

Dayton Independent School District

Annual Financial Report

For the Fiscal Year Ended June 30, 2019

Dayton Independent School District
Annual Financial Report
For the Fiscal Year Ended June 30, 2019
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Certificate of the Board

Dayton Independent School District

Name of School District

Liberty

County

146-902

Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and X approved disapproved for the fiscal year ended June 30, 2019 at a meeting of the Board of Trustees of such school district on the 19th day of November, 2019.

Josh Day

Signature of Board Secretary

L.R. Chachere

Signature of Board President

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

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Financial Section

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Independent Auditor's Report

To the Board of Trustees of
Dayton Independent School District
Dayton, Texas

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 Dayton Independent School District (the District), as of and for the fiscal year ended June 30, 2019, 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 from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dayton Independent School District, as of June 30, 2019, and the respective changes in financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees of
Dayton Independent School District

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dayton Independent School District's basic financial statements. The Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

To the Board of Trustees of
Dayton Independent School District

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 6, 2019 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, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Dayton Independent School District's internal control over financial reporting and compliance.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
November 6, 2019

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Management's Discussion and Analysis

As management of the Dayton Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$6,872,283 (*net position*). Of this amount, \$11,305,456 (*unrestricted net position*) is in a deficit due to the recording of liability related to pension and other postemployment benefits (OPEB).
- The District's total net position decreased by \$1,147,063, due to the change in liabilities related to pension and OPEB.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$23,276,404, an increase of \$904,653.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,241,679, or 24% of total general fund expenditures.
- The District's net bonded debt decreased by \$3,249,523 during the current fiscal year.

Overview of the Financial Statements

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

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

The *Statement of Net Position* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is changing.

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some transactions that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments Related to Shared Services Arrangements, and Other Intergovernmental Charges.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained nineteen individual governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund and national school breakfast and lunch program special revenue fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs.

The basic fiduciary fund financial statement can be found as noted in the table of contents of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and supplementary information, which includes schedules required by the Texas Education Agency. Such supplementary information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$6,872,283 at the close of the most recent fiscal year.

Dayton Independent School District's Net Position

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 33,716,773	25	\$ 32,212,138	24	\$ 1,504,635	5
Capital assets	100,752,339	75	104,760,269	76	(4,007,930)	(4)
Total assets	134,469,112	100	136,972,407	100	(2,503,295)	
Total deferred outflows of resources	9,842,132	100	4,037,834	100	5,804,298	144
Other liabilities	7,663,022	6	5,657,724	6	2,005,298	35
Noncurrent liabilities	121,872,532	94	93,005,273	94	28,867,259	31
Total liabilities	129,535,554	100	98,662,997	100	30,872,557	
Total deferred inflows of resources	7,903,407	100	34,327,898	100	(26,424,491)	(77)
Net position:						
Net investment in capital assets	13,409,476	195	13,908,464	173	(498,988)	(4)
Restricted	4,768,263	69	5,298,613	67	(530,350)	(10)
Unrestricted	(11,305,456)	(164)	(11,187,731)	(140)	(117,725)	1
Total net position	\$ 6,872,283	100	\$ 8,019,346	100	\$ (1,147,063)	

Net Investment in Capital Assets (\$13,409,476 or 195% of net position) reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, and furniture and equipment); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position (\$4,768,263 or 69% of net position) is restricted for debt service and grants. The remaining balance of *unrestricted net position* (\$11,305,456) results in a deficit due to the change in liabilities related to pension and OPEB.

Governmental Activities. Governmental activities decreased the District's net position by \$1,147,063 from current operations. Key elements of this change are as follows:

Dayton Independent School District's Changes in Net Position

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program revenues:						
Charges for services	\$ 1,297,168	2	\$ 1,088,367	2	\$ 208,801	19
Operating grants and contributions	9,268,413	15	(1,640,321)	(3)	10,908,734	(665)
General revenues:						
Property taxes, levied for general purposes	19,999,645	32	17,959,199	36	2,040,446	11
Property taxes, levied for debt service	6,297,149	10	6,035,139	12	262,010	4
Grants and contributions not restricted to specific programs	24,645,485	40	24,919,014	50	(24,919,014)	(100)
Investment earnings	389,357	1	212,025	-	177,332	84
Miscellaneous	301,312	-	852,712	3	(551,400)	(65)
Total revenues	62,198,529	100	49,426,135	100	(11,873,091)	
Expenses:						
Instruction	31,700,258	50	19,675,876	45	12,024,382	61
Instructional resources and media services	600,258	1	484,736	1	115,522	24
Curriculum and instructional staff development	2,289,363	4	1,468,337	3	821,026	56
Instructional leadership	1,143,294	2	701,875	2	441,419	63
School leadership	3,151,889	5	2,113,634	5	1,038,255	49
Guidance, counseling, and evaluation services	2,060,885	3	1,309,673	3	751,212	57
Social work services	156,267	-	-	-	156,267	100
Health services	536,791	1	359,979	1	176,812	49
Student transportation	3,337,183	5	2,166,992	5	1,170,191	54
Food services	3,020,629	5	2,620,724	6	399,905	15
Extracurricular activities	2,446,812	4	1,837,743	4	609,069	33
General administration	1,779,413	3	1,227,376	3	552,037	45
Plant maintenance and operations	5,402,642	9	4,640,495	11	762,147	16
Security and monitoring services	610,716	1	537,852	1	72,864	14
Data processing services	835,115	1	588,286	1	246,829	42
Community services	85,305	-	80,778	-	4,527	6
Interest on long-term debt	3,316,648	5	3,379,709	8	(63,061)	(2)
Issuance costs and fees	3,450	-	3,450	-	-	-
Facilities repair and maintenance	59,536	-	31,604	-	27,932	88
Payment related to shared services arrangements	110,985	-	111,383	-	(398)	-
Other intergovernmental charges	698,153	1	647,115	1	51,038	8
Total expenses	63,345,592	100	43,987,617	100	19,357,975	
Change in net position	(1,147,063)		5,438,518		(6,585,581)	
Net position - beginning, as originally reported	8,019,346		31,252,193		(23,232,847)	
Prior period adjustment - implement GASB 75 for OPEB (a)	-		(28,671,365)		28,671,365	
Net position - beginning, as restated	8,019,346		2,580,828		5,438,518	
Net position - ending	\$ 6,872,283		\$ 8,019,346		\$ (1,147,063)	

(a) The restatement of the beginning net position is the result of the District implementing GASB Statement No. 75 in fiscal year 2018. The implementation is discussed previously in MD&A.

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$33,913,898) represent 55% of total revenues and property taxes (\$26,296,794) represent 42% of total revenues. The remaining 3% is generated from charges for services, investment earnings, and miscellaneous revenues. The most significant change in revenues was an increase property tax revenue, due to an increase in property values.

The primary functional expense of the District is Instruction (\$31,700,258), which represents 50% of total expenses. The remaining functional categories of expenses are individually 10% or less of total expenses.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$23,276,404, an increase of \$897,605.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,241,679 while total fund balance reached \$17,954,860. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 24% of total general fund expenditures, while total fund balance represents 38% of that same amount. The fund balance of the District's general fund increased by \$1,361,850 during the current fiscal year primarily due to the increases in property taxes and grants.

The debt service fund has a total fund balance of \$3,846,309, all of which is restricted for the payment of debt service. The net decrease in fund balance during the current year in the debt service fund was \$69,573 due to the increase in debt requirements.

The capital projects fund has a total fund balance of \$86,005, all of which is restricted for capital acquisitions and contractual obligations. The overall decrease from the prior year is the result of capital acquisition throughout the year.

General Fund Budgetary Highlights

The District amended the budget several times throughout the year. There were no significant variations between original and final budget.

There were no significant variations between the final budget and actual results.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental type activities as of June 30, 2019, amounts to \$100,752,339 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, and furniture and equipment.

Major capital asset additions during the current fiscal year included the following:

- \$397,000 Baseball and Softball Complex
- \$311,660 Buses and various school vehicles
- \$139,055 Security equipment
- \$169,915 Food service upgrades
- \$453,000 Scoreboard and related equipment

Dayton Independent School District's Capital Assets (net of depreciation)

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land and improvements	\$ 2,115,346	2	\$ 2,072,225	2	\$ 43,121	2
Buildings and improvements	93,114,860	92	98,134,668	94	(5,019,808)	(5)
Furniture and equipment	5,522,133	6	4,553,376	4	968,757	21
Totals	\$ 100,752,339	100	\$ 104,760,269	100	\$ (4,007,930)	

Additional information on the District's capital assets can be found in the notes to the financial statements as noted in the table of contents of this report.

Long-Term Liabilities. At year-end, the District had the following long-term liabilities:

Dayton Independent School District's Outstanding Debt

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ 87,560,080	72	\$ 90,809,603	77	\$ (3,249,523)	(4)
Compensated absences	719,567	1	675,633	1	43,934	7
Net pension liability	15,407,318	12	9,681,262	8	5,726,056	59
Net OPEB liability	18,185,567	15	16,333,530	14	1,852,037	11
Totals	\$ 121,872,532	100	\$ 117,500,028	100	\$ 4,372,504	

The District's net bonded debt decreased by \$3,249,523 (4%) during the current fiscal year. This is due to scheduled debt payments. The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Guarantee Program. State statutes do not limit the tax rate or amount for the support of school districts' bonded indebtedness. However, approval of the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term debt, net pension liability and OPEB liability can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- Student enrollment for 2019-2020 is projected to be similar to the prior year.
- District staff totals 768 employees, which includes 393 teachers and 151 teachers' aides and secretaries.
- The District maintains 7 campuses for instruction.
- Property values of the District are projected to increase 12%.
- A maintenance and operations tax rate of \$0.97 and a debt service tax rate of \$0.30, a total of \$1.27 were adopted for 2019-2020.

All of these factors were considered in preparing the District's budget for the 2019-2020 fiscal year.

During the current fiscal year, unassigned fund balance in the general fund increased to \$11,239,901. The District plans to utilize unassigned fund balance to fund current period expenditures prior to collecting the current year tax levy.

The District has authorized the issuance of the Unlimited Tax Refunding Bonds, Series 2019, which is refunding the Unlimited Tax Refunding Bonds, Series 2011, in the amount of \$4,140,000 which is anticipated to take place in November 2019.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Associate Superintendent of Business Services, 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, 2019

Exhibit A-1

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 5,048,719
1120	Current investments	16,874,684
1220	Property taxes receivable	8,834,626
1230	Allowance for uncollectible taxes	(4,281,291)
1240	Due from other governments	6,898,150
1250	Accrued interest	34,397
1290	Other receivables	85,298
1410	Prepaid items	113,181
1490	Other current assets	1,103
1910	Long-term investments	107,906
	Capital assets:	
1510	Land and improvements	2,115,346
1520	Buildings and improvements (net)	93,114,860
1530	Furniture and equipment (net)	5,522,133
1000	Total assets	134,469,112
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows - pension	8,222,008
1706	Deferred outflows - OPEB	1,488,912
1710	Deferred charge on refunding	131,212
1700	Total deferred outflows of resources	9,842,132
LIABILITIES		
2110	Accounts payable	889,795
2140	Interest payable	1,263,638
2150	Payroll deductions and withholdings	326,132
2160	Accrued wages payable	4,806,534
2180	Due to other governments	114,301
2300	Unearned revenue	262,622
	Noncurrent liabilities:	
2501	Due within one year	3,155,000
2502	Due in more than one year	85,124,647
2540	Net pension liabilities	15,407,318
2545	Net OPEB liabilities	18,185,567
2000	Total liabilities	129,535,554
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows - pension	1,527,521
2606	Deferred inflows - OPEB	6,375,886
2600	Total deferred inflows of resources	7,903,407
NET POSITION		
3200	Net investment in capital assets	13,409,476
3820	Restricted for grants	1,386,800
3850	Restricted for debt service	3,381,463
3900	Unrestricted	(11,305,456)
3000	TOTAL NET POSITION	\$ 6,872,283

The Notes to the Financial Statements are an integral part of this statement.

Dayton Independent School District
Statement of Activities
For the Fiscal Year Ended June 30, 2019

Exhibit B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues		Governmental Activities
			Charges for Services	Operating Grants and Contributions	
	PRIMARY GOVERNMENT				
	Governmental activities:				
0011	Instruction	\$ 31,700,258	\$ 295,679	\$ 4,777,037	\$ (26,627,542)
0012	Instructional resources and media services	600,258	-	30,981	(569,277)
0013	Curriculum and instructional staff development	2,289,363	-	344,002	(1,945,361)
0021	Instructional leadership	1,143,294	-	110,733	(1,032,561)
0023	School leadership	3,151,889	-	199,149	(2,952,740)
0031	Guidance, counseling, and evaluation services	2,060,885	-	516,875	(1,544,010)
0032	Social work services	156,267	-	14,678	(141,589)
0033	Health services	536,791	-	33,736	(503,055)
0034	Student transportation	3,337,183	-	235,215	(3,101,968)
0035	Food services	3,020,629	768,763	2,381,443	129,577
0036	Extracurricular activities	2,446,812	223,031	99,957	(2,123,824)
0041	General administration	1,779,413	-	103,005	(1,676,408)
0051	Plant maintenance and operations	5,402,642	9,695	140,634	(5,252,313)
0052	Security and monitoring services	610,716	-	15,710	(595,006)
0053	Data processing services	835,115	-	34,228	(800,887)
0061	Community services	85,305	-	20,917	(64,388)
0072	Interest on long-term debt	3,316,648	-	110,451	(3,206,197)
0073	Issuance costs and fees	3,450	-	-	(3,450)
0081	Facilities repair and maintenance	59,536	-	-	(59,536)
0093	Payments related to shared services arrangements	110,985	-	99,662	(11,323)
0099	Other intergovernmental charges	698,153	-	-	(698,153)
TG	Total governmental activities	63,345,592	1,297,168	9,268,413	(52,780,011)
TP	TOTAL PRIMARY GOVERNMENT	\$ 63,345,592	\$ 1,297,168	\$ 9,268,413	(52,780,011)
	General revenues:				
MT	Property taxes, levied for general purposes				19,999,645
DT	Property taxes, levied for debt service				6,297,149
GC	Grants and contributions not restricted to specific programs				24,645,485
IE	Investment earnings				389,357
MI	Miscellaneous				301,312
TR	Total general revenues				51,632,948
CN	Change in net position				(1,147,063)
NB	Net position				8,019,346
NE	NET POSITION - ENDING				\$ 6,872,283

The Notes to the Financial Statements are an integral part of this statement.

Dayton Independent School District

Balance Sheet – Governmental Funds

June 30, 2019

Data Control Codes		199	599
		General Fund	Debt Service Fund
	ASSETS		
1110	Cash and cash equivalents	\$ 3,408,891	\$ 466,804
1120	Current investments	12,619,947	3,374,998
1220	Property taxes receivable	7,243,462	1,591,164
1230	Allowance for uncollectible taxes	(3,607,727)	(673,564)
1240	Due from other governments	6,150,480	-
1250	Accrued interest	34,397	-
1260	Due from other funds	500,580	-
1290	Other receivables	85,298	-
1410	Prepaid items	113,181	-
1490	Other current assets	1,103	-
1910	Long-term investment	107,906	-
1000	Total assets	26,657,518	4,759,402
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 26,657,518	\$ 4,759,402
	LIABILITIES		
2110	Accounts payable	\$ 356,448	\$ -
2150	Payroll deductions and withholdings	326,132	-
2160	Accrued wages payable	4,541,328	-
2170	Due to other funds	2,407	-
2180	Due to other governments	-	114,301
2300	Unearned revenue	234,150	-
2000	Total liabilities	5,460,465	114,301
	DEFERRED INFLOWS OF RESOURCES		
2600	Unavailable revenue - property taxes	3,242,193	798,792
	Total deferred inflows of resources	3,242,193	798,792
	FUND BALANCES		
3430	Nonspendable - prepaid items	113,181	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital acquisition and contractual obligations	-	-
3480	Restricted - debt service	-	3,846,309
3545	Committed - other	6,600,000	-
3600	Unassigned	11,241,679	-
3000	Total fund balances	17,954,860	3,846,309
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 26,657,518	\$ 4,759,402

The Notes to the Financial Statements are an integral part of this statement.

699		98
Capital Projects Fund	Total Nonmajor Funds	Total Governmental Funds
\$ 89,529	\$ 1,083,495	\$ 5,048,719
7,046	872,693	16,874,684
-	-	8,834,626
-	-	(4,281,291)
-	747,670	6,898,150
-	-	34,397
-	14,226	514,806
-	-	85,298
-	-	113,181
-	-	1,103
-	-	107,906
96,575	2,718,084	34,231,579
<u>\$ 96,575</u>	<u>\$ 2,718,084</u>	<u>\$ 34,231,579</u>
\$ 10,570	\$ 522,777	\$ 889,795
-	-	326,132
-	265,206	4,806,534
-	512,399	514,806
-	-	114,301
-	28,472	262,622
10,570	1,328,854	6,914,190
-	-	4,040,985
-	-	4,040,985
-	-	113,181
-	1,386,800	1,386,800
86,005	-	86,005
-	-	3,846,309
-	2,430	6,602,430
-	-	11,241,679
86,005	1,389,230	23,276,404
<u>\$ 96,575</u>	<u>\$ 2,718,084</u>	<u>\$ 34,231,579</u>

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Dayton Independent School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019

Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) **\$ 23,276,404**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 156,124,709	
Accumulated depreciation of governmental capital assets	(55,372,370)	100,752,339

Property taxes receivable which will be collected subsequent to year-end but are not available soon enough to pay the current period's expenditures are deferred in the funds.	4,040,985
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Long-term liabilities, including bonds payable, compensated absences, and net pension and OPEB liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items consist of:

Bonds payable, at original par	\$ (85,025,000)	
Premiums on bonds payable	(2,535,080)	
Accrued interest on the bonds	(1,263,638)	
Compensated absences	(719,567)	
Net pension liability	(15,407,318)	
Net OPEB liability	(18,185,567)	(123,136,170)

Deferred charge on refunding is reported as deferred outflow of resources in the statement of net position and is not reported in the governmental funds due to it is not a current financial resource available to pay for current expenditures.	131,212
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Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.	8,222,008
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Deferred inflows for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	(1,527,521)
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Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.	1,488,912
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Deferred inflows for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.	(6,375,886)
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) **\$ 6,872,283**

Dayton Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2019

Data Control Codes		199	599
		General Fund	Debt Service Fund
REVENUES			
5700	Local and intermediate sources	\$ 21,265,107	\$ 6,374,009
5800	State program revenues	25,164,176	110,451
5900	Federal program revenues	1,693,454	-
5020	Total revenues	48,122,737	6,484,460
EXPENDITURES			
Current:			
0011	Instruction	24,134,385	-
0012	Instructional resources and media services	525,511	-
0013	Curriculum and instructional staff development	1,821,041	-
0021	Instructional leadership	1,034,600	-
0023	School leadership	2,622,028	-
0031	Guidance, counseling, and evaluation services	1,437,789	-
0032	Social work services	143,557	-
0033	Health services	453,659	-
0034	Student transportation	2,826,263	-
0035	Food services	-	-
0036	Extracurricular activities	1,930,641	-
0041	General administration	1,674,723	-
0051	Plant maintenance and operations	4,939,220	-
0052	Security and monitoring services	575,361	-
0053	Data processing services	719,665	-
0061	Community services	58,640	-
Debt service:			
0071	Principal on long-term debt	220,000	3,070,000
0072	Interest on long-term debt	5,461	3,480,523
0073	Issuance costs and fees	-	3,450
Capital outlay:			
0081	Facilities acquisition and construction	928,866	-
Intergovernmental:			
0093	Payments related to shared services arrangements	11,324	-
0099	Other intergovernmental charges	698,153	-
6030	Total expenditures	46,760,887	6,553,973
1200	Net change in fund balances	1,361,850	(69,513)
0100	Fund balances - beginning	16,593,010	3,915,822
3000	FUND BALANCES - ENDING	\$ 17,954,860	\$ 3,846,309

The Notes to the Financial Statements are an integral part of this statement.

699		98
Capital	Total	Total
Projects Fund	Nonmajor	Governmental
Funds	Funds	Funds
\$ 2,724	\$ 788,090	\$ 28,429,930
-	883,981	26,158,608
-	4,595,700	6,289,154
2,724	6,267,771	60,877,692
-	2,375,447	26,509,832
-	-	525,511
-	177,203	1,998,244
-	26,542	1,061,142
-	2,099	2,624,127
-	341,726	1,779,515
-	-	143,557
-	-	453,659
-	105,295	2,931,558
-	3,029,884	3,029,884
-	-	1,930,641
-	-	1,674,723
-	-	4,939,220
-	9,829	585,190
-	-	719,665
-	15,235	73,875
-	-	3,290,000
-	-	3,485,984
-	-	3,450
475,258	-	1,404,124
-	99,661	110,985
-	-	698,153
475,258	6,182,921	59,973,039
(472,534)	84,850	904,653
558,539	1,304,380	22,371,751
\$ 86,005	\$ 1,389,230	\$ 23,276,404

Dayton Independent School District
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2019

Exhibit C-3

TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) **\$ 904,653**

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

Capital assets increased	\$ 2,046,832	
Depreciation expense	<u>(6,053,641)</u>	(4,006,809)

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments and dispositions) is an increase (decrease) to net position. (1,121)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (141,678)

Repayment of bond principal and note payable principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 3,290,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The change reported in the statement of activities consists of the following:

Accrued interest on current interest bonds payable (increased) decreased	\$ 34,347	
Accrued interest on notes payable (increased) decreased	2,052	
Amortization of bond premiums	179,523	
Amortization of deferred charge on refunding	<u>(46,586)</u>	169,336

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (43,934)

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 4,574,613	
Deferred inflows (increased) decreased	(46,762)	
Net pension liability (increased) decreased	<u>(5,726,056)</u>	(1,198,205)

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 1,276,271	
Deferred inflows (increased) decreased	456,461	
Net OPEB liability (increased) decreased	<u>(1,852,037)</u>	(119,305)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) **\$ (1,147,063)**

Dayton Independent School District
Statement of Net Position
Fiduciary Funds
June 30, 2019

Exhibit E-1

		829	865
Data Control Codes		Private Purpose Trust Fund	Agency Funds
	ASSETS		
1110	Cash and cash equivalents	\$ 26,879	\$ 438,778
1120	Current investments	13,618	51,992
1000	TOTAL ASSETS	40,497	<u>\$ 490,770</u>
	LIABILITIES		
2110	Accounts payable	-	\$ 37,303
2190	Due to student groups	-	401,014
2300	Unearned revenue	-	52,453
	TOTAL LIABILITIES	-	<u>\$ 490,770</u>
	NET POSITION		
3800	Held in trust	<u>40,497</u>	
2000	TOTAL NET POSITION	<u>\$ 40,497</u>	

The Notes to the Financial Statements are an integral part of this statement.

Dayton Independent School District
Statement of Changes in Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2019

Exhibit E-2

829

Data Control Codes		Private Purpose Trust Fund
	ADDITIONS	
5000	Donations and earnings	\$ 8,412
	DEDUCTIONS	
6499	Scholarship granted	12,700
	Change in net position	(4,288)
3800	Net position - beginning	44,785
2000	NET POSITION ENDING	<u>\$ 40,497</u>

The Notes to the Financial Statements are an integral part of this statement.

Dayton Independent School District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Dayton Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters. 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. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities.

Dayton Independent School District

Notes to the Financial Statements

Additionally, the District reports the following fund types:

The *special revenue funds* account for resources restricted to, or committed for, specific purposes by the District or a grantor. 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 specific project periods.

The *private purpose trust funds* account 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.

The *agency fund* accounts for assets held by the District for student organizations and unallocated property tax collections. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds are eliminated in governmental activities.

E. Measurement Focus and Basis of Accounting

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.

Dayton Independent School District

Notes to the Financial Statements

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.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the District, except for certain investment pools and certificates of deposit, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value. The non-negotiable certificates of deposits are reported at cost. Negotiable certificates of deposit are measured at amortized cost if the maturity date at time of purchase is less than one year.

3. Prepaid Items

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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. 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 one year.

As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Dayton Independent School District

Notes to the Financial Statements

Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings	30
Buildings and improvements	20-30
Vehicles and other equipment	5-10

5. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

6. 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. The liability 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.

7. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Dayton Independent School District

Notes to the Financial Statements

8. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action or resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by policy, authorized the Superintendent and the Associate Superintendent of Business Services to assign fund balance. 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). Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

10. Pension

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 Pension Plan 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.

11. Other Postemployment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Dayton Independent School District

Notes to the Financial Statements

G. Revenues and Expenditures/Expenses

1. *Program Revenues*

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. *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 \$0.33 for debt service, for a total rate of \$1.37 per \$100 valuation. Total net assessed value for the current year was \$1,880,525,474.

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.

H. Use of Estimates

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

I. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

Dayton Independent School District

Notes to the Financial Statements

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast and Lunch Program special revenue fund and debt service fund. All other governmental funds adopt project length budgets. All annual appropriations lapse at fiscal year-end. 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.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. There were no significant differences between the original and final amended budget of the general fund.

B. Encumbrances

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.

Dayton Independent School District

Notes to the Financial Statements

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Fully collateralized repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Securities lending program as permitted by Government Code 2256.0015; 5) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 6) Commercial paper if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 7) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission and have a dollar-weighted average stated maturity of 90 days or fewer; 8) No-load mutual funds which shall be registered with the Securities and Exchange Commission, have an average weighted maturity of less than two years, include investments that comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 9) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 10) Public funds investment pools which meet the requirements of the Public Funds Investment Act.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

Dayton Independent School District

Notes to the Financial Statements

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's, including the investments in the Private Purpose Trust and Agency funds, investment measurements and balances, weighted average maturity, and credit risks of such investments are as follows:

		Fair Value Measurements Using				
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
June 30, 2019						
Investments measured at amortized cost/cost:						
Investment pools:						
TexStar	\$ 5,782,775	\$ -	\$ -	34%	15	AAA*
Lone Star	4,234,669	-	-	25%	26	AAA*
U.S. agency security	1,991,034	-	-	12%	257	Aaa**
Certificates of deposit	1,692,546	-	-	10%	153	***
Investments by fair value level:						
U.S. treasury notes	3,347,176	3,347,176	-	20%	244	Aaa**
Total value	\$ 17,048,200	\$ 3,347,176	\$ -	100%		
Portfolio weighted average maturity					99	

* Standard & Poor's Rating

** Morning Star Rating

*** Certificates of Deposit are FDIC insured or Collateralized

Investments measured at amortized cost and cost are exempt from classification within the fair value hierarchy.

The TexPool and Lone Star investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool and Lone Star have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

Credit Risk

At year end, the District's investments were rated as noted in the preceding table. All credit ratings met acceptable levels required by legal guidelines prescribed by both the PFIA and the District's investment policy.

Dayton Independent School District

Notes to the Financial Statements

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the maturity of any individual investment from the time of purchase not to exceed one year.

Concentration of Credit Risk

The District's investment policy dictates that no individual investment transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2019, District's bank balance was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent and in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy requires investments to be in the District's name or held by the District's agent in the District's name. The District is not exposed to custodial risk due to the investments are insured or registered and are held by the District or its agent in the District's name.

B. Receivables

Tax revenues of the general and debt service fund are reported net of uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to general fund property taxes	\$	195,568
Change in uncollectibles related to debt service property taxes		<u>62,064</u>
Total change in uncollectibles of the current fiscal year	\$	<u>257,632</u>

Approximately 82% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

C. 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, 2019, are summarized below. All grants shown below are reported on the financial statements as Due from Other Governments.

Fund	State Entitlements	State or Federal Grants	Total
General	\$ 6,150,480	\$ -	\$ 6,150,480
Nonmajor	<u>-</u>	<u>747,670</u>	<u>747,670</u>
Totals	\$ 6,150,480	\$ 747,670	\$ 6,898,150

Dayton Independent School District

Notes to the Financial Statements

D. Interfund Receivables, Payables, and Transfers

Receivables/Payables

The composition of interfund receivable/payable balances as of June 30, 2019, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 500,580	\$ 2,407
Other governmental funds - nonmajor	14,226	512,399
Totals	\$ 514,806	\$ 514,806

Interfund balances consist of short-term lending/borrowing arrangements that generally result from payroll and other regularly occurring charges that are primarily paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Transfers

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. There were no interfund transfers for the fiscal year ended June 30, 2019.

E. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 2,072,225	\$ 43,121	\$ -	\$ 2,115,346
Total capital assets, not being depreciated	2,072,225	43,121	-	2,115,346
Capital assets, being depreciated:				
Buildings and improvements	140,352,136	86,379	-	140,438,515
Furniture and equipment	12,032,631	1,917,332	(379,115)	13,570,848
Total capital assets, being depreciated	152,384,767	2,003,711	(379,115)	154,009,363
Less accumulated depreciation for:				
Buildings and improvements	(42,217,468)	(5,106,187)	-	(47,323,655)
Furniture and equipment	(7,479,255)	(947,454)	377,994	(8,048,715)
Total accumulated depreciation	(49,696,723)	(6,053,641)	377,994	(55,372,370)
Total capital assets, being depreciated, net	102,688,044	(4,049,930)	(1,121)	98,636,993
Governmental activities capital assets, net	\$ 104,760,269	\$ (4,006,809)	\$ (1,121)	\$ 100,752,339

Dayton Independent School District

Notes to the Financial Statements

Depreciation expense was charged to functions of the District as follows:

Governmental activities:		
11	Instruction	\$ 3,337,427
12	Instructional resources and media services	53,191
13	Curriculum and instructional staff development	159,561
21	Instructional leadership	15,733
23	School leadership	391,400
31	Guidance, counseling, and evaluation services	122,390
33	Health services	61,123
34	Student transportation	629,291
35	Food services	137,051
36	Extracurricular activities	498,699
41	General administration	28,633
51	Plant maintenance and operations	454,552
52	Security and monitoring services	44,230
53	Data processing services	113,427
61	Community services	6,933
Total depreciation expense-governmental activities		\$ 6,053,641

F. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, compensated absences, net pension liability and net OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of 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

Long-term liability activity for the fiscal year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 88,095,000	\$ -	\$ (3,070,000)	\$ 85,025,000	\$ 3,155,000
Issuance premiums (CIB's)	2,714,603	-	(179,523)	2,535,080	-
Total bonds payable, net	90,809,603	-	(3,249,523)	87,560,080	3,155,000
Compensated absences	675,633	181,152	(137,218)	719,567	-
Note payable	220,000	-	(220,000)	-	-
Net pension liability	9,681,262	7,294,559	(1,568,503)	15,407,318	-
Net OPEB liability	16,333,530	2,521,394	(669,357)	18,185,567	-
Governmental activities long-term liabilities	\$ 117,720,028	\$ 9,997,105	\$ (5,844,601)	\$ 121,872,532	\$ 3,155,000

Dayton Independent School District

Notes to the Financial Statements

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school buildings (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. The following is a summary of changes in the general obligation bonds for the fiscal year.

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Unlimited Tax Refunding Bonds, Series 2011	2.00-4.00%	\$ 8,130,000	2024	\$ 5,995,000	\$ -	\$ (910,000)	\$ 5,085,000
Unlimited Tax School Building Bonds, Series 2014	2.40-4.00%	9,900,000	2034	9,900,000	-	-	9,900,000
Unlimited Tax School Building Bonds, Series 2015	2.00-5.00%	75,435,000	2045	72,200,000	-	(2,160,000)	70,040,000
Total general obligation bonds				\$ 88,095,000	\$ -	\$ (3,070,000)	\$ 85,025,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2020	\$ 3,155,000	\$ 3,388,423	\$ 6,543,423
2021	3,295,000	3,310,348	6,605,348
2022	3,395,000	3,165,198	6,560,198
2023	2,505,000	3,005,598	5,510,598
2024	2,655,000	2,890,898	5,545,898
2025	2,645,000	2,769,048	5,414,048
2026	2,720,000	2,662,798	5,382,798
2027	2,805,000	2,550,798	5,355,798
2028	3,010,000	2,450,098	5,460,098
2029	3,130,000	2,358,742	5,488,742
2030	3,260,000	2,259,701	5,519,701
2031	3,385,000	2,135,538	5,520,538
2032	3,475,000	2,005,793	5,480,793
2033	2,850,000	1,872,045	4,722,045
2034	3,005,000	1,759,650	4,764,650
2035	3,110,000	1,620,500	4,730,500
2036	3,040,000	1,465,000	4,505,000
2037	3,165,000	1,343,400	4,508,400
2038	3,295,000	1,216,800	4,511,800
2039	3,425,000	1,085,000	4,510,000
2040	3,565,000	948,000	4,513,000
2041	3,710,000	805,400	4,515,400
2042	3,865,000	657,000	4,522,000
2043	4,020,000	502,400	4,522,400
2044	4,185,000	341,600	4,526,600
2045	4,355,000	174,200	4,529,200
Totals	\$ 85,025,000	\$ 48,743,976	\$ 133,768,976

As of June 30, 2019, the District did not have any authorized but unissued bonds.

The District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the District's financial statements. There were no outstanding defeased bonds as of June 30, 2019.

Dayton Independent School District

Notes to the Financial Statements

Note Payable

The District issued a maintenance tax note to provide funds for the construction and equipment of school facilities. The maintenance tax note is secured by maintenance and operations property tax revenues. The note was issued as a 8 year current interest note.

The following is a summary of changes in the note payable for the fiscal year:

Description	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
Limited Maintenance Tax Note, Series 2011	1.25-2.50%	\$ 1,050,000	2019	\$ 220,000	\$ -	\$ (220,000)	\$ -
Total Notes Payable				<u>\$ 220,000</u>	<u>\$ -</u>	<u>\$ (220,000)</u>	<u>\$ -</u>

G. Commitment for Leases

The District has the following commitments under operating (noncapitalized) lease agreements for copiers and bus GPS systems which provide for minimum future rental payments beyond the current year:

Year Ending June 30,	Amount
2020	\$ 134,772
2021	134,772
2022	77,765
2023	43,200
Total Minimum Rentals	<u>\$ 390,509</u>
Rental Expenditures for the fiscal year ended June 30, 2019	<u>\$ 260,072</u>

H. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other governmental funds:	
Construction	\$ 6,600,000
Campus activity funds	<u>2,430</u>
Total other committed fund balance	<u>\$ 6,602,430</u>

Dayton Independent School District

Notes to the Financial Statements

I. Revenues from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General	Debt Service	Capital Projects	Nonmajor Funds	Totals
Property taxes	\$ 20,131,026	\$ 6,307,446	\$ -	\$ -	\$ 26,438,472
Investment income	300,743	66,563	2,724	19,327	389,357
Food sales	-	-	-	768,763	768,763
Extracurricular activities	223,031	-	-	-	223,031
Other	610,307	-	-	-	610,307
Totals	\$ 21,265,107	\$ 6,374,009	\$ 2,724	\$ 788,090	\$ 28,429,930

Note 4. Other Information

A. Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses. The District participates in the Texas Association of School Boards (TASB) Risk Management Fund for general and professional liability, fleet and automobile and crime coverage. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages, and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its liability coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

The District's property insurance is provided through a commercial insurance carrier.

Health Insurance

During the year ended June 30, 2019, employees of the District were covered by TRS Active-Care ("the Plan") a statewide health coverage program of Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$367 per month, per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Workers' Compensation

The Dayton Independent School District also provided unemployment compensation coverage to its employees through commercial insurance.

Dayton Independent School District

Notes to the Financial Statements

B. Litigation and Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2019, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

Plan Description

The 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) and 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 TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_CAFR.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6597.

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% (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 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 age 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 postemployment benefit changes; including automatic cost of living adjustments. Ad hoc postemployment benefit changes, including ad hoc cost of living adjustments can be granted by the Texas Legislature as previously noted in the Plan Description.

Dayton Independent School District

Notes to the Financial Statements

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 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriation Act (GAA) affirmed that the employer contribution rates for plan fiscal years 2018 and 2019 would remain the same. Rates for such plan fiscal years are as follows:

	2019	2018	2017
Member	7.7%	7.7%	7.7%
Non-employer contributing entity (state)	6.8%	6.8%	6.8%
Employers/district	6.8%	6.8%	6.8%
Employers/district OASDI	1.5%	1.5%	1.5%

The contribution amounts for the District's fiscal year 2019 are as follows:

District contributions	\$ 975,549
Member contributions	2,490,252
NECE on-behalf contributions (state)	1,603,883

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education and junior colleges, 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 that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical 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 sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Dayton Independent School District

Notes to the Financial Statements

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- 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.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected rate	7.25%
Municipal bond rate as of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

Dayton Independent School District

Notes to the Financial Statements

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-term Portfolio Returns
Global equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. developed	13.00%	6.90%	0.90%
Emerging markets	9.00%	8.95%	0.80%
Directional hedge funds	4.00%	3.53%	0.14%
Private equity	13.00%	10.18%	1.32%
Stable value:			
U.S. treasuries	11.00%	1.11%	0.12%
Absolute return	-	-	-
Stable value hedge funds	4.00%	3.09%	0.12%
Cash	1.00%	(0.3%)	-
Real return:			
Global inflation linked bonds	3.00%	0.70%	0.02%
Real assets	14.00%	5.21%	0.73%
Energy and natural resources	5.00%	7.48%	0.37%
Commodities	-	-	-
Risk parity:			
Risk parity	5.00%	3.70%	0.18%
Inflation expectation			2.30%
Volatility drag**			(0.79%)
Totals	100.00%		7.25%

* Target allocations are based on the FY2016 policy model

** The Expected Contribution to Long-term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Dayton Independent School District

Notes to the Financial Statements

Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 6.907%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease (5.907%)	Current Discount Rate (6.907%)	1% Increase (7.907%)
\$ 23,253,338	\$ 15,407,318	\$ 9,055,500

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

At June 30, 2019, the District reported a liability of \$15,407,318 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the 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 the District are as follows:

District's proportionate share of the net pension liability	\$ 15,407,318
State's proportionate share of the net pension liability associated with the District	25,092,225
Total	\$ 40,499,543

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the District's proportion of the collective net pension liability was 0.0279917% which was a decrease of 0.0022863% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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

Dayton Independent School District

Notes to the Financial Statements

For the fiscal year ended June 30, 2019, the District recognized pension expense of \$4,657,215 and revenue of \$2,483,461 for support provided by the State.

At June 30, 2019, the District reported the deferred outflows of resources for contribution made after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,037	\$ 378,035
Changes of assumptions	5,555,080	173,596
Net difference between projected and actual earnings on pension plan investments	-	292,343
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	1,743,978	683,547
District contributions paid after measurement date	826,913	-
Totals	\$ 8,222,008	\$ 1,527,521

\$826,913 reported as deferred outflows of resources related to pensions resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2020	\$ 1,636,205
2021	1,020,992
2022	847,511
2023	959,550
2024	873,102
Thereafter	530,214
Total	\$ 5,867,574

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Postemployment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

Dayton Independent School District

Notes to the Financial Statements

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_archive_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6597.

Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly Premium Rates
Effective January 1, 2018-December 31, 2018

	Medicare	Non-medicare
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

* or surviving spouse

Change of Benefit Terms since the Prior Measurement Date

The 85th Legislature, Regular Session, passed several statutory changes effective September 1, 2017 that affected TRS plans. These changes include:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retirees reach 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month towards their health insurance premiums.

Dayton Independent School District

Notes to the Financial Statements

Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

The following table shows contributions to the TRS-Care plan by type of contributor.

	2019	2018	2017
Active Employee	0.65%	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%	1.00%
Employers/District	0.75%	0.75%	0.55%
Federal/private funding remitted by Employers	1.25%	1.25%	1.00%

The contribution amounts for the District's fiscal year 2019 are as follows:

District contributions	\$ 258,266
Member contributions	210,216
NECE on-behalf contributions (state)	388,426

In addition, the State of Texas contributed \$100,658, \$101,833, and \$96,997 in 2019, 2018, and 2017, respectively, for on-behalf payments for Medicare Part D.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

Actuarial Assumptions

A change was made in the measurement date of the total OPEB liability for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

Dayton Independent School District

Notes to the Financial Statements

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

The following assumptions used for members of TRS-Care are identical to the assumptions employed in the August 31, 2017 TRS annual pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability	

Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount rate	3.69%. Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20- Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected annual salary increases	3.05% to 9.05%, including inflation
Healthcare trend rates	Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees. Initial prescription drug trend rate of 11.00 percent for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Ad hoc postemployment benefit changes	None

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Dayton Independent School District

Notes to the Financial Statements

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability

Discount Rate

The following table presents the District's proportionate share of net OPEB liability for TRS-Care if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%).

Sensitivity of the Net OPEB Liability
to the Single Discount Rate Assumptions

1% Decrease (2.69%)	Current Single Discount Rate (3.69%)	1% Increase (4.69%)
\$21,647,073	\$ 18,185,567	\$ 15,447,293

Healthcare Cost Trend Rates

The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to
the Healthcare Cost Trend Rate Assumptions

1% Decrease (7.5%)	Current Healthcare Cost Trend Rate (8.5%)	1% Increase (9.5%)
\$ 15,103,410	\$ 18,185,567	\$ 22,244,835

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At June 30, 2019, the District reported a liability of \$18,185,567 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the net OPEB liability	\$ 18,185,567
State's proportionate share of the net OPEB liability associated with the District	27,315,287
Total	\$ 45,500,854

Dayton Independent School District

Notes to the Financial Statements

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net OPEB liability was 0.0364215% which was a decrease of 0.0011388% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Change of benefit terms since the prior measurement date made effective September 1, 2017 by the 85th Texas Legislature.

For the fiscal year ended June 30, 2019, the District recognized OPEB expense of \$1,371,137 and revenue of \$993,566 for support provided by the State.

At June 30, 2019, the District reported the District's contributions paid after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 965,040	\$ 286,995
Changes of assumptions	303,468	5,463,720
Net difference between projected and actual earnings on OPEB investments	3,180	-
Changes in proportion and differences between district contributions and proportionate share of contributions (cost-sharing plan)	64	625,171
District contributions paid after measurement date	217,160	-
Totals	\$ 1,488,912	\$ 6,375,886

Dayton Independent School District

Notes to the Financial Statements

\$217,160 reported as deferred outflows of resources related to OPEB resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2020	\$ (793,501)
2021	(793,501)
2022	(793,501)
2023	(794,103)
2024	(794,447)
Thereafter	(1,135,081)
Total	\$ (5,104,134)

E. Joint Venture-Shared Service Arrangement

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.

The District also participates in a shared service arrangement for Orientation and Mobility Services, with the Deer Park ISD as fiscal agent.

The District does not account for revenues or expenditures of those entities, 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.

F. Nonmonetary Transaction

During 2019, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$722,036. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$722,036 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

G. Subsequent Event

The District has authorized the issuance of the Unlimited Tax Refunding Bonds, Series 2019. The Series 2019 bonds will refund the Unlimited Tax Refunding Bonds, Series 2011, in the amount of \$4,140,000. The refunding is anticipated to take place in November 2019.

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Required Supplementary Information

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Dayton Independent School District
Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2019

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 19,052,435	\$ 20,940,023	\$ 21,265,107	\$ 325,084
5800	State program revenues	23,097,596	24,407,607	25,164,176	756,569
5900	Federal program revenues	500,000	1,638,059	1,693,454	55,395
5020	Total revenues	42,650,031	46,985,689	48,122,737	1,137,048
EXPENDITURES					
Current:					
0011	Instruction	24,436,742	24,601,879	24,134,385	467,494
0012	Instructional resources and media services	573,515	558,856	525,511	33,345
0013	Curriculum and instructional staff development	1,788,752	1,837,813	1,821,041	16,772
0021	Instructional leadership	995,138	1,122,720	1,034,600	88,120
0023	School leadership	2,604,615	2,686,435	2,622,028	64,407
0031	Guidance, counseling, and evaluation services	1,537,714	1,531,268	1,437,789	93,479
0032	Social work services	-	152,927	143,557	9,370
0033	Health services	451,904	459,891	453,659	6,232
0034	Student transportation	2,952,651	2,996,288	2,826,263	170,025
0036	Extracurricular activities	1,918,207	1,989,160	1,930,641	58,519
0041	General administration	1,863,618	1,894,028	1,674,723	219,305
0051	Plant maintenance and operations	5,316,278	5,347,713	4,939,220	408,493
0052	Security and monitoring services	608,516	625,402	575,361	50,041
0053	Data processing services	595,049	754,581	719,665	34,916
0061	Community services	117,249	60,645	58,640	2,005
Debt service:					
0071	Principal on long-term debt	222,965	222,965	220,000	2,965
0072	Interest on long-term debt	5,535	5,535	5,461	74
Capital outlay:					
0081	Facilities acquisition and construction	451,000	934,733	928,866	5,867
Intergovernmental:					
0093	Payments related to shared services arrangements	15,973	15,973	11,324	4,649
0099	Other intergovernmental charges	709,830	709,830	698,153	11,677
6030	Total expenditures	47,165,251	48,508,642	46,760,887	1,747,755
1200	Net change in fund balance	(4,515,220)	(1,522,953)	1,361,850	2,884,803
0100	Fund balance - beginning	16,593,010	16,593,010	16,593,010	-
3000	FUND BALANCE - ENDING	\$ 12,077,790	\$ 15,070,057	\$ 17,954,860	\$ 2,884,803

The Notes to the Required Supplementary Information are an integral part of this schedule.

Dayton Independent School District

Schedule of the District's Proportionate Share of the Net Pension
Liability of a Cost-Sharing Multiple-Employer Pension Plan
Teacher Retirement System of Texas
For the Last Five Fiscal Years*

	<u>2019</u>
District's proportion of the net pension liability	0.0279917%
District's proportionate share of the net pension liability	\$ 15,407,318
State's proportionate share of the net pension liability associated with the District	<u>25,092,225</u>
TOTAL	<u>\$ 40,499,543</u>
District's covered payroll	\$ 31,411,573
District's proportionate share of the net pension liability as a percentage of its covered payroll	49.05%
Plan fiduciary net position as a percentage of the total pension liability	73.74%

*The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of data is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.030278%	0.028401%	0.028898%	0.018830%
\$ 9,681,262	\$ 10,732,426	\$ 10,214,882	\$ 5,029,620
15,684,734	17,815,009	16,647,370	14,231,759
<u>\$ 25,365,996</u>	<u>\$ 28,547,435</u>	<u>\$ 26,862,252</u>	<u>\$ 19,261,379</u>
\$ 32,546,033	\$ 29,693,323	\$ 28,026,103	\$ 26,579,234
29.75%	36.14%	36.45%	18.90%
82.17%	78.00%	78.43%	83.25%

Dayton Independent School District

Schedule of the District's Contributions to the
Teacher Retirement System of Texas Pension Plan
For the Last Five Fiscal Years*

	<u>2019</u>
Contractually required contributions	\$ 975,549
Contributions in relation to the contractually required contributions	<u>(975,549)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>
District's covered payroll	\$ 32,340,935
Contributions as a percentage of covered payroll	3.02%

*The amounts presented for the fiscal years were determined as of the District's fiscal year end June 30.
Ten years of data is not available

Exhibit G-3

2018	2017	2016	2015
\$ 943,490	\$ 983,262	\$ 895,073	\$ 790,151
(943,490)	(983,262)	(895,073)	(790,151)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 31,572,125	\$ 32,179,182	\$ 29,370,071	\$ 27,758,801
2.99%	3.06%	3.05%	2.85%

Dayton Independent School District**Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB
 Liability of a Cost-Sharing Multiple-Employer OPEB Plan
 Teacher Retirement System of Texas
 Last Two Fiscal Years*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0364215%	0.0375602%
District's proportionate share of the net OPEB liability	\$ 18,185,567	\$ 16,333,530
State's proportionate share of the net OPEB liability associated with the District	<u>27,315,287</u>	<u>25,708,816</u>
TOTAL	<u>\$ 45,500,854</u>	<u>\$ 42,042,346</u>
District's covered payroll	\$ 31,411,573	\$ 32,546,033
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	57.89%	50.19%
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%

*The amounts presented for the fiscal year was determined as of the Plan's fiscal year end, August 31 of the prior year.
 Ten years of data is not available.

Dayton Independent School District
Schedule of the District's Contributions to the
Teacher Retirement System of Texas OPEB Plan
Last Two Fiscal Years*

Exhibit G-5

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 258,266	\$ 241,243
Contributions in relation to the contractually required contributions	<u>(258,266)</u>	<u>(241,243)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered payroll	\$ 32,340,935	\$ 31,572,125
Contributions as a percentage of covered payroll	0.80%	0.76%

*The amounts presented for the fiscal year was determined as of the District's fiscal year end June 30.
Ten years of data is not available

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Dayton Independent School District

Notes to the Required Supplementary Information

June 30, 2019

Note 1. Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than June 19 and adopted by June 30 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

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

1. Prior to June 19 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. 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 after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

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Supplementary Information

Dayton Independent School District
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
June 30, 2019

		211	224	225
Data Control Codes		ESEA Title I Improving Basic Programs	IDEA-B Formula	IDEA-B Preschool
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1120	Current investments	-	-	-
1240	Due from other governments	215,124	358,696	7,375
1260	Due from other funds	-	-	-
		<hr/>	<hr/>	<hr/>
1000	TOTAL ASSETS	<u><u>\$ 215,124</u></u>	<u><u>\$ 358,696</u></u>	<u><u>\$ 7,375</u></u>
	LIABILITIES			
2110	Accounts payable	\$ -	\$ 5,225	\$ -
2160	Accrued wages payable	99,484	97,168	3,688
2170	Due to other funds	115,640	256,303	3,687
2300	Unearned revenue	-	-	-
		<hr/>	<hr/>	<hr/>
2000	Total liabilities	215,124	358,696	7,375
	FUND BALANCES			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
		<hr/>	<hr/>	<hr/>
3000	Total fund balances	-	-	-
		<hr/>	<hr/>	<hr/>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 215,124</u></u>	<u><u>\$ 358,696</u></u>	<u><u>\$ 7,375</u></u>

226	240	242	244	255
IDEA B Discretionary	National School Breakfast/ Lunch Program	Summer Feeding Program	Career and Technical Basic Grant	ESEA Title II, Part A, Teacher & Principal Training & Recruiting
\$ -	\$ 1,082,951	\$ -	\$ -	\$ -
-	872,693	-	-	-
74,953	-	16,889	1,970	38,323
-	14,226	-	-	-
<u>\$ 74,953</u>	<u>\$ 1,969,870</u>	<u>\$ 16,889</u>	<u>\$ 1,970</u>	<u>\$ 38,323</u>
\$ -	\$ 514,232	\$ -	\$ -	\$ 3,320
-	37,698	1,071	-	13,749
74,953	7,010	11,902	1,970	21,254
-	24,130	3,916	-	-
74,953	583,070	16,889	1,970	38,323
-	1,386,800	-	-	-
-	-	-	-	-
-	1,386,800	-	-	-
<u>\$ 74,953</u>	<u>\$ 1,969,870</u>	<u>\$ 16,889</u>	<u>\$ 1,970</u>	<u>\$ 38,323</u>

Dayton Independent School District

Combining Balance Sheet

Nonmajor Governmental Funds - Special Revenue Funds - Continued

June 30, 2019

		263	288	289
		Title III, Part A, English Language Acquisition and Enhancement	Title IV, Part A SSAEP	Summer School LEP
Data Control Codes				
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ -	\$ -
1120	Current investments	-	-	-
1240	Due from other governments	28,598	2,330	1,100
1260	Due from other funds	-	-	-
1000	TOTAL ASSETS	<u>\$ 28,598</u>	<u>\$ 2,330</u>	<u>\$ 1,100</u>
	LIABILITIES			
2110	Accounts payable	\$ -	\$ -	\$ -
2160	Accrued wages payable	12,348	-	-
2170	Due to other funds	16,250	2,330	1,100
2300	Unearned revenue	-	-	-
2000	Total liabilities	28,598	2,330	1,100
	FUND BALANCES			
3450	Restricted - grant funds	-	-	-
3545	Committed - other	-	-	-
3000	Total fund balances	-	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 28,598</u>	<u>\$ 2,330</u>	<u>\$ 1,100</u>

397	410	427	457	
Advanced Placement Incentives	State Textbook Fund	LMAA Teacher Stipends	Liberty Co. Workforce Academy	Total Nonmajor Funds (See Exhibit C-1)
\$ 426	\$ -	\$ -	\$ 118	\$ 1,083,495
-	-	-	-	872,693
-	-	-	2,312	747,670
-	-	-	-	14,226
<u>\$ 426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,430</u>	<u>\$ 2,718,084</u>
\$ -	\$ -	\$ -	\$ -	\$ 522,777
-	-	-	-	265,206
-	-	-	-	512,399
426	-	-	-	28,472
426	-	-	-	1,328,854
-	-	-	-	1,386,800
-	-	-	2,430	2,430
-	-	-	2,430	1,389,230
<u>\$ 426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,430</u>	<u>\$ 2,718,084</u>

Dayton Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
For the Fiscal Year Ended June 30, 2019

		211	224	225
Data Control Codes		ESEA Title I Improving Basic Programs	IDEA-B Formula	IDEA-B Preschool
	REVENUES			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	817,203	1,013,197	26,630
5020	Total revenues	817,203	1,013,197	26,630
	EXPENDITURES			
	Current:			
0011	Instruction	783,274	560,543	26,630
0013	Curriculum and instructional staff development	350	-	-
0021	Instructional leadership	18,344	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	315,700	-
0034	Student transportation	-	37,293	-
0035	Food services	-	-	-
0052	Security and monitoring services	-	-	-
0061	Community services	15,235	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	99,661	-
6030	Total expenditures	817,203	1,013,197	26,630
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ -

226	240	242	244	255
IDEA B Discretionary	National School Breakfast/ Lunch Program	Summer Feeding Program	Career and Technical Basic Grant	ESEA Title II, Part A, Teacher & Principal Training & Recruiting
\$ -	\$ 788,090	\$ -	\$ -	\$ -
-	14,420	-	-	-
107,161	2,295,376	16,848	42,745	159,885
107,161	3,097,886	16,848	42,745	159,885
8,208	-	-	36,477	-
5,550	-	-	6,193	155,165
1,400	-	-	75	2,621
-	-	-	-	2,099
24,001	-	-	-	-
68,002	-	-	-	-
-	3,013,036	16,848	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
107,161	3,013,036	16,848	42,745	159,885
-	84,850	-	-	-
-	1,301,950	-	-	-
\$ -	\$ 1,386,800	\$ -	\$ -	\$ -

Dayton Independent School District

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances

Nonmajor Governmental Funds - Special Revenue Funds - Continued

For the Fiscal Year Ended June 30, 2019

		263	288	289
Data Control Codes		Title III, Part A, English Language Acquisition and Enhancement	Title IV, Part A SSAEP	Summer School LEP
	REVENUES			
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	93,132	23,371	152
5020	Total revenues	93,132	23,371	152
	EXPENDITURES			
	Current:			
0011	Instruction	86,102	10,500	152
0013	Curriculum and instructional staff development	3,945	-	-
0021	Instructional leadership	3,085	1,017	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	2,025	-
0034	Student transportation	-	-	-
0035	Food services	-	-	-
0052	Security and monitoring services	-	9,829	-
0061	Community services	-	-	-
	Intergovernmental:			
0093	Payments related to shared services arrangements	-	-	-
6030	Total expenditures	93,132	23,371	152
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ -

397	410	427	457	
Advanced Placement Incentives	State Textbook Fund	LMAA Teacher Stipends	Liberty Co. Workforce Academy	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ -	\$ 788,090
3,550	863,561	2,450	-	883,981
-	-	-	-	4,595,700
3,550	863,561	2,450	-	6,267,771
-	863,561	-	-	2,375,447
3,550	-	2,450	-	177,203
-	-	-	-	26,542
-	-	-	-	2,099
-	-	-	-	341,726
-	-	-	-	105,295
-	-	-	-	3,029,884
-	-	-	-	9,829
-	-	-	-	15,235
-	-	-	-	99,661
3,550	863,561	2,450	-	6,182,921
-	-	-	-	84,850
-	-	-	2,430	1,304,380
\$ -	\$ -	\$ -	\$ 2,430	\$ 1,389,230

Dayton Independent School District
Schedule of Delinquent Taxes Receivable
For the Fiscal Year Ended June 30, 2019

Year Ended June 30,	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and prior years	\$	Various	\$	Various	\$	Various
2011		1.0400		0.1680		1,335,321,523
2012		1.0400		0.1680		1,448,196,358
2013		1.0400		0.1680		1,467,200,414
2014		1.0400		0.1680		1,429,109,603
2015		1.0400		0.1580		1,522,940,052
2016		1.0400		0.3917		1,625,659,188
2017		1.0400		0.3817		1,603,392,840
2018		1.0400		0.3500		1,763,845,827
2019 (School year under audit)		1.0400		0.3300		1,880,525,474
1000 Totals						

Exhibit J-1

10 Beginning Balance 7/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/19
\$ 3,514,924	\$ -	\$ 107,784	\$ 14,358	\$ (8,844)	\$ 3,383,938
343,532	-	24,701	3,990	(2,342)	312,499
351,703	-	27,986	4,521	(2,342)	316,854
382,358	-	35,678	5,763	(13,129)	327,788
421,641	-	49,189	7,946	(424)	364,082
443,645	-	59,338	9,015	(236)	375,056
671,728	-	126,248	47,550	(879)	497,051
960,517	-	204,462	75,042	(25,492)	655,521
1,630,036	-	516,101	173,688	(19,318)	920,929
-	25,763,199	18,271,752	5,797,768	(12,771)	1,680,908
<u>\$ 8,720,084</u>	<u>\$ 25,763,199</u>	<u>\$ 19,423,239</u>	<u>\$ 6,139,641</u>	<u>\$ (85,777)</u>	<u>\$ 8,834,626</u>

Dayton Independent School District
Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
National School Breakfast and Lunch Program
For the Fiscal Year Ended June 30, 2019

Exhibit J-2

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final*		Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	\$ 677,405	\$ 770,675	\$ 788,090	\$ 17,415
5800	State program revenues	14,886	14,886	14,420	(466)
5900	Federal program revenues	2,107,793	2,246,163	2,295,376	49,213
5020	Total revenues	2,800,084	3,031,724	3,097,886	66,162
	EXPENDITURES				
	Current:				
0035	Food services	3,327,240	3,327,240	3,013,036	314,204
6030	Total expenditures	3,327,240	3,327,240	3,013,036	314,204
1200	Net change in fund balance	(527,156)	(295,516)	84,850	380,366
0100	Fund balance - beginning	1,301,950	1,301,950	1,301,950	-
3000	FUND BALANCE - ENDING	\$ 774,794	\$ 1,006,434	\$ 1,386,800	\$ 380,366

Dayton Independent School District
Schedule of Revenues, Expenditures, and Changes
in Fund Balance – Budget and Actual
Debt Service Fund
For the Fiscal Year Ended June 30, 2019

Exhibit J-3

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget
		Original	Final		Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 5,948,221	\$ 6,332,021	\$ 6,374,009	\$ 41,988
5800	State program revenues	340,682	340,682	110,451	(230,231)
5020	Total revenues	6,288,903	6,672,703	6,484,460	(188,243)
EXPENDITURES					
	Debt service:				
0071	Principal on long-term debt	3,070,000	3,070,000	3,070,000	-
0072	Interest on long-term debt	3,480,523	3,480,523	3,480,523	-
0073	Issuance costs and fees	5,000	5,000	3,450	1,550
6030	Total expenditures	6,555,523	6,555,523	6,553,973	1,550
1200	Net change in fund balance	(266,620)	117,180	(69,513)	(186,693)
0100	Fund balance - beginning	3,915,822	3,915,822	3,915,822	-
3000	FUND BALANCE - ENDING	\$ 3,649,202	\$ 4,033,002	\$ 3,846,309	\$ (186,693)

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Overall Compliance, Internal Control Section and Federal Awards

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**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

To the Board of Trustees of
Dayton Independent School District

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dayton Independent School District (the District) as of and for the year ended June 30, 2019 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, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Board of Trustees of
Dayton Independent School District

Purpose of this Report

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

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
November 6, 2019

**Independent Auditor's Report on Compliance for Each Major Federal
Program and Report on Internal Control over Compliance
in Accordance with the Uniform Guidance**

To the Board of Trustees of
Dayton Independent School District

Report on Compliance for Each Major Federal Program

We have audited Dayton Independent School District's (the District) compliance with the types of compliance requirements described in the OMB 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 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 the Uniform Guidance, 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 were not 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas
November 6, 2019

Dayton Independent School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

Section 1. Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| <i>a.</i> Material weakness(es) identified? | No |
| <i>b.</i> Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|---|
| 4. Internal control over major programs: | |
| <i>a.</i> Material weakness(es) identified? | No |
| <i>b.</i> Significant deficiency(ies) identified that are not considered to be material weaknesses? | None reported |
| 5. Type of auditor's report issued on compliance with major programs | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? | No |
| 7. Identification of major programs | 84.010 Title I
84.367 – Title II, Part A, Supporting Effective Instruction |
| 8. Dollar Threshold used to distinguish between Type A and Type B federal programs | \$750,000 |
| 9. Auditee qualified as a low-risk auditee? | Yes |

Section 2. Financial Statement Findings

None Reported

Section 3. Federal Award Findings and Questioned Costs

None reported

Dayton Independent School District
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2019

Prior Year Findings

None reported

Dayton Independent School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2019

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Total Federal Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed Through State Comptroller			
FEMA Disaster Grants - Public Assistance	97.036	146902	\$ 14,939
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			14,939
U.S. DEPARTMENT OF DEFENSE			
Direct Programs			
Marine Corps Junior ROTC	12.000	TX310007	73,596
TOTAL U.S. DEPARTMENT OF DEFENSE			73,596
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101146902	90,485
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19610101146902	735,039
ESEA, Title I, 1003 School Improvement	84.010A	18610123146902	5,430
Total CFDA Number 84.010A			830,954
Special Education Cluster (IDEA)			
Passed Through Education Service Center 20:			
IDEA - Part B, Evaluation Capacity	84.027A	2265431904007	24,000
Passed Through State Department of Education:			
IDEA - Part B, Formula	84.027A	186600011469026600	207,205
IDEA - Part B, Formula	84.027A	196600011469026600	805,992
IDEA - Part B, IEP Analysis Project	84.027A	18660077146902	6,950
IDEA - Part B, Discretionary High Cost	84.027A	1866001806	76,211
IDEA - Part B, Preschool	84.173A	186610011469026610	10,081
IDEA - Part B, Preschool	84.173A	196610011469026610	16,549
Total Special Education Cluster (IDEA)			1,146,988
Career and Technical - Basic Grant	84.048A	18420006146902	2,450
Career and Technical - Basic Grant	84.048A	19420006146902	40,363
Total CFDA Number 84.048A			42,813
Title III, Part A - English Language Acquisition	84.365A	18671001146902	13,671
Title III, Part A - English Language Acquisition	84.365A	19671001146902	79,461
Total CFDA Number 84.365A			93,132
ESEA, Title II, Part A, Supporting Effective Instruction	84.367A	18694501146902	48,730
ESEA, Title II, Part A, Supporting Effective Instruction	84.367A	19694501146902	111,155
Total CFDA Number 84.367A			159,885
LEP Summer School	84.369A	69551802	152
Title IV, Part A, Subpart 1	84.424A	19680101146902	23,371
TOTAL U.S. DEPARTMENT OF EDUCATION			2,297,295
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non Cash Assistance:			
National School Lunch Program	10.555	146006A	191,520
Passed Through State Department of Education - Cash Assistance:			
School Breakfast Program	10.553	71401901	457,952
National School Lunch Program	10.555	71301901	1,645,904
Passed Through State Department of Agriculture - Cash Assistance:			
Summer Food Services Program - Lunch	10.559	146902	16,848
Total Child Nutrition Cluster			2,312,224
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,312,224
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,698,054

The Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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Dayton Independent School District
Notes to Schedule of Expenditures of Federal Awards

Note 1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Dayton Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 2. De Minimis Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

Note 3. Reconciliation to Basic Financial Statements

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 4,698,054
Additional federal revenues reported in governmental funds:	
SHARS	1,566,600
E-Rate	24,500
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Total federal revenues per Exhibit C-2	\$ 6,289,154
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Dayton Independent School District
Schedule of Required Responses to Selected
School FIRST Indicators (Unaudited)
For the Fiscal Year Ended June 30, 2019

Exhibit L-1

Data Control Codes		Responses
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?	\$ -
SF11	Net pension assets (1920) at fiscal year-end.	\$ -
SF12	Net pension liabilities (2540) at fiscal year-end.	\$ 15,407,318