and operating costs of approximately \$2.2 million, and a decrease in capital expenditures paid from the General Fund of \$1.4 million.

### **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, 2015, the Board of Trustees revised the budget for the General Fund several times, with the most significant increase resulting from anticipated additional expenditures for security improvements and facility operation and maintenance. 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 1.9% from the original budget to the final amended budget.

As indicated on the Budgetary Comparison Schedule – General Fund on page 48, the overall budget variance for the period was positive, and there were no negative variances for any of the expenditure functions.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2015, the District had \$78,213,826 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 \$2,865,228 from the prior year.

This year's major additions included:

|                                                   |                    |
|---------------------------------------------------|--------------------|
| Land on Houston Street                            | \$33,790           |
| Security improvements                             | 103,479            |
| Chiller – High School                             | 157,205            |
| Purchase of 2 buses                               | 197,733            |
| 3 Vehicles – vocational education and maintenance | 74,293             |
| Other purchases of equipment                      | 163,896            |
| Construction in Progress                          | 2,160,592          |
| Less: Undepreciated cost of assets retired        | <u>(25,760)</u>    |
| Net change                                        | <u>\$2,865,228</u> |

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

**Long-Term Debt**

During the current fiscal year, the District issued \$9.9 million in School Building Bonds, Series 2014. This issue was the initial issuance of a total of \$87.8 million authorized in a referendum on November 4, 2014. The remainder of the bonds were issued in August, 2015.

Following is a summary of the outstanding long-term liabilities at June 30, 2015. 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<br/>Activities<br/>June 30, 2015</u> |
|---------------------------------------------|------------------------------------------------------|
| Unlimited Tax Refunding Bonds – Series 2008 | \$315,000                                            |
| Unlimited Tax Refunding Bonds – Series 2011 | 7,990,000                                            |
| Unlimited Tax Refunding Bonds – Series 2012 | 3,200,000                                            |
| Unlimited Tax Building Bonds – Series 2014  | 9,900,000                                            |
| Maintenance Tax Notes – Series 2011         | 845,000                                              |
| Accrued Compensated Absences                | 671,334                                              |
| Issuance Premiums and Accrued Interest      | <u>1,001,730</u>                                     |
| Total Long-Term Liabilities                 | <u>\$23,923,064</u>                                  |

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

### **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 2016 budget and tax rates. Following are some items considered:

- Student enrollment for 2015-2016 is projected to be similar to the prior year.
- Revenue available for general operations from ad valorem taxes is projected to increase approximately \$113,500 from the prior year actual revenues, primarily due to an increase in appraised property values. The District adopted an M & O tax rate of \$1.04/\$100 valuation, plus a debt service rate of \$0.3917/\$100 valuation for 2015-2016, resulting in an overall rate of \$1.4317, which is \$0.2337 more than the rate adopted for 2014-2015.
- Preliminary estimates of State foundation program entitlements for the 2015-2016 school year indicate that the District should receive approximately \$21.5 million from State foundation and available school programs, which is approximately the same amount earned in 2014-2015 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 2015-16 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 \$43,480,563 was adopted which included approximately \$298,395 for capital expenditures. The budget reflects approximately a 10% increase over the fiscal 2015 actual expenditures. With current projected revenue of \$40,407,422, the General Fund budget is projected to reduce the available fund balance by \$3.1 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 Associate 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, 2015

EXHIBIT A-1

| Data                           |                                           | Primary Government        |
|--------------------------------|-------------------------------------------|---------------------------|
| Control                        |                                           | Governmental              |
| Codes                          |                                           | Activities                |
| <hr/>                          |                                           |                           |
| ASSETS                         |                                           |                           |
| 1110                           | Cash and Cash Equivalents                 | \$ 596,162                |
| 1120                           | Current Investments                       | 17,783,042                |
| 1220                           | Property Taxes Receivable (Delinquent)    | 7,587,841                 |
| 1230                           | Allowance for Uncollectible Taxes         | (3,317,784)               |
| 1240                           | Due from Other Governments                | 8,184,961                 |
| 1250                           | Accrued Interest                          | 8,509                     |
| 1267                           | Due from Fiduciary Funds                  | 39,829                    |
| 1290                           | Other Receivables, net                    | 36,409                    |
| 1410                           | Prepayments                               | 79,878                    |
| Capital Assets:                |                                           |                           |
| 1510                           | Land                                      | 2,072,225                 |
| 1520                           | Buildings, Net                            | 25,232,807                |
| 1530                           | Furniture and Equipment, Net              | 4,353,060                 |
| 1580                           | Construction in Progress                  | 2,160,592                 |
| 1910                           | Long Term Investments                     | 6,257,085                 |
| 1000                           | Total Assets                              | <hr/> 71,074,616 <hr/>    |
| DEFERRED OUTFLOWS OF RESOURCES |                                           |                           |
| 1701                           | Deferred Charge for Refunding             | 347,948                   |
| 1705                           | Deferred Outflow Related to TRS           | 1,125,046                 |
| 1700                           | Total Deferred Outflows of Resources      | <hr/> 1,472,994 <hr/>     |
| LIABILITIES                    |                                           |                           |
| 2110                           | Accounts Payable                          | 1,653,606                 |
| 2150                           | Payroll Deductions & Withholdings         | 10,656                    |
| 2160                           | Accrued Wages Payable                     | 4,104,592                 |
| 2180                           | Due to Other Governments                  | 51,694                    |
| 2300                           | Unearned Revenue                          | 38,025                    |
| Noncurrent Liabilities         |                                           |                           |
| 2501                           | Due Within One Year                       | 2,811,587                 |
| 2502                           | Due in More Than One Year                 | 21,111,477                |
| 2540                           | Net Pension Liability (District's Share)  | 5,029,620                 |
| 2000                           | Total Liabilities                         | <hr/> 34,811,257 <hr/>    |
| DEFERRED INFLOWS OF RESOURCES  |                                           |                           |
| 2605                           | Deferred Inflow Related to TRS            | 1,538,575                 |
| 2600                           | Total Deferred Inflows of Resources       | <hr/> 1,538,575 <hr/>     |
| NET POSITION                   |                                           |                           |
| 3200                           | Net Investment in Capital Assets          | 11,221,489                |
| 3820                           | Restricted for Federal and State Programs | 841,779                   |
| 3850                           | Restricted for Debt Service               | 2,526,653                 |
| 3860                           | Restricted for Capital Projects           | 7,742,377                 |
| 3890                           | Restricted for Other Purposes             | 2,851                     |
| 3900                           | Unrestricted                              | 13,862,629                |
| 3000                           | Total Net Position                        | <hr/> \$ 36,197,778 <hr/> |

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, 2015

EXHIBIT B-1

| Data<br>Control<br>Codes                            | 1                                               | Program Revenues        |                                          | 6<br>Primary Gov.<br>Governmental<br>Activities |
|-----------------------------------------------------|-------------------------------------------------|-------------------------|------------------------------------------|-------------------------------------------------|
|                                                     |                                                 | 3                       | 4                                        |                                                 |
|                                                     |                                                 | Charges for<br>Services | Operating<br>Grants and<br>Contributions |                                                 |
|                                                     | Expenses                                        |                         |                                          |                                                 |
| <b>Primary Government:</b>                          |                                                 |                         |                                          |                                                 |
| GOVERNMENTAL ACTIVITIES:                            |                                                 |                         |                                          |                                                 |
| 11 Instruction                                      | \$ 24,829,536                                   | \$ 210,933              | \$ 3,353,457                             | \$ (21,265,146)                                 |
| 12 Instructional Resources and Media Services       | 468,773                                         | -                       | 15,713                                   | (453,060)                                       |
| 13 Curriculum and Staff Development                 | 1,196,355                                       | -                       | 148,432                                  | (1,047,923)                                     |
| 21 Instructional Leadership                         | 802,829                                         | -                       | 62,431                                   | (740,398)                                       |
| 23 School Leadership                                | 2,343,056                                       | 102,978                 | 110,229                                  | (2,129,849)                                     |
| 31 Guidance, Counseling and Evaluation Services     | 1,674,042                                       | -                       | 425,883                                  | (1,248,159)                                     |
| 33 Health Services                                  | 423,505                                         | -                       | 807,610                                  | 384,105                                         |
| 34 Student (Pupil) Transportation                   | 2,454,738                                       | -                       | 78,590                                   | (2,376,148)                                     |
| 35 Food Services                                    | 2,664,738                                       | 789,863                 | 2,069,777                                | 194,902                                         |
| 36 Extracurricular Activities                       | 1,671,780                                       | 94,239                  | 45,374                                   | (1,532,167)                                     |
| 41 General Administration                           | 1,458,797                                       | -                       | 56,479                                   | (1,402,318)                                     |
| 51 Facilities Maintenance and Operations            | 4,814,798                                       | 1,500                   | 92,323                                   | (4,720,975)                                     |
| 52 Security and Monitoring Services                 | 475,442                                         | -                       | 5,234                                    | (470,208)                                       |
| 53 Data Processing Services                         | 351,024                                         | -                       | 10,809                                   | (340,215)                                       |
| 61 Community Services                               | 111,476                                         | -                       | 50,842                                   | (60,634)                                        |
| 72 Debt Service - Interest on Long Term Debt        | 440,194                                         | -                       | -                                        | (440,194)                                       |
| 73 Debt Service - Bond Issuance Cost and Fees       | 96,300                                          | -                       | -                                        | (96,300)                                        |
| 93 Payments related to Shared Services Arrangements | 125,919                                         | -                       | 82,712                                   | (43,207)                                        |
| 99 Other Intergovernmental Charges                  | 465,231                                         | -                       | -                                        | (465,231)                                       |
| [TP] TOTAL PRIMARY GOVERNMENT:                      | \$ 46,868,533                                   | \$ 1,199,513            | \$ 7,415,895                             | (38,253,125)                                    |
|                                                     |                                                 |                         |                                          |                                                 |
| Data<br>Control<br>Codes                            | General Revenues:                               |                         |                                          |                                                 |
| MT                                                  | Property Taxes, Levied for General Purposes     |                         |                                          | 15,600,552                                      |
| DT                                                  | Property Taxes, Levied for Debt Service         |                         |                                          | 2,366,810                                       |
| SF                                                  | State Aid - Formula Grants                      |                         |                                          | 22,396,586                                      |
| IE                                                  | Investment Earnings                             |                         |                                          | 164,988                                         |
| MI                                                  | Miscellaneous Local and Intermediate Revenue    |                         |                                          | 767,207                                         |
| TR                                                  | Total General Revenues                          |                         |                                          | 41,296,143                                      |
| CN                                                  | Change in Net Position                          |                         |                                          | 3,043,018                                       |
| NB                                                  | Net Position - Beginning                        |                         |                                          | 38,923,159                                      |
| PA                                                  | Prior Period Adjustment - Net Pension Liability |                         |                                          | (5,768,399)                                     |
| NE                                                  | Net Position--Ending                            |                         |                                          | \$ 36,197,778                                   |

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

DAYTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2015

| Data<br>Control<br>Codes                                 | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|----------------------------------------------------------|-----------------------|----------------------------|---------------------------|
| <b>ASSETS</b>                                            |                       |                            |                           |
| 1110 Cash and Cash Equivalents                           | \$ 330,485            | \$ 61,592                  | \$ 26,219                 |
| 1120 Investments - Current                               | 5,971,745             | 1,998,436                  | 8,830,255                 |
| 1220 Property Taxes - Delinquent                         | 6,607,663             | 980,178                    | -                         |
| 1230 Allowance for Uncollectible Taxes (Credit)          | (2,892,904)           | (424,880)                  | -                         |
| 1240 Receivables from Other Governments                  | 7,650,077             | 43,842                     | -                         |
| 1250 Accrued Interest                                    | 8,286                 | -                          | 223                       |
| 1260 Due from Other Funds                                | 241,185               | 2,028                      | -                         |
| 1290 Other Receivables                                   | 36,409                | -                          | -                         |
| 1410 Prepayments                                         | 79,878                | -                          | -                         |
| 1900 Long Term Investments                               | 6,257,085             | -                          | -                         |
| 1000 Total Assets                                        | <u>\$ 24,289,909</u>  | <u>\$ 2,661,196</u>        | <u>\$ 8,856,697</u>       |
| <b>LIABILITIES</b>                                       |                       |                            |                           |
| 2110 Accounts Payable                                    | \$ 257,394            | \$ -                       | \$ 1,114,320              |
| 2150 Payroll Deductions and Withholdings Payable         | 10,656                | -                          | -                         |
| 2160 Accrued Wages Payable                               | 3,801,277             | -                          | -                         |
| 2170 Due to Other Funds                                  | 8,297                 | -                          | -                         |
| 2180 Due to Other Governments                            | 51,694                | -                          | -                         |
| 2300 Unearned Revenues                                   | 11,435                | -                          | -                         |
| 2000 Total Liabilities                                   | <u>4,140,753</u>      | <u>-</u>                   | <u>1,114,320</u>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                     |                       |                            |                           |
| 2601 Unavailable Revenue - Property Taxes                | 3,406,682             | 507,478                    | -                         |
| 2600 Total Deferred Inflows of Resources                 | <u>3,406,682</u>      | <u>507,478</u>             | <u>-</u>                  |
| <b>FUND BALANCES</b>                                     |                       |                            |                           |
| Nonspendable Fund Balance:                               |                       |                            |                           |
| 3430 Prepaid Items                                       | 79,878                | -                          | -                         |
| Restricted Fund Balance:                                 |                       |                            |                           |
| 3450 Federal or State Funds Grant Restriction            | -                     | -                          | -                         |
| 3470 Capital Acquisition and Contractual                 | -                     | -                          | 7,742,377                 |
| 3480 Retirement of Long-Term Debt                        | -                     | 2,153,718                  | -                         |
| 3490 Other Restricted Fund Balance                       | -                     | -                          | -                         |
| Committed Fund Balance:                                  |                       |                            |                           |
| 3510 Construction                                        | 6,600,000             | -                          | -                         |
| 3600 Unassigned Fund Balance                             | 10,062,596            | -                          | -                         |
| 3000 Total Fund Balances                                 | <u>16,742,474</u>     | <u>2,153,718</u>           | <u>7,742,377</u>          |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 24,289,909</u>  | <u>\$ 2,661,196</u>        | <u>\$ 8,856,697</u>       |

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

|       |           | Total        |             |
|-------|-----------|--------------|-------------|
| Other |           | Governmental |             |
| Funds |           | Funds        |             |
| <hr/> |           | <hr/>        |             |
| \$    | 177,866   | \$           | 596,162     |
|       | 982,606   |              | 17,783,042  |
|       | -         |              | 7,587,841   |
|       | -         |              | (3,317,784) |
|       | 491,042   |              | 8,184,961   |
|       | -         |              | 8,509       |
|       | 6,324     |              | 249,537     |
|       | -         |              | 36,409      |
|       | -         |              | 79,878      |
|       | -         |              | 6,257,085   |
| <hr/> |           | <hr/>        |             |
| \$    | 1,657,838 | \$           | 37,465,640  |
| <hr/> |           | <hr/>        |             |
| \$    | 281,892   | \$           | 1,653,606   |
|       | -         |              | 10,656      |
|       | 303,315   |              | 4,104,592   |
|       | 201,411   |              | 209,708     |
|       | -         |              | 51,694      |
|       | 26,590    |              | 38,025      |
| <hr/> |           | <hr/>        |             |
|       | 813,208   |              | 6,068,281   |
| <hr/> |           | <hr/>        |             |
|       | -         |              | 3,914,160   |
| <hr/> |           | <hr/>        |             |
|       | -         |              | 3,914,160   |
| <hr/> |           | <hr/>        |             |
|       | -         |              | 79,878      |
|       | 841,779   |              | 841,779     |
|       | -         |              | 7,742,377   |
|       | -         |              | 2,153,718   |
|       | 2,851     |              | 2,851       |
|       | -         |              | 6,600,000   |
|       | -         |              | 10,062,596  |
| <hr/> |           | <hr/>        |             |
|       | 844,630   |              | 27,483,199  |
| <hr/> |           | <hr/>        |             |
| \$    | 1,657,838 | \$           | 37,465,640  |
| <hr/> |           | <hr/>        |             |

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DAYTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2015

|                                                                                                                                                                                                                                                                                                                                                                                                             |               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| <b>Total Fund Balances - Governmental Funds</b>                                                                                                                                                                                                                                                                                                                                                             | \$ 27,483,199 |
| <b>1</b> Capital assets used in governmental activities, net of accumulated depreciation, are not financial resources and therefore are not reported in governmental funds.                                                                                                                                                                                                                                 | 33,818,684    |
| <b>2</b> Property taxes receivable which are unavailable to pay for current period expenditures are deferred in the governmental fund balance sheet.                                                                                                                                                                                                                                                        | 3,914,160     |
| <b>3</b> Liabilities for unmatured bond principal are not reported in the governmental funds.                                                                                                                                                                                                                                                                                                               | (21,405,000)  |
| <b>4</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$5,029,620, a Deferred Resource Inflow related to TRS in the amount of \$1,538,575 and a Deferred Resource Outflow related to TRS in the amount of \$1,125,046. These amounts are not reported in the fund financial statements. | (5,443,149)   |
| <b>5</b> Liabilities for unmatured principal on maintenance tax notes are not reported in the governmental funds.                                                                                                                                                                                                                                                                                           | (845,000)     |
| <b>6</b> Liability for compensated absences is not reported in the governmental funds.                                                                                                                                                                                                                                                                                                                      | (671,334)     |
| <b>7</b> Accrued interest on long term debt is not reported in the governmental funds.                                                                                                                                                                                                                                                                                                                      | (306,587)     |
| <b>8</b> Deferred amounts from refundings, net of amortization, is not reported in the governmental funds.                                                                                                                                                                                                                                                                                                  | 347,948       |
| <b>9</b> Premium/discount on bonds, net of amortization, is not reported in the governmental funds.                                                                                                                                                                                                                                                                                                         | (695,143)     |
| <b>19 Net Position of Governmental Activities</b>                                                                                                                                                                                                                                                                                                                                                           | \$ 36,197,778 |

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, 2015

| Data<br>Control<br>Codes                                       | 10<br>General<br>Fund | 50<br>Debt Service<br>Fund | 60<br>Capital<br>Projects |
|----------------------------------------------------------------|-----------------------|----------------------------|---------------------------|
| REVENUES:                                                      |                       |                            |                           |
| 5700 Total Local and Intermediate Sources                      | \$ 17,023,157         | \$ 2,490,401               | \$ 2,969                  |
| 5800 State Program Revenues                                    | 23,698,856            | 403,797                    | -                         |
| 5900 Federal Program Revenues                                  | 788,798               | -                          | -                         |
| 5020 Total Revenues                                            | 41,510,811            | 2,894,198                  | 2,969                     |
| EXPENDITURES:                                                  |                       |                            |                           |
| Current:                                                       |                       |                            |                           |
| 0011 Instruction                                               | 21,390,665            | -                          | -                         |
| 0012 Instructional Resources and Media Services                | 452,299               | -                          | -                         |
| 0013 Curriculum and Instructional Staff Development            | 1,103,989             | -                          | -                         |
| 0021 Instructional Leadership                                  | 764,187               | -                          | -                         |
| 0023 School Leadership                                         | 2,167,087             | -                          | -                         |
| 0031 Guidance, Counseling and Evaluation Services              | 1,288,317             | -                          | -                         |
| 0033 Health Services                                           | 397,715               | -                          | -                         |
| 0034 Student (Pupil) Transportation                            | 2,301,737             | -                          | -                         |
| 0035 Food Services                                             | -                     | -                          | -                         |
| 0036 Extracurricular Activities                                | 1,461,693             | -                          | -                         |
| 0041 General Administration                                    | 1,449,806             | -                          | -                         |
| 0051 Facilities Maintenance and Operations                     | 4,871,090             | -                          | -                         |
| 0052 Security and Monitoring Services                          | 557,168               | -                          | -                         |
| 0053 Data Processing Services                                  | 341,288               | -                          | -                         |
| 0061 Community Services                                        | 69,629                | -                          | -                         |
| Debt Service:                                                  |                       |                            |                           |
| 0071 Principal on Long Term Debt                               | 269,165               | 2,240,000                  | -                         |
| 0072 Interest on Long Term Debt                                | 104,344               | 441,745                    | -                         |
| 0073 Bond Issuance Cost and Fees                               | 500                   | 800                        | 95,000                    |
| Capital Outlay:                                                |                       |                            |                           |
| 0081 Facilities Acquisition and Construction                   | 33,790                | -                          | 2,160,592                 |
| Intergovernmental:                                             |                       |                            |                           |
| 0093 Payments to Fiscal Agent/Member Districts of SSA          | 43,207                | -                          | -                         |
| 0099 Other Intergovernmental Charges                           | 465,231               | -                          | -                         |
| 6030 Total Expenditures                                        | 39,532,907            | 2,682,545                  | 2,255,592                 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | 1,977,904             | 211,653                    | (2,252,623)               |
| OTHER FINANCING SOURCES (USES):                                |                       |                            |                           |
| 7911 Capital Related Debt Issued (Regular Bonds)               | -                     | -                          | 9,900,000                 |
| 7915 Transfers In                                              | -                     | 4,117                      | -                         |
| 7916 Premium or Discount on Issuance of Bonds                  | -                     | -                          | 99,117                    |
| 8911 Transfers Out (Use)                                       | -                     | -                          | (4,117)                   |
| 7080 Total Other Financing Sources (Uses)                      | -                     | 4,117                      | 9,995,000                 |
| 1200 Net Change in Fund Balances                               | 1,977,904             | 215,770                    | 7,742,377                 |
| 0100 Fund Balance - July 1 (Beginning)                         | 14,764,570            | 1,937,948                  | -                         |
| 3000 Fund Balance - June 30 (Ending)                           | \$ 16,742,474         | \$ 2,153,718               | \$ 7,742,377              |

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

|       |           | Total        |            |
|-------|-----------|--------------|------------|
| Other |           | Governmental |            |
| Funds |           | Funds        |            |
| <hr/> |           | <hr/>        |            |
| \$    | 790,196   | \$           | 20,306,723 |
|       | 745,678   |              | 24,848,331 |
|       | 4,175,352 |              | 4,964,150  |
|       | <hr/>     |              | <hr/>      |
|       | 5,711,226 |              | 50,119,204 |
|       | <hr/>     |              | <hr/>      |
|       | 2,248,230 |              | 23,638,895 |
|       | -         |              | 452,299    |
|       | 96,224    |              | 1,200,213  |
|       | 28,869    |              | 793,056    |
|       | 4,503     |              | 2,171,590  |
|       | 346,116   |              | 1,634,433  |
|       | -         |              | 397,715    |
|       | 7         |              | 2,301,744  |
|       | 2,564,594 |              | 2,564,594  |
|       | -         |              | 1,461,693  |
|       | 418       |              | 1,450,224  |
|       | -         |              | 4,871,090  |
|       | -         |              | 557,168    |
|       | -         |              | 341,288    |
|       | 45,098    |              | 114,727    |
|       | -         |              | 2,509,165  |
|       | -         |              | 546,089    |
|       | -         |              | 96,300     |
|       | -         |              | 2,194,382  |
|       | 82,712    |              | 125,919    |
|       | -         |              | 465,231    |
|       | <hr/>     |              | <hr/>      |
|       | 5,416,771 |              | 49,887,815 |
|       | <hr/>     |              | <hr/>      |
|       | 294,455   |              | 231,389    |
|       | <hr/>     |              | <hr/>      |
|       | -         |              | 9,900,000  |
|       | -         |              | 4,117      |
|       | -         |              | 99,117     |
|       | -         |              | (4,117)    |
|       | <hr/>     |              | <hr/>      |
|       | -         |              | 9,999,117  |
|       | <hr/>     |              | <hr/>      |
|       | 294,455   |              | 10,230,506 |
|       | 550,175   |              | 17,252,693 |
|       | <hr/>     |              | <hr/>      |
| \$    | 844,630   | \$           | 27,483,199 |
|       | <hr/>     |              | <hr/>      |

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, 2015

|                                                                                                                                                                                                                                                                                                                |               |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b>                                                                                                                                                                                                                                                  | \$ 10,230,506 |
| Current year capital outlays are expenditures in the fund financial statements but increase capital assets in the government-wide financial statements.                                                                                                                                                        | 2,890,988     |
| Depreciation of capital assets is included in the statement of activities but not in the fund statements.                                                                                                                                                                                                      | (2,814,516)   |
| Repayment of long term debt principal is an expenditure in the fund statements but reduces the liability in the statement of net assets.                                                                                                                                                                       | 2,593,922     |
| 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.                                 | (207,653)     |
| Interest is accrued on long term debt for the statement of activities. The increase in accrued interest from the beginning of the year to the end of the year is the following amount.                                                                                                                         | (134,543)     |
| Compensated absences are recorded as expended in the fund statements and as accrued in the statement of activities, with this amount being the difference.                                                                                                                                                     | 2,500         |
| Proceeds received from issuance of bonds and the related premiums are recorded as other financial sources in the fund financial statements, but are capitalized in the government-wide financial statements.                                                                                                   | (9,999,117)   |
| The District's adjustments to record its proportionate share of the net pension liability as required by GASB 68, resulted in recording pension expense as determined by TRS, and de-expending amounts contributed to TRS which were expended in the fund financial statements. This amount is the net change. | 325,250       |
| Amortization of premium/discount on bonds, and deferred amounts are recorded in the statement of activities.                                                                                                                                                                                                   | 155,681       |
| <b>Change in Net Position of Governmental Activities</b>                                                                                                                                                                                                                                                       | \$ 3,043,018  |

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, 2015

|                             | Private<br>Purpose<br>Trust Fund | Agency<br>Funds   |
|-----------------------------|----------------------------------|-------------------|
| <b>ASSETS</b>               |                                  |                   |
| Cash and Cash Equivalents   | \$ 26,013                        | \$ 484,013        |
| Investments - Current       | 13,042                           | 107,516           |
| Total Assets                | <u>39,055</u>                    | <u>\$ 591,529</u> |
| <b>LIABILITIES</b>          |                                  |                   |
| Accounts Payable            | -                                | \$ 582            |
| Due to Other Funds          | -                                | 39,829            |
| Due to Student Groups       | -                                | 501,802           |
| Unearned Revenues           | -                                | 49,316            |
| Total Liabilities           | <u>-</u>                         | <u>\$ 591,529</u> |
| <b>NET POSITION</b>         |                                  |                   |
| Restricted for Scholarships | <u>39,055</u>                    |                   |
| Total Net Position          | <u>\$ 39,055</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, 2015

|                                           | Private<br>Purpose<br>Trust Fund |
|-------------------------------------------|----------------------------------|
| ADDITIONS:                                |                                  |
| Donations and Earnings                    | \$ 7,781                         |
| Total Additions                           | <u>7,781</u>                     |
| DEDUCTIONS:                               |                                  |
| Scholarships                              | <u>4,292</u>                     |
| Total Deductions                          | <u>4,292</u>                     |
| Change in Net Position                    | 3,489                            |
| <br>Total Net Position July 1 (Beginning) | <br><u>35,566</u>                |
| <br>Total Net Position June 30 (Ending)   | <br><u><u>\$ 39,055</u></u>      |

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

DAYTON INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2015

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Dayton Independent School district (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas.

The basic financial statements of 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.

**Pensions.** The district and its employees participate in a cost-sharing multiple-employer defined benefit pension plan that is administered by the Teacher Retirement System of Texas (TRS). The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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 and there are no component units included within the District’s 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.

**Capital Projects Fund** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects 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 Associate 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 G-1, and the Debt Service Fund and Food Service Fund Budget reports are included as Exhibits J-4 and J-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, 2015<br><u>Fund Balance</u> |
|---------------------------------------------------------------|--------------------------------------|
| Appropriated Budget Funds – Food Service Special Revenue Fund | \$841,779                            |
| Nonappropriated Budget Funds                                  | <u>2,851</u>                         |
| All Special Revenue Funds                                     | <u>\$844,630</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, 2015, 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, 2015, 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    | \$2,216,902         | 9.2%              |
| Tex Star Investments – Cash Reserve Fund                                                      | 52 Days Average    | 13,997,739          | 58.2%             |
| First Liberty National Bank Investment Services -<br>Certificates of Deposit - Non Negotiable | Less than One year | 950,000             | 3.9%              |
| Certificates of Deposit - Non Negotiable                                                      | 1-4 Years          | 1,200,000           | 5.0%              |
| First Liberty National Bank -<br>Certificates of Deposit                                      | Less than 1 Year   | 618,401             | 2.6%              |
| Certificates of Deposit                                                                       | 1-3 Years          | 4,847,276           | 20.2%             |
| Security State Bank -<br>Certificates of Deposit                                              | 1-3 Years          | <u>209,809</u>      | 0.9%              |
| Total Investments                                                                             |                    | <u>\$24,040,127</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, 2015, 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 \$6,257,085 in CD’s maturing in 1-4 years at June 30, 2015.

## **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 \$0.1580 for debt service, for a total rate of \$1.1980 per \$100 valuation. Total net assessed value for the current year was \$1,522,940,052.

## **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, 2015 consisted of the following individual fund balances:

|                        | Due From<br><u>Other funds</u> | Due To<br><u>Other Funds</u> |
|------------------------|--------------------------------|------------------------------|
| General Fund:          |                                |                              |
| Debt Service Fund      | \$ 0                           | \$2,028                      |
| Special Revenue Funds  | 201,411                        | 6,269                        |
| Agency Funds           | 39,774                         | 0                            |
| Debt Service Fund:     |                                |                              |
| General Fund           | 2,028                          | 0                            |
| Special Revenue Funds: |                                |                              |
| General Fund           | 6,269                          | 201,411                      |
| Agency Funds           | 55                             | 0                            |
| Agency Funds:          |                                |                              |
| General Fund           | 0                              | 39,774                       |
| Special Revenue Funds  | <u>0</u>                       | <u>55</u>                    |
| <b>TOTAL</b>           | <b><u>\$249,537</u></b>        | <b><u>\$249,537</u></b>      |

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

## 2. Transfers To and From Other Funds –

A transfer of \$4,117 was made from the Capital Projects Fund to the Debt Service Fund.

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2015, were as follows:

|                                                                      | Property<br><u>Taxes</u>  | Other<br><u>Governments</u> | Due From<br><u>Other Funds</u> | Accrual<br><u>and Other</u> | Total<br><u>Receivables</u> |
|----------------------------------------------------------------------|---------------------------|-----------------------------|--------------------------------|-----------------------------|-----------------------------|
| Governmental Activities:                                             |                           |                             |                                |                             |                             |
| General Fund                                                         | \$6,607,663               | \$7,650,077                 | \$241,185                      | \$44,695                    | \$14,543,620                |
| Debt Service Fund                                                    | 980,178                   | 43,842                      | 2,028                          | 0                           | 1,026,048                   |
| Capital Projects Fund                                                | 0                         | 0                           | 0                              | 223                         | 223                         |
| Nonmajor Funds                                                       | <u>0</u>                  | <u>491,042</u>              | <u>6,324</u>                   | <u>0</u>                    | <u>497,366</u>              |
| <b>Total</b>                                                         | <b><u>\$7,587,841</u></b> | <b><u>\$8,184,961</u></b>   | <b><u>\$249,537</u></b>        | <b><u>\$44,918</u></b>      | <b><u>\$16,067,257</u></b>  |
| Amount not scheduled for<br>collection during the<br>subsequent year | <u>\$3,317,784</u>        | <u>\$ 0</u>                 | <u>\$ 0</u>                    | <u>\$ 0</u>                 | <u>\$3,317,784</u>          |

Payables at June 30, 2015, were as follows:

|                          | Accounts<br><u>Payable</u> | Salaries<br>and<br><u>Benefits</u> | Due to<br>Other<br><u>Funds</u> | Due to<br>Other<br><u>Governments</u> | Total<br><u>Payables</u>  |
|--------------------------|----------------------------|------------------------------------|---------------------------------|---------------------------------------|---------------------------|
| Governmental Activities: |                            |                                    |                                 |                                       |                           |
| General Fund             | \$257,394                  | \$3,811,933                        | \$8,297                         | \$51,694                              | \$4,129,318               |
| Debt Service Fund        | 0                          | 0                                  | 0                               | 0                                     | 0                         |
| Capital Projects Fund    | 1,114,320                  | 0                                  | 0                               | 0                                     | 1,114,320                 |
| Nonmajor Funds           | <u>281,892</u>             | <u>303,315</u>                     | <u>201,411</u>                  | <u>0</u>                              | <u>786,618</u>            |
| <b>Total</b>             | <b><u>\$1,653,606</u></b>  | <b><u>\$4,115,248</u></b>          | <b><u>\$209,708</u></b>         | <b><u>\$51,694</u></b>                | <b><u>\$6,030,256</u></b> |

|                                                                  |             |             |             |             |             |
|------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Amounts not scheduled for payments<br>during the subsequent year | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
|------------------------------------------------------------------|-------------|-------------|-------------|-------------|-------------|

## F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the period ended June 30, 2015, was as follows:

|                                            | <u>Beginning<br/>Balances</u> | <u>Increases</u>     | <u>Decreases</u>  | <u>Ending<br/>Balance</u> |
|--------------------------------------------|-------------------------------|----------------------|-------------------|---------------------------|
| Governmental Activities:                   |                               |                      |                   |                           |
| Capital Assets not being Depreciated:      |                               |                      |                   |                           |
| Land                                       | \$2,038,435                   | \$33,790             | \$ 0              | \$2,072,225               |
| Construction in Progress                   | <u>0</u>                      | <u>2,160,592</u>     | <u>0</u>          | <u>2,160,592</u>          |
| Total Capital Assets not being Depreciated | <u>\$2,038,435</u>            | <u>\$2,194,382</u>   | <u>\$ 0</u>       | <u>\$4,232,817</u>        |
| Capital Assets being Depreciated:          |                               |                      |                   |                           |
| Buildings and Improvements                 | \$62,058,707                  | \$ 0                 | \$ 0              | \$62,058,707              |
| Furniture and Equipment                    | 9,619,212                     | 696,606              | (25,760)          | 10,290,058                |
| 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>\$73,310,163</u>           | <u>\$696,606</u>     | <u>(\$25,760)</u> | <u>\$73,981,009</u>       |
| Less Accumulated Depreciation for:         |                               |                      |                   |                           |
| Buildings and Improvements                 | (\$34,782,207)                | (\$2,043,693)        | \$ 0              | (\$36,825,900)            |
| Furniture and Equipment                    | (5,191,935)                   | (770,823)            | 25,760            | (5,936,998)               |
| Capital Lease Property                     | <u>(1,632,244)</u>            | <u>0</u>             | <u>0</u>          | <u>(1,632,244)</u>        |
| Total Accumulated Depreciation             | <u>(\$41,606,386)</u>         | <u>(\$2,814,516)</u> | <u>\$25,760</u>   | <u>(\$44,395,142)</u>     |
| Capital Assets being Depreciated - Net     | <u>\$31,703,777</u>           | <u>(\$2,117,910)</u> | <u>\$ 0</u>       | <u>\$29,585,867</u>       |
| Governmental Activity Capital Assets - Net | <u>\$33,742,212</u>           | <u>\$76,472</u>      | <u>\$ 0</u>       | <u>\$33,818,684</u>       |

Depreciation expense was charged to governmental functions as follows:

|                                               |                    |
|-----------------------------------------------|--------------------|
| Instruction                                   | \$1,503,479        |
| Instructional Resources and Staff Development | 25,626             |
| Instructional Leadership                      | 5,074              |
| School Leadership                             | 191,664            |
| Guidance, Counseling and Evaluation Services  | 59,035             |
| Health Services                               | 25,790             |
| Student (Pupil) Transportation                | 344,928            |
| Food Services                                 | 121,189            |
| Cocurricular/Extracurricular Activities       | 252,174            |
| General Administration                        | 29,799             |
| Plant Maintenance and Operations              | 203,469            |
| Security and Monitoring                       | 21,753             |
| Data Processing services                      | <u>30,536</u>      |
| Total Depreciation Expense                    | <u>\$2,814,516</u> |

## G. LONG-TERM LIABILITIES

A bond referendum for \$87.8 million was passed by the District's voters on November 4, 2014. The proceeds of the bonds will be used 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. Under this authorization, the district issued \$9.9 million in bonds as of December 30, 2014.

Long-term liabilities include building and refunding tax bonds, which are serviced through the Debt Service Fund. Other liabilities include 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, 2015, were as follows:

|                                                                           | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Reductions</u>    | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---------------------------------------------------------------------------|------------------------------|---------------------|----------------------|---------------------------|--------------------------------|
| Governmental Activities:                                                  |                              |                     |                      |                           |                                |
| Bonds Payable -                                                           |                              |                     |                      |                           |                                |
| Unlimited Tax Refunding<br>Bonds, Series 2008,<br>3.3% Interest           | \$465,000                    | \$ 0                | (\$150,000)          | \$315,000                 | \$155,000                      |
| Unlimited Tax Refunding<br>Bonds, Series 2011,<br>2.00 – 4.00% Interest   | 8,010,000                    | 0                   | (20,000)             | 7,990,000                 | 340,000                        |
| Unlimited Tax Refunding<br>Bonds, Series 2012,<br>3% Interest             | 5,270,000                    | 0                   | (2,070,000)          | 3,200,000                 | 1,805,000                      |
| Unlimited Tax School<br>Building Bonds, Series<br>2014, 2.4-4.0% Interest | 0                            | 9,900,000           | 0                    | 9,900,000                 | 0                              |
| Issuance Premiums                                                         | <u>812,584</u>               | <u>99,117</u>       | <u>(216,558)</u>     | <u>695,143</u>            | <u>0</u>                       |
| Total Bonds Payable                                                       | <u>\$14,557,584</u>          | <u>\$9,999,117</u>  | <u>(\$2,456,558)</u> | <u>\$22,100,143</u>       | <u>\$2,300,000</u>             |
| Other Liabilities -                                                       |                              |                     |                      |                           |                                |
| Qualified Zone Academy<br>Limited Maintenance Tax<br>Notes, Series 2002   | \$248,922                    | \$ 0                | (\$248,922)          | \$ 0                      | \$ 0                           |
| Limited Maintenance Tax<br>Notes, Series 2011,<br>1.25-2.50% Interest     | 950,000                      | 0                   | (105,000)            | 845,000                   | 205,000                        |
| Compensated Absences                                                      | 673,834                      | 57,289              | (59,789)             | 671,334                   | 0                              |
| Accrued Interest                                                          | <u>172,044</u>               | <u>306,587</u>      | <u>(172,044)</u>     | <u>306,587</u>            | <u>306,587</u>                 |
| Total Other Liabilities                                                   | <u>\$2,044,800</u>           | <u>\$363,876</u>    | <u>(\$585,755)</u>   | <u>\$1,822,921</u>        | <u>\$511,587</u>               |
| Governmental Activities<br>Long-Term Liabilities                          | <u>\$16,602,384</u>          | <u>\$10,362,993</u> | <u>(\$3,042,313)</u> | <u>\$23,923,064</u>       | <u>\$2,811,587</u>             |
| Deferred Charges for<br>Refunding -<br>Deferred Amounts:                  |                              |                     |                      |                           |                                |
| Deferred Amount - 2008<br>Refunding Bonds                                 | (\$3,224)                    | \$0                 | \$1,776              | (\$1,448)                 | \$ 0                           |
| Deferred Amount - 2011<br>Refunding Bonds                                 | <u>(405,601)</u>             | <u>0</u>            | <u>59,101</u>        | <u>(346,500)</u>          | <u>0</u>                       |
| Total Deferred Charges for<br>Refunding                                   | <u>(\$408,825)</u>           | <u>\$ 0</u>         | <u>\$60,877</u>      | <u>(\$347,948)</u>        | <u>\$ 0</u>                    |

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

| <u>Year ended</u><br><u>June 30,</u> | <u>General Obligation Bonds</u> |                    | <u>Limited Tax Notes</u> |                 | <u>Total</u><br><u>Requirements</u> |
|--------------------------------------|---------------------------------|--------------------|--------------------------|-----------------|-------------------------------------|
|                                      | <u>Principal</u>                | <u>Interest</u>    | <u>Principal</u>         | <u>Interest</u> |                                     |
| 2016                                 | \$2,300,000                     | \$735,727          | \$205,000                | \$18,012        | 3,258,739                           |
| 2017                                 | 2,365,000                       | 629,503            | 210,000                  | 14,425          | 3,218,928                           |
| 2018                                 | 845,000                         | 558,073            | 210,000                  | 10,225          | 1,623,298                           |
| 2019                                 | 910,000                         | 532,723            | 220,000                  | 5,500           | 1,668,223                           |
| 2020                                 | 945,000                         | 505,423            | <u>0</u>                 | 0               | 1,450,423                           |
| 2021-2025                            | 5,140,000                       | 2,017,965          | 0                        | 0               | 7,157,965                           |
| 2026-2030                            | 4,735,000                       | 1,212,287          | 0                        | 0               | 5,947,287                           |
| 2031-2034                            | <u>4,165,000</u>                | <u>404,826</u>     | <u>0</u>                 | <u>0</u>        | <u>4,569,826</u>                    |
| Total                                | <u>\$21,405,000</u>             | <u>\$6,596,527</u> | <u>\$845,000</u>         | <u>\$48,162</u> | <u>\$28,894,689</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, 2015.

#### **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><br><u>June 30</u>                           | <u>Amount</u>    |
|----------------------------------------------------------------|------------------|
| 2016                                                           | \$175,488        |
| 2017                                                           | 175,488          |
| 2018                                                           | 109,944          |
| 2019                                                           | 44,400           |
| 2020                                                           | <u>18,500</u>    |
| Total Minimum Rentals                                          | <u>\$523,820</u> |
| Rental Expenditures for the<br>fiscal year ended June 30, 2015 | <u>\$224,738</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, 2014                          | \$673,834         |
| Additions (Deductions)                        |                   |
| New Entrants and Changes for Absences Accrued | 57,289            |
| Payments to Retirees                          | <u>(59,789)</u>   |
| Balance June 30, 2015                         | <u>\$671,334</u>  |

## J. DEFINED BENEFIT PENSION PLAN

**Plan Description.** Dayton Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

| <u>Net Pension Liability</u>                          | <u>Total</u>            |
|-------------------------------------------------------|-------------------------|
| Total Pension Liability                               | \$159,496,075,886       |
| Less: Plan Fiduciary Net Position                     | (132,779,243,085)       |
| Net Pension Liability                                 | <u>\$26,716,832,801</u> |
| Net Position as percentage of Total Pension Liability | 83.25%                  |

**Benefits Provided.** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at the age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at the age of 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

**Contributions.** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015 (using the state year end of August 31).

### Contribution Rates

|                                              | <u>2014</u> | <u>2015</u> |
|----------------------------------------------|-------------|-------------|
| Member                                       | 6.4%        | 6.7%        |
| Non-Employer Contributing Entity (State)     | 6.8%        | 6.8%        |
| Employers                                    | 6.8%        | 6.8%        |
| Dayton ISD 2014 Employer Contributions       |             | \$ 477,379  |
| Dayton ISD 2014 Member Contributions         |             | \$1,807,388 |
| Dayton ISD 2014 NECE On-Behalf Contributions |             | \$1,347,914 |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriation Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during the fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**Actuarial Assumptions.** The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

|                                               |                                   |
|-----------------------------------------------|-----------------------------------|
| Valuation Date                                | August 31, 2014                   |
| Actuarial Cost Method                         | Individual Entry Age Normal       |
| Amortization Method                           | Level Percentage of Payroll, Open |
| Remaining Amortization Period                 | 30 Years                          |
| Asset Valuation Method                        | 5 Years Market Value              |
| Discount Rate                                 | 8.00%                             |
| Long-term Expected Investment Rate of Return* | 8.00%                             |
| Salary Increases*                             | 4.25% to 7.25%                    |
| Weighted-Average at Valuation Date            | 5.55%                             |
| Payroll Growth Rate                           | 3.5%                              |

*\*Includes Inflation of 3%*

The Actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**Discount Rate.** The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

| <u>Asset Class</u>            | <u>Target Allocation</u> | <u>Real Return Geometric Basis</u> | <u>Long-Term Expected Portfolio Rate of Return*</u> |
|-------------------------------|--------------------------|------------------------------------|-----------------------------------------------------|
| <b>Global Equity</b>          |                          |                                    |                                                     |
| U.S.                          | 18%                      | 7.0%                               | 1.4%                                                |
| Non-U.S. Developed            | 13%                      | 7.3%                               | 1.1%                                                |
| Emerging Markets              | 9%                       | 8.1%                               | 0.9%                                                |
| Directional Hedge Funds       | 4%                       | 5.4%                               | 0.2%                                                |
| Private Equity                | 13%                      | 9.2%                               | 1.4%                                                |
| <b>Stable Value</b>           |                          |                                    |                                                     |
| U.S. Treasuries               | 11%                      | 2.9%                               | 0.3%                                                |
| Absolute Return               | 0%                       | 4.0%                               | 0.0%                                                |
| Stable Value Hedge Funds      | 4%                       | 5.2%                               | 0.2%                                                |
| Cash                          | 1%                       | 2.0%                               | 0.0%                                                |
| <b>Real Return</b>            |                          |                                    |                                                     |
| Global Inflation Linked Bonds | 3%                       | 3.1%                               | 0.0%                                                |
| Real Assets                   | 16%                      | 7.3%                               | 1.5%                                                |
| Energy and Natural Resources  | 3%                       | 8.8%                               | 0.3%                                                |
| Commodities                   | 0%                       | 3.4%                               | 0.0%                                                |
| <b>Risk Parity</b>            |                          |                                    |                                                     |
| Risk Parity                   | 5%                       | 8.9%                               | 0.4%                                                |
| Alpha                         | <u>0%</u>                | 0.0%                               | <u>1.0%</u>                                         |
| <b>Total</b>                  | <u>100%</u>              |                                    | <u>8.7%</u>                                         |

*\*The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

|                                                                | 1% Decrease in<br>Discount Rate<br><u>(7.0%)</u> | Discount Rate<br><u>(8.0%)</u> | 1% Increase in<br>Discount Rate<br><u>(9.0%)</u> |
|----------------------------------------------------------------|--------------------------------------------------|--------------------------------|--------------------------------------------------|
| Dayton ISD's proportionate share of the net pension liability: | \$8,987,626                                      | \$5,029,620                    | \$2,069,769                                      |

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At June 30, 2015, Dayton Independent School District reported a liability of \$5,029,620 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Dayton Independent School District. The amount recognized by Dayton Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Dayton Independent School District were as follows:

|                                                                        |                     |
|------------------------------------------------------------------------|---------------------|
| District's proportionate share of the collective net pension liability | \$5,029,620         |
| State's proportionate share that is associated with the District       | <u>14,231,759</u>   |
| Total                                                                  | <u>\$19,261,379</u> |

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

As of August 31, 2014 the employer's proportion of the collective net pension liability was .000188295. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, Dayton Independent School District recognized pension expense of \$1,315,700 and revenue of \$1,315,700 for support provided by the State.

At August 31, 2014, Dayton Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                        | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual economic experience                                                            | \$77,785                                      | \$ -                                         |
| Changes in actuarial assumptions                                                                                       | 326,931                                       | -                                            |
| Difference between projected and actual investment earnings                                                            | -                                             | 1,537,257                                    |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | -                                             | 1,318                                        |
| Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)                            | -                                             | -                                            |
| Total                                                                                                                  | <u>\$404,716</u>                              | <u>\$1,538,575</u>                           |

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ended August 31:</u> | <u>Pension Expense Amount</u> |
|------------------------------|-------------------------------|
| 2016                         | (\$316,261)                   |
| 2017                         | (316,261)                     |
| 2018                         | (316,261)                     |
| 2019                         | 68,053                        |
| 2020                         | 63,132                        |
| Thereafter                   | 0                             |

At June 30, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

|                                                          | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|----------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Total net amounts as of August 31, 2014 Measurement Date | \$404,716                                     | \$1,538,575                                  |
| Contributions made subsequent to the Measurement Date    | \$720,330                                     | 0                                            |
| 2015 Amortization of Deferred Outflows and Inflows       | <u>0</u>                                      | <u>0</u>                                     |
| Reported by District as of June 30, 2015                 | <u>\$1,125,046</u>                            | <u>\$1,538,575</u>                           |

#### 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](http://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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rate and amounts are shown in the table below for fiscal years 2015, 2014 and 2013:

| <u>Contribution Rates</u> |                      |               |              |               |                        |               |
|---------------------------|----------------------|---------------|--------------|---------------|------------------------|---------------|
| <u>Year</u>               | <u>Active Member</u> |               | <u>State</u> |               | <u>School District</u> |               |
|                           | <u>Rate</u>          | <u>Amount</u> | <u>Rate</u>  | <u>Amount</u> | <u>Rate</u>            | <u>Amount</u> |
| 2015                      | .65%                 | \$180,432     | 1.0%         | \$258,160     | .55%                   | \$172,102     |
| 2014                      | .65%                 | \$170,421     | 1.0%         | \$223,639     | .55%                   | \$162,581     |
| 2013                      | .65%                 | \$159,202     | 0.5%         | \$142,336     | .55%                   | \$134,709     |

**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 \$69,813.

#### **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, 2015, 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<br/>Entitlements</u> | <u>State or<br/>Federal<br/>Grants</u> | <u>Other<br/>Governmental<br/>Entities</u> | <u>Total</u>       |
|-----------------|-------------------------------|----------------------------------------|--------------------------------------------|--------------------|
| General         | \$7,650,077                   | \$ 0                                   | \$ 0                                       | \$7,650,077        |
| Special Revenue | 0                             | 488,730                                | 2,312                                      | 491,042            |
| Debt Service    | <u>43,842</u>                 | <u>0</u>                               | <u>0</u>                                   | <u>43,842</u>      |
| Total           | <u>\$7,693,919</u>            | <u>\$488,730</u>                       | <u>\$2,312</u>                             | <u>\$8,184,961</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<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Other<br/>Funds</u> | <u>Total</u>        |
|-------------------------------|-------------------------|----------------------------------|--------------------------------------|------------------------|---------------------|
| Property Taxes                | \$15,774,394            | \$2,400,621                      | \$ 0                                 | \$ 0                   | \$18,175,015        |
| Penalties, Interest and Other |                         |                                  |                                      |                        |                     |
| Tax-Related Income            | 581,792                 | 88,909                           | 0                                    | 0                      | 670,701             |
| Investment Income             | 160,908                 | 871                              | 2,969                                | 239                    | 164,987             |
| Food Sales                    | 0                       | 0                                | 0                                    | 789,957                | 789,957             |
| Co-Curricular Student         |                         |                                  |                                      |                        |                     |
| Activities                    | 94,240                  | 0                                | 0                                    | 0                      | 94,240              |
| Campus Activities             | 158,427                 | 0                                | 0                                    | 0                      | 158,427             |
| Other                         | <u>253,396</u>          | <u>0</u>                         | <u>0</u>                             | <u>0</u>               | <u>253,396</u>      |
| Total                         | <u>\$17,023,157</u>     | <u>\$2,490,401</u>               | <u>\$2,969</u>                       | <u>\$790,196</u>       | <u>\$20,306,723</u> |

#### **N. LITIGATION AND CONTINGENCIES**

At June 30, 2015, 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 2014-2015 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 2015, 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, 2015, 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, 2014, 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, 2015:

#### ***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**

The District will continue construction projects to be paid from bond funds issued in the current fiscal year (\$9.9 million) and bond funds issued subsequent to the end of the current fiscal year (\$77.9 million issued in August, 2015). No other significant construction projects were included in the adopted budget for the 2015-16 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 \$43,207 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 \$2,373.

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 \$924, 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 District issued the remainder of the School Building Bonds authorized in the referendum approved by the voters November 4, 2014. The net funds from the bond issuance of \$77.9 million 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.

**S. PRIOR PERIOD ADJUSTMENT**

During fiscal 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. Under GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment was \$5,768,399. The restated beginning net position was \$33,154,760.

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***REQUIRED SUPPLEMENTARY INFORMATION***

DAYTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2015

| Data Control Codes | Budgeted Amounts                               |               | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |              |
|--------------------|------------------------------------------------|---------------|--------------------------------|------------------------------------------------------------|--------------|
|                    | Original                                       | Final         |                                |                                                            |              |
| REVENUES:          |                                                |               |                                |                                                            |              |
| 5700               | Total Local and Intermediate Sources           | \$ 15,043,238 | \$ 16,663,047                  | \$ 17,023,157                                              | \$ 360,110   |
| 5800               | State Program Revenues                         | 22,611,002    | 23,545,824                     | 23,698,856                                                 | 153,032      |
| 5900               | Federal Program Revenues                       | 600,000       | 654,279                        | 788,798                                                    | 134,519      |
| 5020               | Total Revenues                                 | 38,254,240    | 40,863,150                     | 41,510,811                                                 | 647,661      |
| EXPENDITURES:      |                                                |               |                                |                                                            |              |
| Current:           |                                                |               |                                |                                                            |              |
| 0011               | Instruction                                    | 22,195,365    | 22,226,130                     | 21,390,665                                                 | 835,465      |
| 0012               | Instructional Resources and Media Services     | 470,647       | 483,681                        | 452,299                                                    | 31,382       |
| 0013               | Curriculum and Instructional Staff Development | 1,104,008     | 1,132,416                      | 1,103,989                                                  | 28,427       |
| 0021               | Instructional Leadership                       | 752,486       | 797,246                        | 764,187                                                    | 33,059       |
| 0023               | School Leadership                              | 2,334,985     | 2,337,456                      | 2,167,087                                                  | 170,369      |
| 0031               | Guidance, Counseling and Evaluation Services   | 1,259,950     | 1,332,683                      | 1,288,317                                                  | 44,366       |
| 0033               | Health Services                                | 412,222       | 412,222                        | 397,715                                                    | 14,507       |
| 0034               | Student (Pupil) Transportation                 | 2,639,117     | 2,652,155                      | 2,301,737                                                  | 350,418      |
| 0036               | Extracurricular Activities                     | 1,510,926     | 1,557,581                      | 1,461,693                                                  | 95,888       |
| 0041               | General Administration                         | 1,609,496     | 1,654,526                      | 1,449,806                                                  | 204,720      |
| 0051               | Facilities Maintenance and Operations          | 4,831,870     | 5,091,608                      | 4,871,090                                                  | 220,518      |
| 0052               | Security and Monitoring Services               | 404,145       | 577,709                        | 557,168                                                    | 20,541       |
| 0053               | Data Processing Services                       | 361,601       | 368,101                        | 341,288                                                    | 26,813       |
| 0061               | Community Services                             | 69,791        | 76,791                         | 69,629                                                     | 7,162        |
| Debt Service:      |                                                |               |                                |                                                            |              |
| 0071               | Principal on Long Term Debt                    | 269,166       | 269,166                        | 269,165                                                    | 1            |
| 0072               | Interest on Long Term Debt                     | 104,345       | 104,345                        | 104,344                                                    | 1            |
| 0073               | Bond Issuance Cost and Fees                    | 3,000         | 3,000                          | 500                                                        | 2,500        |
| Capital Outlay:    |                                                |               |                                |                                                            |              |
| 0081               | Facilities Acquisition and Construction        | -             | 35,000                         | 33,790                                                     | 1,210        |
| Intergovernmental: |                                                |               |                                |                                                            |              |
| 0093               | Payments to Fiscal Agent/Member Districts of   | 53,849        | 53,849                         | 43,207                                                     | 10,642       |
| 0099               | Other Intergovernmental Charges                | 525,018       | 525,018                        | 465,231                                                    | 59,787       |
| 6030               | Total Expenditures                             | 40,911,987    | 41,690,683                     | 39,532,907                                                 | 2,157,776    |
| 1200               | Net Change in Fund Balances                    | (2,657,747)   | (827,533)                      | 1,977,904                                                  | 2,805,437    |
| 0100               | Fund Balance - July 1 (Beginning)              | 14,764,570    | 14,764,570                     | 14,764,570                                                 | -            |
| 3000               | Fund Balance - June 30 (Ending)                | \$ 12,106,823 | \$ 13,937,037                  | \$ 16,742,474                                              | \$ 2,805,437 |

DAYTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2015

EXHIBIT G-6

|                                                                                                                     | <u>2015</u>          |
|---------------------------------------------------------------------------------------------------------------------|----------------------|
| District's Proportion of the Net Pension Liability (Asset)                                                          | 0.000188295%         |
| District's Proportionate Share of Net Pension Liability (Asset)                                                     | \$ 5,029,620         |
| State's Proportionate Share of the Net Pension Liability (Asset) associated with the District                       | 14,231,759           |
| Total                                                                                                               | <u>\$ 19,261,379</u> |
| District's Covered-Employee Payroll                                                                                 | \$ 26,579,234        |
| District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll | 18.90%               |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability                                          | 83.25%               |

Note: GASB 68, 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

DAYTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2015

EXHIBIT G-7

|                                                                     | <u>2015</u>   |
|---------------------------------------------------------------------|---------------|
| Contractually Required Contribution                                 | \$ 790,151    |
| Contribution in Relation to the Contractually Required Contribution | (790,151)     |
| Contribution Deficiency (Excess)                                    | <u>\$ -0-</u> |
| District's Covered-Employee Payroll                                 | \$ 27,758,801 |
| Contributions as a Percentage of Covered-Employee Payroll           | 2.85%         |

Note: GASB 68, Paragraph 81,2,b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS #68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015

*Changes of benefit terms.*

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

*Changes of assumptions.*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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***OTHER SUPPLEMENTARY INFORMATION -  
REQUIRED TEA SCHEDULES***

DAYTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2015

| Last 10 Years                  | (1)         | (2)          | (3)                                                    |
|--------------------------------|-------------|--------------|--------------------------------------------------------|
|                                | Tax Rates   |              | Assessed/Appraised<br>Value for School<br>Tax Purposes |
|                                | Maintenance | Debt Service |                                                        |
| 2006 and prior years           | Various     | Various      | \$ Various                                             |
| 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                           | 1.040000    | 0.16800      | 1,429,109,603                                          |
| 2015 (School year under audit) | 1.040000    | 0.15800      | 1,522,940,052                                          |
| 100 TOTALS                     |             |              |                                                        |

| (10)<br>Beginning<br>Balance<br>7/1/2014 | (20)<br>Current<br>Year's<br>Total Levy | (31)<br>Maintenance<br>Collections | (32)<br>Debt Service<br>Collections | (40)<br>Entire<br>Year's<br>Adjustments | (50)<br>Ending<br>Balance<br>6/30/2015 |
|------------------------------------------|-----------------------------------------|------------------------------------|-------------------------------------|-----------------------------------------|----------------------------------------|
| \$ 2,617,627                             | \$ -                                    | \$ 76,320                          | \$ 8,928                            | \$ (65,592)                             | \$ 2,466,787                           |
| 394,539                                  | -                                       | 17,254                             | 2,141                               | (6,585)                                 | 368,559                                |
| 329,190                                  | -                                       | 17,148                             | 2,968                               | (6,966)                                 | 302,108                                |
| 379,669                                  | -                                       | 25,839                             | 4,175                               | (7,024)                                 | 342,631                                |
| 468,418                                  | -                                       | 56,577                             | 9,139                               | (509)                                   | 402,193                                |
| 551,146                                  | -                                       | 78,055                             | 12,608                              | 1,953                                   | 462,436                                |
| 651,464                                  | -                                       | 112,655                            | 18,198                              | (2,678)                                 | 517,933                                |
| 814,825                                  | -                                       | 162,836                            | 26,304                              | 245                                     | 625,930                                |
| 1,416,732                                | -                                       | 451,174                            | 72,881                              | (28,651)                                | 864,026                                |
| -                                        | 18,244,822                              | 14,776,536                         | 2,244,966                           | 11,919                                  | 1,235,239                              |
| <u>\$ 7,623,610</u>                      | <u>\$ 18,244,822</u>                    | <u>\$ 15,774,394</u>               | <u>\$ 2,402,308</u>                 | <u>\$ (103,888)</u>                     | <u>\$ 7,587,842</u>                    |

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, 2015

| 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 | \$ 750,386       | \$ 750,386 | \$ 790,196                  | \$ 39,810                                         |
| 5800               | State Program Revenues               | 15,000           | 15,000     | 15,938                      | 938                                               |
| 5900               | Federal Program Revenues             | 2,025,771        | 2,073,209  | 2,042,608                   | (30,601)                                          |
| 5020               | Total Revenues                       | 2,791,157        | 2,838,595  | 2,848,742                   | 10,147                                            |
| EXPENDITURES:      |                                      |                  |            |                             |                                                   |
| 0035               | Food Services                        | 2,789,820        | 2,837,258  | 2,553,363                   | 283,895                                           |
| 6030               | Total Expenditures                   | 2,789,820        | 2,837,258  | 2,553,363                   | 283,895                                           |
| 1200               | Net Change in Fund Balances          | 1,337            | 1,337      | 295,379                     | 294,042                                           |
| 0100               | Fund Balance - July 1 (Beginning)    | 546,400          | 546,400    | 546,400                     | -                                                 |
| 3000               | Fund Balance - June 30 (Ending)      | \$ 547,737       | \$ 547,737 | \$ 841,779                  | \$ 294,042                                        |

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, 2015

| Data<br>Control<br>Codes        |                                      | Budgeted Amounts |              | Actual Amounts<br>(GAAP BASIS) | Variance With<br>Final Budget<br>Positive or<br>(Negative) |
|---------------------------------|--------------------------------------|------------------|--------------|--------------------------------|------------------------------------------------------------|
|                                 |                                      | Original         | Final        |                                |                                                            |
| REVENUES:                       |                                      |                  |              |                                |                                                            |
| 5700                            | Total Local and Intermediate Sources | \$ 2,350,093     | \$ 2,350,093 | \$ 2,490,401                   | \$ 140,308                                                 |
| 5800                            | State Program Revenues               | 351,665          | 351,665      | 403,797                        | 52,132                                                     |
| 5020                            | Total Revenues                       | 2,701,758        | 2,701,758    | 2,894,198                      | 192,440                                                    |
| EXPENDITURES:                   |                                      |                  |              |                                |                                                            |
| Debt Service:                   |                                      |                  |              |                                |                                                            |
| 0071                            | Principal on Long Term Debt          | 2,240,000        | 2,240,000    | 2,240,000                      | -                                                          |
| 0072                            | Interest on Long Term Debt           | 441,745          | 441,745      | 441,745                        | -                                                          |
| 0073                            | Bond Issuance Cost and Fees          | 5,000            | 5,000        | 800                            | 4,200                                                      |
| 6030                            | Total Expenditures                   | 2,686,745        | 2,686,745    | 2,682,545                      | 4,200                                                      |
| 1100                            | Excess of Revenues Over Expenditures | 15,013           | 15,013       | 211,653                        | 196,640                                                    |
| OTHER FINANCING SOURCES (USES): |                                      |                  |              |                                |                                                            |
| 7915                            | Transfers In                         | -                | -            | 4,117                          | 4,117                                                      |
| 1200                            | Net Change in Fund Balances          | 15,013           | 15,013       | 215,770                        | 200,757                                                    |
| 0100                            | Fund Balance - July 1 (Beginning)    | 1,937,948        | 1,937,948    | 1,937,948                      | -                                                          |
| 3000                            | Fund Balance - June 30 (Ending)      | \$ 1,952,961     | \$ 1,952,961 | \$ 2,153,718                   | \$ 200,757                                                 |

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***REPORTS ON COMPLIANCE, INTERNAL CONTROL, AND FEDERAL AWARDS***

# WIGGINS & SMITH

*Certified Public Accountants*

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

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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, 2015, 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, 2015.

### **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, 2015

# WIGGINS & SMITH

*Certified Public Accountants*

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

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

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## **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, 2015. 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, 2015.

## 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, 2015

DAYTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015

**I. Summary of the Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- |                                                                                                           |                   |                            |
|-----------------------------------------------------------------------------------------------------------|-------------------|----------------------------|
| <input type="radio"/> Material weakness identified?                                                       | <u>      </u> Yes | <u>  X  </u> No            |
| <input type="radio"/> Significant deficiency identified that is not considered to be a material weakness? | <u>      </u> Yes | <u>  X  </u> None Reported |

|                                                       |                   |                 |
|-------------------------------------------------------|-------------------|-----------------|
| Noncompliance material to financial statements noted? | <u>      </u> Yes | <u>  X  </u> No |
|-------------------------------------------------------|-------------------|-----------------|

**Federal Awards**

Internal control over major programs:

- |                                                                                                           |                   |                            |
|-----------------------------------------------------------------------------------------------------------|-------------------|----------------------------|
| <input type="radio"/> Material weakness identified?                                                       | <u>      </u> Yes | <u>  X  </u> No            |
| <input type="radio"/> Significant deficiency identified that is not considered to be a material weakness? | <u>      </u> Yes | <u>  X  </u> None Reported |

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

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

Identification of major programs:

| <u>CFDA Numbers</u>    | <u>Name of Federal Program or Cluster</u>              |
|------------------------|--------------------------------------------------------|
| 10.553, 10.555, 10.559 | National School Breakfast and Lunch Programs (cluster) |

|                                                                          |                   |
|--------------------------------------------------------------------------|-------------------|
| Dollar threshold used to distinguish between type A and type B programs: | <u>\$ 300,000</u> |
|--------------------------------------------------------------------------|-------------------|

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Auditee qualified as low-risk auditee? | <u>  X  </u> Yes | <u>      </u> 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, 2015

(Prepared by the District's Administration)

No response required.

DAYTON INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2015  
(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, 2015

| (1)                                                                   | (2)                       | (3)                                          | (4)                     |
|-----------------------------------------------------------------------|---------------------------|----------------------------------------------|-------------------------|
| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
| <b>U.S. DEPARTMENT OF DEFENSE</b>                                     |                           |                                              |                         |
| <u>Passed Through State Comptroller</u>                               |                           |                                              |                         |
| Payments in Lieu of Taxes-Flood Control                               | 12.112                    | 146902                                       | \$ 1,106                |
| Total Passed Through State Comptroller                                |                           |                                              | \$ 1,106                |
| <b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>                               |                           |                                              | \$ 1,106                |
| <br><b>U.S. DEPARTMENT OF EDUCATION</b>                               |                           |                                              |                         |
| <u>Passed Through Region X</u>                                        |                           |                                              |                         |
| ESEA, Title X, Part C - Homeless Children                             | 84.196A                   | 14045                                        | \$ 144                  |
| ESEA, Title X, Part C - Homeless Children                             | 84.196A                   | 15045                                        | 11,226                  |
| Total CFDA Number 84.196A                                             |                           |                                              | 11,370                  |
| Total Passed Through Region X                                         |                           |                                              | \$ 11,370               |
| <u>Passed Through State Department of Education</u>                   |                           |                                              |                         |
| *ESEA, Title I, Part A - Improving Basic Programs                     | 84.010A                   | 14610101146902                               | \$ 19,351               |
| *ESEA, Title I, Part A - Improving Basic Programs                     | 84.010A                   | 15610101146902                               | 846,748                 |
| *ESEA, Title I,1003(A) - Priority and Focus School                    | 84.010A                   | 14610112146902103                            | 9,671                   |
| *ESEA, Title I,1003(A) -Priority and Focus School                     | 84.010A                   | 15610112146902103                            | 8,615                   |
| Total CFDA Number 84.010A                                             |                           |                                              | 884,385                 |
| Total Title I, Part A Cluster                                         |                           |                                              | 884,385                 |
| *IDEA - Part B, Formula                                               | 84.027                    | 146600011469026600                           | 3,316                   |
| *IDEA - Part B, Formula                                               | 84.027                    | 156600011469026600                           | 964,269                 |
| Total CFDA Number 84.027                                              |                           |                                              | 967,585                 |
| *IDEA - Part B, Preschool                                             | 84.173                    | 156610011469026610                           | 16,863                  |
| Total Special Education Cluster (IDEA)                                |                           |                                              | 984,448                 |
| Career and Technical - Basic Grant                                    | 84.048                    | 15420006146902                               | 58,050                  |
| Title III, Part A - English Language Acquisition                      | 84.365A                   | 14671001146902                               | 8,524                   |
| Title III, Part A - English Language Acquisition                      | 84.365A                   | 15671001146902                               | 63,285                  |
| Total CFDA Number 84.365A                                             |                           |                                              | 71,809                  |
| ESEA, Title II, Part A, Teacher/Principal Training                    | 84.367A                   | 15694501146902                               | 109,353                 |
| Summer School LEP                                                     | 84.369A                   | 69551402                                     | 2,213                   |
| Total Passed Through State Department of Education                    |                           |                                              | \$ 2,110,258            |
| <b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>                             |                           |                                              | \$ 2,121,628            |
| <br><b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>               |                           |                                              |                         |
| <u>Passed Through Texas Dept of Human Services</u>                    |                           |                                              |                         |
| Medicaid Administrative Claiming Program - MAC                        | 93.778                    | 146902                                       | \$ 12,559               |
| Total Passed Through Texas Dept of Human Services                     |                           |                                              | \$ 12,559               |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>             |                           |                                              | \$ 12,559               |

DAYTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015

| (1)                                                                   | (2)                       | (3)                                          | (4)                            |
|-----------------------------------------------------------------------|---------------------------|----------------------------------------------|--------------------------------|
| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM or CLUSTER TITLE | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures        |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                                 |                           |                                              |                                |
| <u>Passed Through the State Department of Agriculture</u>             |                           |                                              |                                |
| *School Breakfast Program                                             | 10.553                    | 71401501                                     | \$ 510,731                     |
| *National School Lunch Program - Cash Assistance                      | 10.555                    | 71301501                                     | 1,344,000                      |
| *National School Lunch Prog. - Non-Cash Assistance                    | 10.555                    | 146005A                                      | 188,876                        |
| Total CFDA Number 10.555                                              |                           |                                              | <u>1,532,876</u>               |
| *Summer Feeding Program - Cash Assistance                             | 10.559                    | 146902                                       | <u>10,232</u>                  |
| Total Child Nutrition Cluster                                         |                           |                                              | <u>2,053,839</u>               |
| Total Passed Through the State Department of Agriculture              |                           |                                              | <u>\$ 2,053,839</u>            |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>                           |                           |                                              | <u>\$ 2,053,839</u>            |
| <br><b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>                       |                           |                                              | <br><u><u>\$ 4,189,132</u></u> |

\*Clustered Programs

DAYTON INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

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. 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<br>the Schedule of Federal Awards                                                                      | \$4,189,132        |
| Amount Reported in the General Fund as<br>part of the School Health and Related<br>Services – Not Included in the Schedule<br>of Federal Awards | <u>775,018</u>     |
| Total Federal Revenues per Exhibit C-3                                                                                                          | <u>\$4,964,150</u> |

## SCHOOLS FIRST QUESTIONNAIRE

Dayton Independent School District

Fiscal Year 2015

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|      |                                                                                                                                                                                                       |           |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| SF2  | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?                            | No        |
| SF4  | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?                                                                                                | Yes       |
| SF5  | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?                        | No        |
| SF6  | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?                                          | No        |
| SF7  | Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?                | Yes       |
| SF8  | Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship? | Yes       |
| SF10 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.                                                                                              | 0         |
| SF11 | Net Pension Assets (1920) at fiscal year-end.                                                                                                                                                         | 0         |
| SF12 | Net Pension Liabilities (2540) at fiscal year-end.                                                                                                                                                    | 5,029,620 |
| SF13 | Pension Expense (6147) at fiscal year-end.                                                                                                                                                            | -325250   |