



Comprehensive Annual Financial Report



2013-2014

City of Dayton, Texas

*Including Auditor's Report for the
fiscal year ended September 30, 2014*

***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

CITY OF DAYTON, TEXAS

For the Year Ended
September 30, 2014

Prepared by:

Department of Finance and Administration

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CITY OF DAYTON, TEXAS

TABLE OF CONTENTS

September 30, 2014

<u>INTRODUCTORY SECTION</u>	<u>Page</u>
Letter of Transmittal	3
Organizational Chart	7
List of Elected and Appointed Officials	9
 <u>FINANCIAL SECTION</u>	
Independent Auditors' Report	13
Management's Discussion and Analysis (Required Supplementary Information)	17
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government-Wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
 Fund Financial Statements	
Governmental Funds:	
Balance Sheet – Governmental Funds	33
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39
 Proprietary Funds:	
Statement of Net Position	41
Statement of Revenues, Expenses, and Changes in Fund Net Position	43
Statement of Cash Flows	44
 Fiduciary Fund:	
Statement of Fiduciary Net Position	47
Statement of Changes in Fiduciary Net Position	49
 Notes to Financial Statements	 51
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	77
Schedule of Funding Progress – Texas Municipal Retirement System	79
Schedule of Funding Progress – Texas Emergency Services Retirement System	81
 <u>COMBINING STATEMENTS AND INDIVIDUAL FUND SCHEDULE</u>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance– Budget and Actual – Debt Service Fund	85

CITY OF DAYTON, TEXAS

TABLE OF CONTENTS (Continued)

September 30, 2014

	<u>Page</u>
Combining Balance Sheet – Nonmajor Governmental Funds	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	91
 <u>STATISTICAL SECTION</u>	
Net Position by Component	94
Changes in Net Position	96
Tax Revenues by Source, Governmental Activities	100
Fund Balances, Governmental Funds	102
Changes in Fund Balances, Governmental Funds	104
Assessed Value and Estimated Actual Value of Taxable Property	106
Property Tax Rates – Direct and Overlapping Governments	108
Principal Property Taxpayers	111
Property Tax Levies and Collections	112
Ratios of Outstanding Debt by Type	114
Ratios of General Bonded Debt Outstanding	116
Direct and Overlapping Governmental Activities Debt	119
Legal Debt Margin Information	120
Pledged-Revenue Coverage	122
Demographic and Economic Statistics	125
Principal Employers	127
Full-Time Equivalent Employees by Function	129
Operating Indicators by Function	130
Capital Asset Statistics by Function	132

INTRODUCTORY SECTION

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March 30, 2015

Honorable Mayor and City Council
City of Dayton
117 Cook Street
Dayton, Texas 77535

Dear Mayor and Members of City Council:

The City of Dayton, Texas (the "City") is required to publish each year a complete set of financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Dayton for the fiscal year ending September 30, 2014.

This report consists of management's representations concerning the finances of the City and deems the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of all City activities and funds. Therefore, management assumes full responsibility for the completeness and reliability of all information presented in this report. The City also acknowledges all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City's financial statements have been audited by Belt Harris Pechacek, LLLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ending September 30, 2014 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial presentation. Based on the audit, the independent auditors concluded that there was a reasonable basis for rendering an unmodified opinion that the financial statements for the year ending September 30, 2014 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

As required by GAAP, management has provided a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). The letter of transmittal is designed to complement the MD&A, and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Strategic Direction

The City's vision, mission, and strategy clearly define for the City staff and the community what issues are most important to Dayton.

Vision. The City of Dayton will be a prosperous and fiscally sound, family-oriented community with a full range of housing, business, cultural and recreational opportunities in a safe and attractive environment for residents and visitors.

Mission. The City of Dayton is committed to working with citizens to preserve a sense of community and enhance the quality of life by providing friendly, personalized services for the safety and well-being of our diverse City, its natural resources, and environment in a fiscally responsible manner.

To accomplish our mission, we will commit to the following principles:

- **Fiscal Responsibility** – Continue fiscally sound local government practices through active budget controls and a focus on strategic planning within the community.
- **Public Safety** – Provide a safe and secure environment resulting from a partnership between Dayton residents and the Police Department and Volunteer Fire Personnel.
- **Emergency Preparedness** – Our Emergency Management plan is complete and all essential City staff members are in compliance with National Incident Management System standards.
- **Residential Development** – The City will work with developers to create quality housing for the increased residential needs of the community.
- **Economic Development** – The City will focus economic development efforts on increasing the commercial tax base through the attraction of companies and the expansion of existing businesses.
- **Quality Public Infrastructure and Recreational Facilities** – Provide continual cost effective maintenance and upgrades of streets, municipal utilities, and other municipal-owned facilities to meet the service and capacity requirements of the community.

Profile of the Government

The City of Dayton resides on U.S. Highway 90 six miles west of Liberty in southwestern Liberty County, was first called West Liberty and was considered part of the original town of Liberty, founded in 1831. Dayton was recorded as an incorporated municipality on May 3, 1911. As of September 30, 2014, the City had a land area of 17.4 square miles and an estimated population of approximately 7,418. The City is empowered to levy a property tax on both real and personal property located within its boundaries. The City also has the power by state statutes to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the City Council.

The City of Dayton has adopted a Home Rule form of government. The Council is comprised of a Mayor and five Council members. The Mayor and Council members are all elected at large for two-year terms. Elections are staggered with the Mayor and two Council members elected together in odd years and the three remaining members in the following even year. The City Manager is appointed by the Council and is responsible for implementation of Council policy and all day-to-day operations of the City.

The City provides a full range of municipal services including public safety (police and fire protection), residential solid waste sanitation services, water and wastewater services, public improvements, repair and maintenance of infrastructure, recreational and community activities, and general administrative services. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government.

In accordance with standards established by the Governmental Accounting Standards Board, the City reports all funds and account groups for which the City, as the primary government, is accountable.

Local Economy

The Texas unemployment rate at 5.2 percent is lower than the U.S. unemployment rate of 5.9 percent. Liberty County has a slightly higher unemployment rate of 6.1 percent.

	2014	2013	2012
United States	5.9%	7.4%	9.0%
Texas	5.2%	6.1%	8.5%
Dayton	6.5%	8.1%	9.0%

Long-Term Financial Planning

Capital improvement projects are funded with general governmental revenues and proceeds of general obligation and certificates of obligation debt issues. The City annually adopts a Five-year Capital Improvement Plan and regularly prepares short-term improvement plans for water, wastewater, drainage, municipal facilities and parks. These plans are prepared by staff and presented to the City Council for review and acceptance. The plans require funding sources to be identified for each project.

For the last several years, the annual budget of the City has been able to maintain its infrastructure base for streets, water and wastewater systems, and municipal facilities through an aggressive maintenance and improvement program. A portion of general fund revenues is allocated to the Capital Improvement Plan each year. Debt is issued when necessary to finance long-term capital improvements.

While the economy has improved, there are areas of concern, particularly as they relate to the City's budget and future revenues. The uncertainty of stable oil prices and its direct impact on our largest of sales tax payers reinforces the City's commitment to retain large cash reserves on hand to thwart any future fiscal crisis. As interest rates improve, the City's goal is to take greater advantage of the market to help diversify our investment portfolio.

Major Initiatives

During fiscal year 2013-2014, the City of Dayton continued its commitment to the Rosewood Water Well Rebuild project. This multi-year capital improvement project will provide a long-term water solution for our ever-growing community. Analysis of its estimated capacity, once completed, indicates that the City will have the ability to double its current population, without further infrastructure commitments, within the next 15 to 20 years.

Credit Rating Achievement

In the 2013-2014 fiscal year, the City of Dayton was upgraded to a "AA-" rating (very strong capacity to meet financial commitments) from Standard & Poor's. Credit ratings are forward-looking opinions about credit risk. Standard & Poor's credit ratings express the agency's opinion about the ability and willingness of an issuer, such as a corporation or state or city government, to meet its financial obligations in full and on time.

Credit ratings can also speak to the credit quality of an individual debt issue, such as a corporate note, a municipal bond or a mortgage-backed security, and the relative likelihood that the issue may default. Ratings are provided by organizations such as Standard & Poor's, commonly called credit rating agencies, which specialize in evaluating credit risk.

Acknowledgements

The preparation of the CAFR was made possible by the dedicated service of the entire administration. We appreciate the efforts of everyone involved. In closing, without the leadership and support of the Dayton Council, preparation of this report would not have been possible.

Respectfully submitted,

A handwritten signature in cursive script that reads "David Douglas". The signature is written in black ink and is positioned above a horizontal line that extends to the right.

David Douglas
City Manager

A handwritten signature in cursive script that reads "Rudy Zepeda". The signature is written in black ink and is positioned above the printed name and title.

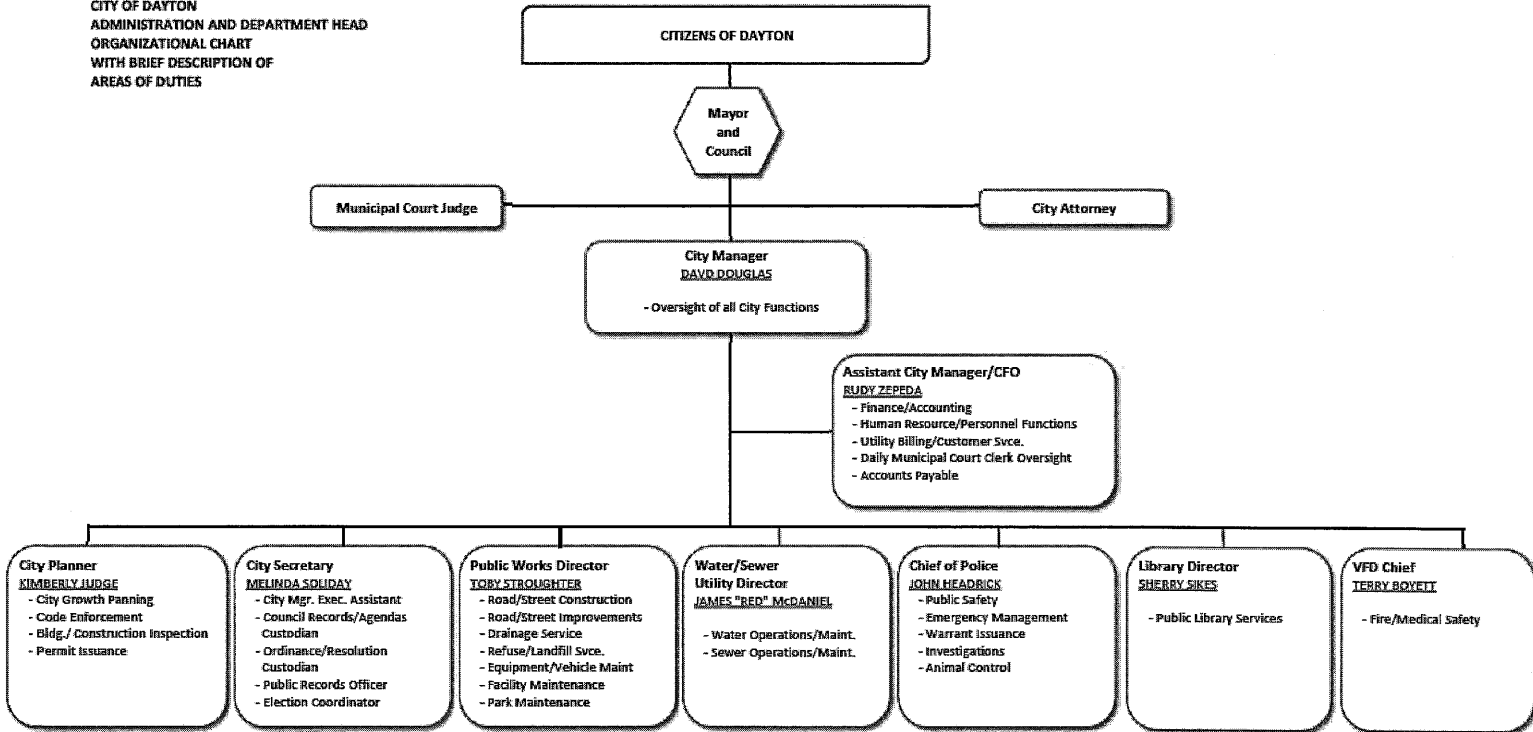
Rudy Zepeda
Assistant City Manager / CFO

CITY OF DAYTON, TEXAS

ORGANIZATIONAL CHART

September 30, 2014

CITY OF DAYTON
ADMINISTRATION AND DEPARTMENT HEAD
ORGANIZATIONAL CHART
WITH BRIEF DESCRIPTION OF
AREAS OF DUTIES



CITY OF DAYTON, TEXAS
LIST OF ELECETED AND APPOINTED OFFICIALS
 September 30, 2014

Elected Officials	Position
Felix J. Skarpa	Mayor
Dwight Pruitt	City Councilmember
Dale Brown	City Councilmember
John S. Johnson	City Councilmember
Jeff Lambright	City Councilmember
Sherial L. Lawson	City Councilmember

Appointed Officials	Position
David Douglas	City Manager
David Parker	Park Board Trustees
Gala Robinson	Park Board Trustees
Larry Wilburn	Park Board Trustees
Liz Pruitt	Park Board Trustees
Trudie Dewey	Park Board Trustees
Betty Tankersley	Planning Commission
Bob Edwards	Planning Commission
Danny Jones	Planning Commission
Eliza Guidry	Planning Commission
Lee Love	Planning Commission
Sharon Stovall	Planning Commission
Wendell Null	Planning Commission
Caroline Wadzeck	Library Trustees
Darren Waddell	Library Trustees
Kathie Laza	Library Trustees
Laura Williams	Library Trustees
Linda Sanders	Library Trustees
Pam Turner	Library Trustees
Sue Park	Library Trustees

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Dayton, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Dayton, Texas (the "City"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 City'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 City'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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements, individual fund schedule, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 30, 2015

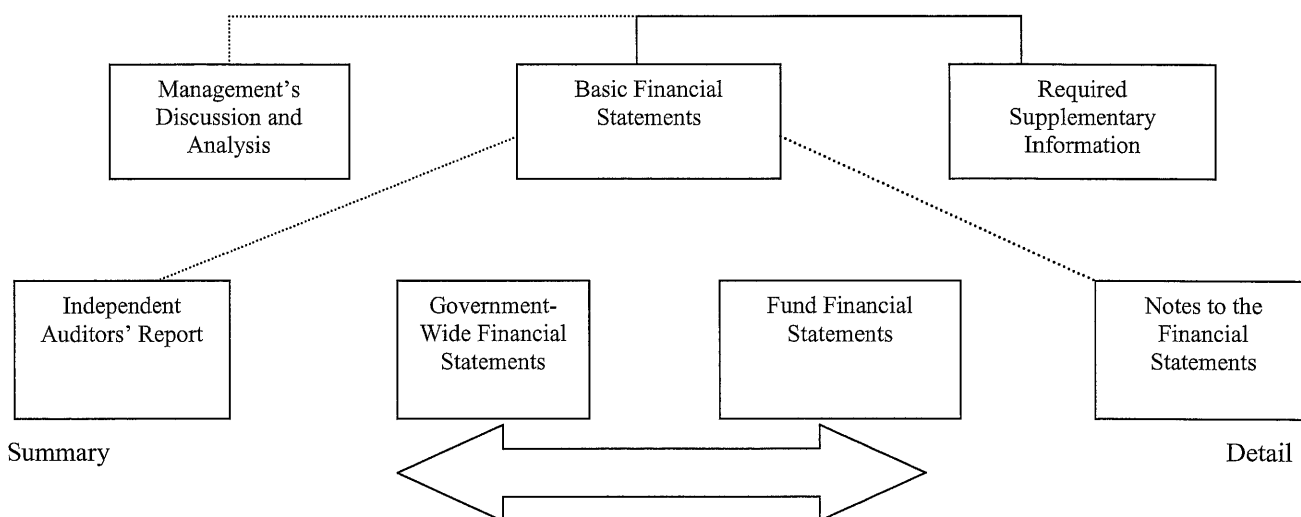
***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2014

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Dayton, Texas (the "City") for the year ending September 30, 2014. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City'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 City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City into two classes of activities:

1. Governmental Activities – Most of the City's basic services are reported here including public safety (police, fire, EMS), public works (street and park maintenance), culture and recreation, community enhancement, and general administration (City manager, City secretary, finance, human resources, and information technology). Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise taxes, municipal court fines and permit fees finance most of these activities.
2. Business-Type Activities – Services involving a fee for those services are reported here. These services include the City's water distribution, wastewater collection/treatment and refuse services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate community development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The three categories of City funds are governmental, proprietary, and fiduciary.

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 year. Such information may be useful in evaluating the City'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 government'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 City maintains four individual governmental funds. 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 and debt service fund, which are considered to be major funds.

The City adopts an annual appropriated budget for its general fund and debt service fund. Budgetary comparison schedules have been provided for the general fund and the debt service fund to demonstrate compliance with these budgets.

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

Proprietary Funds

The City maintains one type of proprietary fund, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water distribution, wastewater collection/treatment, water and sewer impact, water construction operations, and refuse services. The proprietary fund financial statements provide separate information for the water and sewer fund and refuse fund. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' medical insurance, group life and dental insurance activity is reported in a fiduciary fund. Since the resources of this fund are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary activities are reported in a separate statement of changes in fiduciary net position.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and a schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities by \$26,121,552, as of September 30, 2014 in the primary government.

A portion of the City's net position, \$13,107,893, reflects its investments in capital assets (e.g., land, City hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 assets themselves cannot be used to liquidate these liabilities.

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2014		
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 10,172,861	\$ 3,610,451	\$ 13,783,312
Capital assets, net	17,933,110	17,465,450	35,398,560
Total Assets	28,105,971	21,075,901	49,181,872
Deferred charge on refunding	3,163	-	3,163
Total Deferred Outflows of Resources	3,163	-	3,163
Other liabilities	454,230	315,423	769,653
Long-term liabilities	14,473,830	7,820,000	22,293,830
Total Liabilities	14,928,060	8,135,423	23,063,483
Net Position:			
Net investment in capital			
assets	3,462,443	9,645,450	13,107,893
Restricted	1,808,450	-	1,808,450
Unrestricted	7,910,181	3,295,028	11,205,209
Total Net Position	\$ 13,181,074	\$ 12,940,478	\$ 26,121,552
	2013		
	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 9,100,772	\$ 4,459,914	\$ 13,560,686
Capital assets, net	18,465,622	16,892,136	35,357,758
Total Assets	27,566,394	21,352,050	48,918,444
Deferred charge on refunding	3,954	-	3,954
Total Deferred Outflows of Resources	3,954	-	3,954
Other liabilities	394,487	679,265	1,073,752
Long-term liabilities	15,959,994	7,940,000	23,899,994
Total Liabilities	16,354,481	8,619,265	24,973,746
Net Position:			
Net investment in capital			
assets	2,509,582	8,952,136	11,461,718
Restricted	1,623,984	-	1,623,984
Unrestricted	7,082,301	3,780,649	10,862,950
Total Net Position	\$ 11,215,867	\$ 12,732,785	\$ 23,948,652

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

A portion of the City's net position, \$1,808,450, or 6.9 percent, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$11,205,209, may be used to meet the City's ongoing obligation to citizens and creditors.

The City's total net position increased by \$2,172,900 as compared to the prior year. This increase is largely the result of a decrease in long-term liabilities primarily due to the retirement of debt.

Statement of Activities:

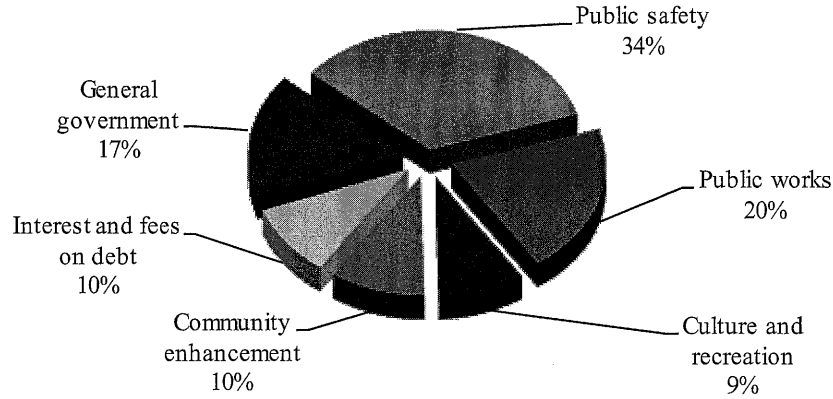
The following table provides a summary of the City's changes in net position:

	2014			2013		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 456,765	\$ 4,125,476	\$ 4,582,241	\$ 469,618	\$ 4,105,628	\$ 4,575,246
Grants and contributions	610,798	-	610,798	125,638	-	125,638
General revenues:						
Property taxes	4,772,360	-	4,772,360	4,696,620	-	4,696,620
Sales taxes	1,697,517	-	1,697,517	1,349,335	-	1,349,335
Franchise and local taxes	735,786	-	735,786	791,503	-	791,503
Investment income	38,069	14,698	52,767	28,952	11,318	40,270
Other revenues	161,238	20,049	181,287	111,890	19,408	131,298
Total Revenues	8,472,533	4,160,223	12,632,756	7,573,556	4,136,354	11,709,910
Expenses						
General government	1,070,264	-	1,070,264	1,020,821	-	1,020,821
Public safety	2,204,452	-	2,204,452	2,174,567	-	2,174,567
Public works	1,315,938	-	1,315,938	1,317,655	-	1,317,655
Culture and recreation	581,974	-	581,974	595,737	-	595,737
Community enhancement	645,688	-	645,688	576,481	-	576,481
Interest and fees on debt	633,697	-	633,697	681,460	-	681,460
Water and sewer	-	3,170,831	3,170,831	-	3,019,288	3,019,288
Refuse	-	837,012	837,012	-	838,182	838,182
Total Expenses	6,452,013	4,007,843	10,459,856	6,366,721	3,857,470	10,224,191
Change in Net Position Before Transfers	2,020,520	152,380	2,172,900	1,206,835	278,884	1,485,719
Transfers	(55,313)	55,313	-	1,125,000	(1,125,000)	-
Change in Net Position	1,965,207	207,693	2,172,900	2,331,835	(846,116)	1,485,719
Beginning net position	11,215,867	12,732,785	23,948,652	8,884,032	13,578,901	22,462,933
Ending Net Position	\$ 13,181,074	\$ 12,940,478	\$ 26,121,552	\$ 11,215,867	\$ 12,732,785	\$ 23,948,652

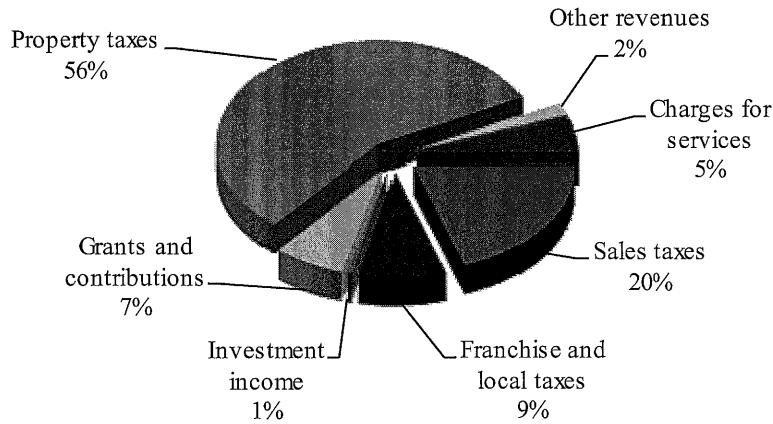
CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

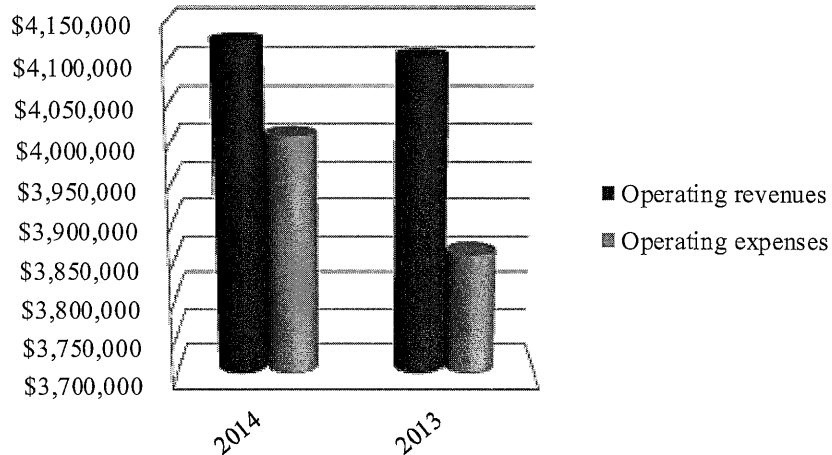
Governmental Activities - Expenses



Governmental Activities - Revenues



Business-Type Activities - Revenues and Expenses



CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

For the year ended September 30, 2014, revenues from governmental activities totaled \$8,472,533. Property and sales tax revenues are the City's largest general revenue sources. Property tax revenue increased slightly over prior year by \$75,740 due to an increase in the property tax rate. Sales tax revenue increased by \$348,182 or 25.8 percent over the previous year due to more economic activity. Operating grants and contributions increased by \$485,160 or 386.2 percent from the prior year due to an increase in funds received from various grants.

For the year ended September 30, 2014, expenditures from governmental activities totaled \$6,452,013, which were comparable to the prior year. The largest increase in expenses was related to community enhancement expenditures, an increase of \$69,207 or 12 percent from prior year due to increases in personnel expenses.

For the year ended September 30, 2014, charges for services related to business-type activities totaled \$4,125,476. This is an increase of \$19,848 or 0.5 percent from the previous year due to a slight increase in gallons pumped. While charges for services were comparable to the prior year, business-type expenses totaled \$4,007,843, which is an increase of \$150,373 from the prior year. This increase is due to increases in personnel services and utility costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the end of the year, the City's governmental funds reflect a combined fund balance of \$9,148,795. Of this, \$54,667 is nonspendable for prepaid items and \$1,906,205 is restricted for various purposes. The City has assigned \$5,270 for various special projects. Unassigned fund balance totaled \$7,182,653 as of year end.

There was a combined increase in governmental fund balances of \$1,016,173 from the prior year. The majority of this increase is related to the increase in the general fund balance.

The general fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$7,182,653, while total fund balance reached \$7,335,994. 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 137 percent of total general fund expenditures, while total fund balance represents 140 percent of the total expenditures. The general fund reported an overall increase of \$874,141 primarily due to an increase in sales tax revenue and a decrease in public works expenditures.

The debt service fund has a total fund balance of \$1,582,429, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$121,027. This increase can be attributed to an increase in property tax revenue.

Proprietary Funds – The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

There had been a planned decrease in budgeted fund balance in the amount of \$1,445,217 in the general fund. However, the net change in fund balance increased by \$874,141. There was a budgeted transfer of funds for the Rosewood water tank rehab and well project to cover expenses, however the project was not complete as of year end, contributing to the overall positive variance of \$2,319,358.

Actual general fund revenues were over amended budgeted revenues by \$692,145 during 2014. This net variance includes a positive variance from sales tax of \$371,053. Actual expenditures were lower than total budgeted amounts by \$465,665 for the fiscal year.

CAPITAL ASSETS

At the end of the year, the City's governmental and business-type activities had invested \$35,398,560 in a variety of capital assets and infrastructure, net of accumulated depreciation. This represents a net increase of \$40,802.

Major capital asset events during the year include the following:

- Improvements for first-time fire protection in Friedman's West Acres in the amount of \$480,538.
- The addition of a new sewer vacuum system in the amount of \$132,858.
- Construction in progress additions for the Rosewood Well Rehabilitation Project in the amount of \$1,042,407.

More detailed information about the City's capital assets is presented in note III.C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total general obligation bonds, certificates of obligation, and capital leases outstanding of \$22,131,485. Of this amount, \$13,120,000 was general obligation debt, certificates of obligation accounted for \$7,820,000, and capital leases totaled \$251,485.

More detailed information about the City's long-term liabilities is presented in note III.D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For fiscal year 2015, the City approved a \$13.4 million budget. The budget provides for an increase in infrastructure and operational equipment, four new positions to be added, a three percent cost of living adjustment, and a possible two percent merit pay adjustment.

Due to good fiscal management, the City's financial stability is strong. City management and the City Council are in constant review of the City's fund balance to ensure that there are sufficient funds always on hand to cover any unplanned events.

The City's sales tax and property tax revenues continue to increase and show a healthy future for the City. In addition to this, the City has several new industrial prospects interested in locating to the area that will prove to be an even greater financial asset.

CITY OF DAYTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2014

This is a good indication that the City continues to be headed in the right direction in regards to what it has to offer those desiring to relocate to southeast Texas and Liberty County.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Rudy Zepeda, Director of Finance, City of Dayton, 117 Cook Street, Dayton, Texas 77535.

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BASIC FINANCIAL STATEMENTS

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CITY OF DAYTON, TEXAS

STATEMENT OF NET POSITION

September 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	DCDC
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ 7,428,695	\$ 2,054,035	\$ 9,482,730	\$ 1,215,721
Investments	1,506,890	1,001,685	2,508,575	872,412
Receivables, net	1,125,967	446,819	1,572,786	179,021
Internal balances	733	(733)	-	-
Inventories	-	95,106	95,106	-
Prepaid items	54,667	-	54,667	-
	10,116,952	3,596,912	13,713,864	2,267,154
<u>Noncurrent Assets:</u>				
Net pension asset	55,909	13,539	69,448	-
Capital assets:				
Non-depreciable	1,384,811	1,683,100	3,067,911	-
Net depreciable capital assets	16,548,299	15,782,350	32,330,649	-
	17,989,019	17,478,989	35,468,008	-
Total Assets	28,105,971	21,075,901	49,181,872	2,267,154
<u>Deferred Outflows of Resources</u>				
Deferred charge on refunding	3,163	-	3,163	-
	3,163	-	3,163	-
<u>Liabilities</u>				
Current liabilities:				
Accounts payable and accrued liabilities	352,726	163,410	516,136	126,898
Customer deposits	-	105,580	105,580	-
Accrued interest payable	97,755	46,433	144,188	-
Unearned revenue - other	3,749	-	3,749	-
	454,230	315,423	769,653	126,898
Noncurrent liabilities:				
Due within one year	1,526,009	130,000	1,656,009	-
Due in more than one year	12,947,821	7,690,000	20,637,821	-
	14,473,830	7,820,000	22,293,830	-
Total Liabilities	14,928,060	8,135,423	23,063,483	126,898
<u>Net Position</u>				
Net investment in capital assets	3,462,443	9,645,450	13,107,893	-
Restricted for:				
Debt service	1,484,674	-	1,484,674	-
Other purposes	323,776	-	323,776	-
Economic development	-	-	-	2,140,256
Unrestricted	7,910,181	3,295,028	11,205,209	-
Total Net Position	\$ 13,181,074	\$ 12,940,478	\$ 26,121,552	\$ 2,140,256

See Notes to Financial Statements.

CITY OF DAYTON, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2014

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Governmental Activities			
General government	\$ 1,070,264	\$ -	\$ -
Public safety	2,204,452	391,963	122,225
Public works	1,315,938	64,802	481,919
Culture and recreation	581,974	-	-
Community enhancement	645,688	-	6,654
Interest and fees on debt	633,697	-	-
Total Governmental Activities	6,452,013	456,765	610,798
Business-Type Activities			
Water and sewer	3,170,831	3,096,300	-
Refuse	837,012	1,029,176	-
Total Business-Type Activities	4,007,843	4,125,476	-
Total Primary Government	\$ 10,459,856	\$ 4,582,241	\$ 610,798
Component Unit			
Dayton Community Development Corporation	\$ 593,146	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
- Investment income
- Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	DCDC
\$ (1,070,264)	\$ -	\$ (1,070,264)	\$ -
(1,690,264)	-	(1,690,264)	-
(769,217)	-	(769,217)	-
(581,974)	-	(581,974)	-
(639,034)	-	(639,034)	-
(633,697)	-	(633,697)	-
<u>(5,384,450)</u>	<u>-</u>	<u>(5,384,450)</u>	<u>-</u>
-	(74,531)	(74,531)	-
-	192,164	192,164	-
-	117,633	117,633	-
<u>(5,384,450)</u>	<u>117,633</u>	<u>(5,266,817)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (593,146)</u>
4,772,360	-	4,772,360	-
1,697,517	-	1,697,517	848,759
735,786	-	735,786	-
38,069	14,698	52,767	5,175
161,238	20,049	181,287	10
(55,313)	55,313	-	-
<u>7,349,657</u>	<u>90,060</u>	<u>7,439,717</u>	<u>853,944</u>
1,965,207	207,693	2,172,900	260,798
11,215,867	12,732,785	23,948,652	1,879,458
<u>\$ 13,181,074</u>	<u>\$ 12,940,478</u>	<u>\$ 26,121,552</u>	<u>\$ 2,140,256</u>

CITY OF DAYTON, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2014

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 5,638,127	\$ 1,570,932	\$ 219,636	\$ 7,428,695
Investments	1,506,890	-	-	1,506,890
Receivables, net	891,080	188,409	46,478	1,125,967
Due from other funds	733	11,497	-	12,230
Prepaid items	54,667	-	-	54,667
Total Assets	\$ 8,091,497	\$ 1,770,838	\$ 266,114	\$ 10,128,449
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 316,984	\$ -	\$ 35,742	\$ 352,726
Due to other funds	11,497	-	-	11,497
Unearned revenue - other	3,749	-	-	3,749
Total Liabilities	332,230	-	35,742	367,972
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	423,273	188,409	-	611,682
<u>Fund Balances</u>				
Nonspendable:				
Prepaid items	54,667	-	-	54,667
Restricted:				
Debt service	-	1,582,429	-	1,582,429
Municipal court	20,690	-	-	20,690
Public safety	3,937	-	-	3,937
PEG fees	68,777	-	-	68,777
Tourism	-	-	230,372	230,372
Assigned:				
Special projects	5,270	-	-	5,270
Unassigned	7,182,653	-	-	7,182,653
Total Fund Balances	7,335,994	1,582,429	230,372	9,148,795
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,091,497	\$ 1,770,838	\$ 266,114	\$ 10,128,449

See Notes to Financial Statements.

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CITY OF DAYTON, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION

September 30, 2014

Total fund balances – total governmental funds	\$ 9,148,795
--	--------------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable	1,384,811
Capital assets - net depreciable	16,548,299

The net pension asset is not an available resource and, therefore, is not reported in the governmental funds.	55,909
---	--------

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	611,682
---	---------

Some liabilities, including bonds payable, are not reported as liabilities in the governmental funds.

Accrued interest payable	(97,755)
Non-current liabilities due in one year	(1,526,009)
Non-current liabilities due in more than one year	(12,947,821)
Deferred charge on refunding	3,163

Net Position of Governmental Activities	<u>\$ 13,181,074</u>
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See Notes to Financial Statements.

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CITY OF DAYTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2014

	General	Debt Service	Nonmajor Funds	Total Governmental Funds
Revenues				
Property tax	\$ 2,997,516	\$ 1,785,847	\$ -	\$ 4,783,363
Sales tax	1,697,517	-	-	1,697,517
Franchise and local taxes	375,638	-	95,054	470,692
Licenses and permits	64,802	-	-	64,802
Intergovernmental	123,606	-	480,538	604,144
Fines and forfeitures	255,716	-	-	255,716
Charges for services	136,247	-	-	136,247
Investment income	30,779	6,691	599	38,069
Contributions and donations	6,654	-	-	6,654
Payments in lieu of taxes	265,094	-	-	265,094
Other revenue	161,238	-	-	161,238
Total Revenues	6,114,807	1,792,538	576,191	8,483,536
Expenditures				
Current:				
General government	1,078,878	-	-	1,078,878
Public safety	2,151,798	-	-	2,151,798
Public works	1,124,174	-	-	1,124,174
Culture and recreation	375,242	-	-	375,242
Community enhancement	134,374	-	517,587	651,961
Civic center	376,200	-	-	376,200
Tourism promotion	-	-	37,599	37,599
Debt service:				
Principal	-	1,445,000	-	1,445,000
Interest and fiscal charges	-	651,736	-	651,736
Total Expenditures	5,240,666	2,096,736	555,186	7,892,588
Excess (Deficiency) of Revenues Over (Under) Expenditures	874,141	(304,198)	21,005	590,948
Other Financing Sources (Uses)				
Transfers in	-	425,225	-	425,225
Total Other Financing Sources	-	425,225	-	425,225
Net Change in Fund Balances	874,141	121,027	21,005	1,016,173
Beginning fund balances	6,461,853	1,461,402	209,367	8,132,622
Ending Fund Balances	\$ 7,335,994	\$ 1,582,429	\$ 230,372	\$ 9,148,795

See Notes to Financial Statements.

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CITY OF DAYTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2014

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

Net changes in fund balances - total governmental funds	\$ 1,016,173
---	--------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	316,316
Depreciation expense	(848,828)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(11,003)
--	----------

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Accrued interest	7,234
Principal expenditures	1,474,568
Deferred charges	10,805
Net pension asset	(58)

Change in Net Position of Governmental Activities	\$ 1,965,207
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See Notes to Financial Statements.

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CITY OF DAYTON, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2014

	Water and Sewer	Refuse	Total Funds
<u>Assets</u>			
Current Assets			
Cash and cash equivalents	\$ 1,097,124	\$ 956,911	\$ 2,054,035
Investments	1,001,685	-	1,001,685
Receivables, net	328,228	118,591	446,819
Inventories	95,106	-	95,106
Total Current Assets	2,522,143	1,075,502	3,597,645
Noncurrent Assets			
Net pension asset	12,046	1,493	13,539
Capital assets:			
Non-depreciable	1,656,915	26,185	1,683,100
Net depreciable capital assets	15,774,631	7,719	15,782,350
Total Noncurrent Assets	17,443,592	35,397	17,478,989
Total Assets	19,965,735	1,110,899	21,076,634
<u>Liabilities</u>			
Current Liabilities			
Accounts payable and accrued liabilities	148,541	14,869	163,410
Due to other funds	733	-	733
Customer deposits	105,580	-	105,580
Accrued interest payable	46,433	-	46,433
Total Current Liabilities	301,287	14,869	316,156
Noncurrent Liabilities			
Due within one year	130,000	-	130,000
Due in more than one year	7,690,000	-	7,690,000
Total Liabilities	8,121,287	14,869	8,136,156
<u>Net Position</u>			
Net investment in capital assets	9,611,546	33,904	9,645,450
Unrestricted	2,232,902	1,062,126	3,295,028
Total Net Position	\$ 11,844,448	\$ 1,096,030	\$ 12,940,478

See Notes to Financial Statements.

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CITY OF DAYTON, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For the Year Ended September 30, 2014

	Water and Sewer	Refuse	Total Funds
<u>Operating Revenues</u>			
Water and sewer charges	\$ 3,096,300	\$ -	\$ 3,096,300
Sanitation	-	1,029,176	1,029,176
Other services	19,989	60	20,049
Total Operating Revenues	3,116,289	1,029,236	4,145,525
<u>Operating Expenses</u>			
Personnel services	765,113	82,894	848,007
Services	174,217	734,173	908,390
Supplies	158,699	9,590	168,289
Utilities	302,306	2,271	304,577
Repairs and maintenance	244,899	7,292	252,191
Depreciation	1,201,709	785	1,202,494
Miscellaneous	37,386	7	37,393
Total Operating Expenses	2,884,329	837,012	3,721,341
Operating Income	231,960	192,224	424,184
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	11,368	3,330	14,698
Interest expense	(286,502)	-	(286,502)
Total Nonoperating Revenues (Expenses)	(275,134)	3,330	(271,804)
Income Before Transfers and Capital Contributions	(43,174)	195,554	152,380
Capital contribution	480,538	-	480,538
Transfers (out)	(425,225)	-	(425,225)
Total Transfers and Capital Contributions	55,313	-	55,313
Change in Net Position	12,139	195,554	207,693
Beginning net position	11,832,309	900,476	12,732,785
Ending Net Position	\$ 11,844,448	\$ 1,096,030	\$ 12,940,478

See Notes to Financial Statements.

CITY OF DAYTON, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2014

	Water and Sewer	Refuse	Total Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 3,163,996	\$ 1,030,085	\$ 4,194,081
Payments to suppliers	(1,236,566)	(752,973)	(1,989,539)
Payments to employees	(765,495)	(83,057)	(848,552)
Net Cash Provided by Operating Activities	1,161,935	194,055	1,355,990
<u>Cash Flows from Noncapital Financing Activities</u>			
Operating transfer (out)	(425,225)	-	(425,225)
Net Cash (Used) by Noncapital Financing Activities	(425,225)	-	(425,225)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Capital purchases	(1,295,270)	-	(1,295,270)
Principal paid on capital debt	(120,000)	-	(120,000)
Interest paid on capital debt	(286,502)	-	(286,502)
Net Cash (Used) by Capital and Related Financing Activities	(1,701,772)	-	(1,701,772)
<u>Cash Flows from Investing Activities</u>			
Purchase of investments	(1,685)	-	(1,685)
Interest on investments	11,368	3,330	14,698
Net Cash Provided by Investing Activities	9,683	3,330	13,013
Net Increase (Decrease) in Cash and Cash Equivalents	(955,379)	197,385	(757,994)
Beginning cash and cash equivalents	2,052,503	759,526	2,812,029
Ending Cash and Cash Equivalents	\$ 1,097,124	\$ 956,911	\$ 2,054,035

CITY OF DAYTON, TEXAS

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2014

	Water and Sewer	Refuse	Total Funds
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided (Used) by Operating Activities</u>			
Operating income	\$ 231,960	\$ 192,224	\$ 424,184
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,201,709	785	1,202,494
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	41,034	849	41,883
Net pension asset	(382)	(163)	(545)
Inventories	51,083	-	51,083
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(370,875)	360	(370,515)
Due to other funds	733	-	733
Customer deposits	6,673	-	6,673
Net Cash Provided by Operating Activities	\$ 1,161,935	\$ 194,055	\$ 1,355,990

See Notes to Financial Statements.

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CITY OF DAYTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
September 30, 2014

		<u>Employee Benefits Trust</u>
<u>Assets</u>		
Cash and cash equivalents	\$	3,634
Receivables, net		988
Total Assets		<u>4,622</u>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$	675
Total Liabilities		<u>675</u>
<u>Net Position</u>		
Held in trust for insurance benefits and other purposes		3,947
Total Liabilities and Net Position	\$	<u>4,622</u>

See Notes to Financial Statements.

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CITY OF DAYTON, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND

For the Year Ended September 30, 2014

	Employee Benefits Trust
<u>Additions</u>	
Contributions:	
Employer	\$ 517,718
Employee	259,569
Interest	1,073
Total Additions	778,360
 <u>Deductions</u>	
Benefits	774,486
Total Deductions	774,486
Change in Net Position	3,874
Beginning net position	73
Ending Net Position	\$ 3,947

See Notes to Financial Statements.

CITY OF DAYTON, TEXAS

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Dayton, Texas (the “City”) is a Home Rule City. The City operates under a “Mayor-Council” form of government and provides services authorized by its charter. Presently, these services include: public safety (police, fire, EMS), public works (street and park maintenance), culture and recreation, community enhancement, and general administrative services.

The City Council is the principal legislative body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City’s financial reporting entity. The Dayton Community Development Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City’s reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City’s financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Dayton Community Development Corporation

Dayton Community Development Corporation (the “Corporation”) has been included in the reporting entity as a discretely presented component unit. The mission of the Corporation is to promote economic development within the City and surrounding areas. The Board is composed of 11 members, seven of whom are voting members and four of whom are “advisory directors” who cannot vote on any action of the Corporation. Not more than three members of the Board may be a member of City Council or any other officer or employee of the City. As a discretely presented component unit, the Corporation is reported in a separate column in the basic financial statements to emphasize that it is legally separate from the City. The Corporation has a September 30 year end.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Financial statements for the Corporation may be obtained by contacting Rudy Zepeda, Director of Finance, City of Dayton, 117 Cook Street, Dayton, Texas 77535.

B. 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 and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary 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. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, culture and recreation, and community enhancement. The general fund is considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

The *special revenue funds* are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt service or capital projects. The hotel and motel tax and community development block grant special revenue funds are considered non-major for reporting purposes.

The City reports the following enterprise funds:

The *enterprise funds* are used to account for the operations that provide water and wastewater collection, wastewater treatment operations and the operations that provide garbage services to the public. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The water and sewer fund and refuse fund are considered major funds for reporting purposes.

Additionally, the City reports the following fund type:

The *fiduciary fund* accounts for activities of the Blue Cross Blue Shield medical insurance and the Lincoln Life group life and dental insurance, which accumulates resources for payments to qualified City employees. Members of City Council are the trustees, or fiduciaries, for the employees' benefits trust fund.

During the course of operations, the City 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 so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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 included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide, proprietary fund, and fiduciary fund 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 a liability is incurred, regardless of the

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

2. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of supplies for infrastructure repairs and maintenance. The cost of such inventories is recorded as expenditure/expenses when consumed rather than when purchased.

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Vehicles	5 to 7 years
Furniture and equipment	5 to 7 years
Water and sewer system	30 to 40 years
Buildings and improvements	50 years

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not*

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with interest earned in the debt service fund.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

7. Net Position Flow Assumption

Sometimes the City 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the City 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 City'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 balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City 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 City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only 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. Estimates

The preparation 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

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 (including special assessments) 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 during September of each year, are due upon receipt of the City's tax bill, and become delinquent on January 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget as defined by the charter is the department level in the general fund and all others are the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year ended.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 2,512,421	0.24
Portfolio weighted average maturity		0.24

As of September 30, 2014, the Corporation had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposit	\$ 872,907	0.14
Portfolio weighted average maturity		0.14

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 103 percent. As of September 30, 2014, market values of pledged securities and FDIC coverage did not sufficiently cover bank balances by \$9,545 for City accounts and \$975,201 for the Corporation’s accounts.

B. Receivables

The following comprise receivable balances at year end for governmental and enterprise funds:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Component Unit</u>	<u>Water and Sewer</u>	<u>Refuse</u>
Property tax	\$ 423,273	\$ 188,409	\$ -	\$ -	\$ -	\$ -
Sales tax	358,799	-	-	179,021	-	-
Other tax	99,564	-	-	-	-	-
Accounts	-	-	-	-	341,390	120,130
Other	9,444	-	46,478	-	343	-
Less allowance	-	-	-	-	(13,505)	(1,539)
	<u>\$ 891,080</u>	<u>\$ 188,409</u>	<u>\$ 46,478</u>	<u>\$ 179,021</u>	<u>\$ 328,228</u>	<u>\$ 118,591</u>

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

C. Capital Assets

A summary of changes in governmental capital assets for the year end was as follows:

	Beginning Balance	Increases	(Decreases)/ (Reclasses)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,384,811	\$ -	\$ -	\$ 1,384,811
Total capital assets, not being depreciated	1,384,811	-	-	1,384,811
Other capital assets:				
Infrastructure	4,139,995	78,276	-	4,218,271
Buildings and improvements	13,600,721	-	-	13,600,721
Machinery and equipment	4,244,488	238,040	-	4,482,528
Total other capital assets	21,985,204	316,316	-	22,301,520
Less accumulated depreciation for:				
Infrastructure	(568,379)	(144,713)	-	(713,092)
Buildings and improvements	(1,678,038)	(300,003)	-	(1,978,041)
Machinery and equipment	(2,657,976)	(404,112)	-	(3,062,088)
Total accumulated depreciation	(4,904,393)	(848,828)	-	(5,753,221)
Other capital assets, net	17,080,811	(532,512)	-	16,548,299
Governmental Activities Capital Assets, Net	\$ 18,465,622	\$ (532,512)	\$ -	17,933,110
			Less debt associated with capital assets	(14,473,830)
			Plus deferred charge on refunding	3,163
			Net investment in capital assets	\$ 3,462,443

Depreciation was charged to governmental functions as follows:

General government	\$ 38,613
Public safety	168,114
Public works	270,040
Culture and recreation	253,455
Community enhancement	118,606
Total Governmental Activities Depreciation Expense	\$ 848,828

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

A summary of changes in business-type capital assets for the year end was as follows:

	Beginning Balance	Increases	(Decreases)/ (Reclasses)	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 107,408	\$ -	\$ -	\$ 107,408
Construction in progress	533,285	1,042,407	-	1,575,692
Total capital assets not being depreciated	640,693	1,042,407	-	1,683,100
Other capital assets:				
Building and improvements	333,262	-	-	333,262
Machinery and equipment	1,348,918	137,983	-	1,486,901
Water and sewer system	27,233,294	595,418	-	27,828,712
Total other capital assets	28,915,474	733,401	-	29,648,875
Less accumulated depreciation for:				
Building and improvements	(115,094)	(8,960)	-	(124,054)
Machinery and equipment	(945,939)	(95,092)	-	(1,041,031)
Water and sewer system	(11,602,998)	(1,098,442)	-	(12,701,440)
Total accumulated depreciation	(12,664,031)	(1,202,494)	-	(13,866,525)
Other capital assets, net	16,251,443	(469,093)	-	15,782,350
Business-Type Activities Capital Assets, Net	\$ 16,892,136	\$ 573,314	\$ -	17,465,450
			Less associated debt	(7,820,000)
			Net investment in capital assets	\$ 9,645,450

Depreciation was charged to business-type functions as follows:

Water and sewer	\$ 1,201,709
Refuse	785
Total Business-Type Activities Depreciation Expense	\$ 1,202,494

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

D. Long-Term Debt

The following is a summary of changes in the City's long-term liabilities for the year ended. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds	\$ 14,110,000	\$ -	\$ 990,000	\$ 13,120,000 *	\$ 1,025,000
Tax anticipation notes	1,395,000	-	455,000	940,000 *	470,000
Plus deferred amounts:					
Issuance premiums	173,941	-	11,596	162,345 *	-
Capital leases	281,053	-	29,568	251,485 *	31,009
Total Governmental Activities	\$ 15,959,994	\$ -	\$ 1,486,164	\$ 14,473,830	\$ 1,526,009
Long-term liabilities due in more than one year				\$ 12,947,821	
*Debt associated with governmental activity capital assets				\$ 14,473,830	
Business-Type Activities:					
Certificates of obligation	\$ 7,940,000	\$ -	\$ 120,000	\$ 7,820,000 **	\$ 130,000
Total Business-Type Activities	\$ 7,940,000	\$ -	\$ 120,000	\$ 7,820,000	\$ 130,000
Long-term liabilities due in more than one year				\$ 7,690,000	
**Debt associated with capital assets				\$ 7,820,000	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Long-term debt at year end was comprised of the following debt issues:

Description	Original Borrowing	Interest Rates	Balance
Governmental Activities:			
General Obligation Bonds			
2008 general obligation refunding bonds	\$ 3,260,000	3.35%	\$ 1,160,000
2008 general obligation bonds	13,255,000	3.25-5.25%	11,960,000
	Total General Obligation Bonds		13,120,000
Tax Anticipation Notes			
2012 tax anticipation notes	\$ 700,000	0.54-2.00%	585,000
2009 tax anticipation notes	2,255,000	2.55-4.20%	355,000
	Total Tax Anticipation Notes		940,000
Capital Leases	\$ 335,000	2.6-3.5%	251,485
	Total Governmental Activities Long-Term Debt		\$ 1,191,485
Business-Type Activities:			
Certificates of Obligation			
2006 certificates of obligation	\$ 8,500,000	2.95-3.85%	\$ 7,820,000
	Total Business-Type Activities Long-Term Debt		\$ 7,820,000

The annual requirements to amortize debt issues outstanding at year end were as follows:

Year Ending Sept. 30	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Tax Anticipation Notes		Certificates of Obligation	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,025,000	\$ 599,670	\$ 470,000	\$ 22,367	\$ 130,000	\$ 282,643
2016	1,070,000	544,453	115,000	6,450	130,000	278,320
2017	1,050,000	503,233	115,000	5,128	195,000	272,828
2018	715,000	466,471	120,000	3,390	555,000	259,939
2019	745,000	434,188	120,000	1,200	575,000	240,303
2020-2024	4,260,000	1,640,663	-	-	3,210,000	872,340
2025-2028	4,255,000	461,606	-	-	3,025,000	235,803
Total	\$ 13,120,000	\$ 4,650,283	\$ 940,000	\$ 38,535	\$ 7,820,000	\$ 2,442,174

General obligation bonds, tax anticipation notes, and certificates of obligation are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds, certificates of obligation, and tax anticipation notes are from taxes levied on all taxable property located within the City. The City has issued debt for the purpose of capital asset acquisition and infrastructure improvements.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Annual debt service requirements to retire outstanding capital leases are as follows:

Year Ending <u>Sept. 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 31,009	\$ 12,251
2016	32,519	10,740
2017	34,103	9,156
2018	35,764	7,495
2019	37,507	5,752
2020-2021	80,583	5,935
Totals	\$ 251,485	\$ 51,329

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Assets:	
Machinery and equipment	\$ 335,000
Less: accumulated depreciation	(46,063)
Total	288,937

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the City could result. The City periodically engages an arbitrage consultant to perform the calculations in accordance with the rules and regulations of the IRS.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

E. Interfund Transactions

Transfers between the primary government funds during the 2014 fiscal year were as follows:

	Transfers In	Transfers Out
Governmental Funds:		
Individual major governmental funds:		
Debt service	\$ 425,225	\$ -
Total Governmental Funds	425,225	-
 Enterprise Funds:		
Individual major enterprise funds:		
Water and sewer	-	425,225
Total Enterprise Funds	-	425,225
 Total Transfers	\$ 425,225	\$ 425,225

Amounts transferred between funds relate to amounts collected by general, debt service and enterprise funds for various governmental expenditures and debt payments.

The composition of interfund balances as of year end is as follows:

Receivable Fund	Payable Fund	Amounts
Debt service	General	\$ 11,497
General	Water sewer	733
		\$ 12,230

Amounts recorded as “due to/from” are considered to be temporary loans and will be repaid during the following year.

F. Fund Equity/Net Position

Funds restricted by enabling legislation are \$20,690, \$3,937, \$68,777, and \$230,372 related to municipal court security, public safety, PEG fees, and tourism, respectively.

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League’s Intergovernmental Risk Pools (the “Pool”). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

Chapter 380 Economic Development Agreements

Chapter 380 of the Texas Local Government Code, *Miscellaneous Provisions Relating to Municipal Planning and Development*, provides the authority to the governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality.

In November 2014, the City approved a Chapter 380 Economic Development Agreement with Jess-John, Inc. The developer plans to construct residential housing which will require the development of infrastructure for City services for the tract of land within the City. The City has agreed to pay the developer up to one half of the cost of improvements, not to exceed \$674,530.

C. Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and Required Supplementary Information for TMRS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained from TMRS' website at www.TMRS.com.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	<u>2014</u>	<u>2013</u>
Employee deposit rate	7.00%	7.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	0% Repeating, Transfers	0% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percentage of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The annual pension cost and the net pension obligation (asset) are as follows:

Annual required contribution (ARC)	\$ 170,209
Interest on net pension asset (NPA)	(4,827)
Adjustment to the ARC	4,340
Annual pension cost (APC)	<u>169,722</u>
Contributions made	<u>(170,209)</u>
Increase in NPA	(487)
NPA-beginning of year	<u>(68,961)</u>
NPA-end of year	<u><u>\$ (69,448)</u></u>

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Three-year trend information for the annual pension cost (APC) is as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Contribution Made</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation/ (Asset)</u>
2012	\$ 187,625	\$ 188,291	100.35%	\$ (68,380)
2013	\$ 154,741	\$ 155,322	100.38%	\$ (68,961)
2014	\$ 169,722	\$ 170,209	100.29%	\$ (69,448)

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Remaining Amortization Period	30.0 Years - Closed period	25.5 Years - Closed period	25.4 Years - Closed period
Amortization Period for New Gains/Losses	30 Years	30 Years	30 Years
Asset Valuation Method	10 - year smoothed market	10 - year smoothed market	10 - year smoothed market
Investment Rate of Return	7.0%	7.0%	7.0%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation at Cost of Living Adjustments	3.00%	3.00%	3.00%
	0.0%	0.0%	0.0%

Funded Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 TMRS Comprehensive Annual Financial Report.

The funded status as of December 31, 2013, the most recent valuation date, is as follows:

	<u>2014</u>
Actuarial Valuation Date	12/31/2013
Actuarial Value of Assets	\$ 4,926,166
Actuarial Accrued Liability	\$ 5,644,054
Percentage Funded	87.3%
Unfunded Actuarial	
Accrued Liability (UAAL)	\$ 717,888
Annual Covered Payroll	\$ 3,013,752
UAAL as a Percentage of Covered Payroll	23.8%

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

2. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the “Plan”) created in accordance with the Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. Total participant contributions were approximately \$13,395 for the year ended September 30, 2014. The City does not contribute to the Plan.

The City has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The assets of the Plan have not been included in the City’s financial statements.

3. Volunteer Firemen’s Relief and Retirement Pension Trust Fund/Texas Statewide Emergency Service Personnel Retirement Fund

On August 31, 2014 the City transferred the Firemen’s Pension Trust to the Texas Emergency Services Retirement System.

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2014, there were 198 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

On August 31, 2014, the pension system membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,073
Terminated Members Entitled to Benefits but Not Yet Receiving Them	2,161
Active Participants (Vested and Nonvested)	4,036

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50 percent vested after the tenth year of service, with the vesting percent increasing 10 percent for each of the next five years of service so that a member becomes 100 percent vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2 percent compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15 percent), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was zero percent, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated \$1,530,343 for the fiscal year ending August 31, 2014.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in subsection D below.

The actuarial valuation as of August 31, 2014 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the State. The expected contributions from the State are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014 the actuarial liabilities exceeded the actuarial assets by \$26,093,761.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Actuarial assumptions and methods as of the latest actuarial valuation, August 31, 2014, also follows:

	<u>2014</u>
Actuarial Valuation Date	8/31/2014
Actuarial Cost Method	Entry Age
Amortization Method	Level Dollar, Open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Investment Rate of Return	7.75% per year net of investment expenses
Projected Salary Increases	N/A
Includes Inflation at	3.50%
Cost of Living Adjustments	None

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

A report may be obtained by writing the office of the fire fighters' pension commissioner, P.O. Box 12577, Austin, TX 78711-2577.

Other Post Employment Benefits

TMRS Supplemental Death Benefit Fund

Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund. For the year ended September 30, 2014, the City offered the supplemental death benefit to both active and retired employees.

CITY OF DAYTON, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2014

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contribution to the TMRS SDBF for the fiscal years ended 2014, 2013, and 2012 were \$910, \$890, and \$938, respectively. The City's contribution rates for the past three years are shown below.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual Req. Contrib. (Rate)	0.03%	0.03%	0.03%
Actual Contribution Made	0.03%	0.03%	0.03%
Percentage of ARC Contrib.	100.00%	100.00%	100.00%

D. Subsequent Event

On March 16, 2015, the City approved the issuance of certificates of obligations in the amount of \$7,000,000 with a target sale date of May 4, 2015. The purpose of the certificates of obligation is for the construction of a new public safety building.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAYTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u> <u>Budget</u>	<u>Budget as</u> <u>Amended</u>		<u>with Final</u> <u>Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Property tax	\$ 3,063,657	\$ 3,063,657	\$ 2,997,516	\$ (66,141)
Sales tax	1,326,464	1,326,464	1,697,517	371,053
Franchise and local taxes	427,200	427,200	375,638	(51,562)
Licenses and permits	30,250	30,250	64,802	34,552
Intergovernmental	-	2,548	123,606	121,058
Fines and forfeitures	243,343	243,343	255,716	12,373
Charges for services	117,400	117,400	136,247	18,847
Investment income	18,400	18,400	30,779	12,379
Contributions and donations	-	-	6,654	6,654
Payments in lieu of taxes	170,000	170,000	265,094	95,094
Other revenue	23,400	23,400	161,238	137,838
Total Revenues	<u>5,420,114</u>	<u>5,422,662</u>	<u>6,114,807</u>	<u>692,145</u>
Expenditures				
Current:				
General government	1,341,478	1,337,071	1,078,878	258,193
Public safety	2,190,070	2,181,475	2,151,798	29,677
Public works	1,268,591	1,220,768	1,124,174	96,594
Culture and recreation	375,414	431,250	375,242	56,008
Community enhancement	152,227	154,816	134,374	20,442
Civic center	358,206	380,951	376,200	4,751
Total Expenditures	<u>5,685,986</u>	<u>5,706,331</u>	<u>5,240,666</u>	<u>465,665</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(265,872)</u>	<u>(283,669)</u>	<u>874,141</u>	<u>1,157,810</u>
Other Financing Sources (Uses)				
Transfers (out)	(1,175,000)	(1,161,548)	-	1,161,548
Net Change in Fund Balance	<u>\$ (1,440,872)</u>	<u>\$ (1,445,217)</u>	<u>874,141</u>	<u>\$ 2,319,358</u>
Beginning fund balance			6,461,853	
Ending Fund Balance			<u>\$ 7,335,994</u>	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF DAYTON, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2014

Fiscal Year	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarial Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Value of Assets	\$ 4,926,166	\$ 4,493,201	\$ 3,995,813
Actuarial Accrued Liability (AAL)	\$ 5,644,054	\$ 5,066,735	\$ 4,669,323
Percentage Funded	87.3%	88.7%	85.6%
Unfunded AAL	\$ 717,888	\$ 573,534	\$ 673,510
Annual Covered Payroll	\$ 3,013,752	\$ 2,843,107	\$ 2,822,712
UAAL % of Covered Payroll	23.8%	20.2%	23.9%
Net Pension Obligation (NPO)/(Asset)			
(NPA) at the Beginning of Period	\$ (68,961)	\$ (68,380)	\$ (67,714)
Annual Pension Cost (APC)	169,722	154,741	187,625
Contributions Made	170,209	155,322	188,291
NPA at the End of Period	<u>\$ (69,448)</u>	<u>\$ (68,961)</u>	<u>\$ (68,380)</u>

CITY OF DAYTON, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM
For the Year Ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (1) (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Total Members Covered (c)	UAAL Per Member Covered [(b-a)/c]
8/31/10 (3)	\$ 64,113,803	\$ 81,264,230	\$ 17,150,427	78.9%	8,644	\$ 1,984
8/31/12 (2)	\$ 67,987,487	\$ 101,856,042	\$ 33,868,555	66.7%	9,448	\$ 3,585
8/31/14	\$ 83,761,038	\$ 109,854,799	\$ 26,093,761	76.2%	9,270	\$ 2,815

- (1) The actuarial accrued liability is based upon the entry age actuarial cost method.
(2) Changes in actuarial assumptions were reflectes in this valuation.
(3) Changes in an actuarial assumption and method were reflected in this valuation.

***COMBINING STATEMENTS
AND INDIVIDUAL FUND SCHEDULE***

CITY OF DAYTON, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2014

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original Budget</u>	<u>Budget as Amended</u>		
<u>Revenues</u>				
Property tax	\$ 1,709,902	\$ 1,709,902	\$ 1,785,847	\$ 75,945
Investment income	7,750	7,750	6,691	(1,059)
Total Revenues	<u>1,717,652</u>	<u>1,717,652</u>	<u>1,792,538</u>	<u>74,886</u>
<u>Expenditures</u>				
Principal	1,445,000	1,445,000	1,445,000	-
Interest and fiscal charges	652,798	652,798	651,736	1,062
Total Expenditures	<u>2,097,798</u>	<u>2,097,798</u>	<u>2,096,736</u>	<u>1,062</u>
(Deficiency) of Revenues (Under) Expenditures	<u>(380,146)</u>	<u>(380,146)</u>	<u>(304,198)</u>	<u>73,824</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	425,225	425,225	425,225	-
Total Other Financing Sources	<u>425,225</u>	<u>425,225</u>	<u>425,225</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 45,079</u>	<u>\$ 45,079</u>	121,027	<u>\$ 73,824</u>
Beginning fund balance			<u>1,461,402</u>	
Ending Fund Balance			<u>\$ 1,582,429</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Hotel and Motel Tax Fund

The hotel/motel tax fund accounts for revenues derived from the City's hotel/motel tax for which the expenditures are legally restricted for enhancement and promotion of tourism for the convention and hotel industry within the City and vicinity.

Community Development Fund

The community development fund accounts for revenues received from the Community Development Block Grant and the expenditures related to the projects.

CITY OF DAYTON, TEXAS

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2014

	Special Revenue		
	Hotel and Motel Tax	Community Development	Total Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 219,636	\$ -	\$ 219,636
Receivables, net	10,911	35,567	46,478
Total Assets	\$ 230,547	\$ 35,567	\$ 266,114
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable and accrued liabilities	\$ 175	\$ 35,567	\$ 35,742
Total Liabilities	175	35,567	35,742
 Fund Balances			
Restricted:			
Tourism	230,372	-	230,372
Total Fund Balances	230,372	-	230,372
Total Liabilities and Fund Balances	\$ 230,547	\$ 35,567	\$ 266,114

CITY OF DAYTON, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2014

	<u>Special Revenue</u>		<u>Total Funds</u>
	<u>Hotel and Motel Tax</u>	<u>Community Development</u>	
Revenues			
Franchise and local taxes	\$ 95,054	\$ -	\$ 95,054
Intergovernmental	-	480,538	480,538
Investment income	599	-	599
Total Revenues	<u>95,653</u>	<u>480,538</u>	<u>576,191</u>
Expenditures			
Community enhancement	37,049	480,538	517,587
Tourism promotion	37,599	-	37,599
Total Expenditures	<u>74,648</u>	<u>480,538</u>	<u>555,186</u>
Net Change in Fund Balances	21,005	-	21,005
Beginning fund balances	<u>209,367</u>	<u>-</u>	<u>209,367</u>
Ending Fund Balances	<u>\$ 230,372</u>	<u>\$ -</u>	<u>\$ 230,372</u>

STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the City's overall financial health.

Contents	Page
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Financial Trends	88
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	98
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These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.

Debt Capacity	106
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These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	117
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	121
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF DAYTON, TEXAS

NET POSITION BY COMPONENT

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities				
Net investment in capital assets	\$ (4,611,875)	\$ (2,977,272)	\$ 575,833	\$ (1,049,374)
Restricted	922,072	1,117,600	1,182,072	1,327,555
Unrestricted	1,735,806	2,728,071	1,681,688	4,730,849
Total Governmental Activities Net Position	\$ (1,953,997)	\$ 868,399	\$ 3,439,593	\$ 5,009,030
 Business-Type Activities				
Net investment in capital assets	\$ 10,287,537	\$ 9,795,277	\$ 9,041,108	\$ 7,306,107
Unrestricted	572,322	547,455	1,360,207	3,720,126
Total Business-Type Activities Net Position	\$ 10,859,859	\$ 10,342,732	\$ 10,401,315	\$ 11,026,233
 Primary Government				
Net investment in capital assets	\$ 5,675,662	\$ 6,818,005	\$ 9,616,941	\$ 6,256,733
Restricted	922,072	1,117,600	1,182,072	1,327,555
Unrestricted	2,308,128	3,275,526	3,041,895	8,450,975
Total Primary Government Net Position	\$ 8,905,862	\$ 11,211,131	\$ 13,840,908	\$ 16,035,263

Fiscal Year

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ (902,044)	\$ (368,043)	\$ 925,703	\$ 1,445,839	\$ 2,509,582	\$ 3,462,443
1,259,021	1,846,613	1,616,547	1,675,266	1,623,984	1,808,450
4,751,826	4,415,092	4,868,753	6,069,598	7,082,301	7,910,181
<u>\$ 5,108,803</u>	<u>\$ 5,893,662</u>	<u>\$ 7,411,003</u>	<u>\$ 9,190,703</u>	<u>\$ 11,215,867</u>	<u>\$ 13,181,074</u>
\$ 8,259,046	\$ 8,645,703	\$ 9,359,270	\$ 9,194,380	\$ 8,952,136	\$ 9,645,450
5,197,908	4,668,024	4,512,879	4,667,522	3,780,649	3,295,028
<u>\$ 13,456,954</u>	<u>\$ 13,313,727</u>	<u>\$ 13,872,149</u>	<u>\$ 13,861,902</u>	<u>\$ 12,732,785</u>	<u>\$ 12,940,478</u>
\$ 7,357,002	\$ 8,277,660	\$ 10,284,973	\$ 10,640,219	\$ 11,461,718	\$ 13,107,893
1,259,021	1,846,613	1,616,547	1,675,266	1,623,984	1,808,450
9,949,734	9,083,116	9,381,632	10,737,120	10,862,950	11,205,209
<u>\$ 18,565,757</u>	<u>\$ 19,207,389</u>	<u>\$ 21,283,152</u>	<u>\$ 23,052,605</u>	<u>\$ 23,948,652</u>	<u>\$ 26,121,552</u>

CITY OF DAYTON, TEXAS

CHANGES IN NET POSITION

Last Ten Years

(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities				
General government	\$ 766,969	\$ 729,647	\$ 673,152	\$ 3,003,337
Public safety	687,341	1,255,664	1,357,366	1,320,013
Public works	1,379,919	935,816	989,327	853,850
Culture and recreation	206,944	269,118	268,213	275,348
Community enhancement	78,339	453,564	113,637	287,451
Interest and fees on debt	304,544	281,815	297,801	282,937
Total Governmental Activities Expenses	<u>3,424,056</u>	<u>3,925,624</u>	<u>3,699,496</u>	<u>6,022,936</u>
Business-Type Activities				
Water and sewer	1,984,562	2,063,671	2,431,526	2,381,794
Refuse	709,074	743,411	792,901	775,730
Total Business-Type Activities Expenses	<u>2,693,636</u>	<u>2,807,082</u>	<u>3,224,427</u>	<u>3,157,524</u>
Total Expenses	<u>\$ 6,117,692</u>	<u>\$ 6,732,706</u>	<u>\$ 6,923,923</u>	<u>\$ 9,180,460</u>
Program Revenues				
Governmental activities				
Charges for services				
Public safety	116,253	242,737	235,580	250,268
Public works	43,153	33,242	52,028	33,832
Operating grants and contributions	6,683	846,504	51,322	1,056,590
Total Governmental Activities Program Revenues	<u>166,089</u>	<u>1,122,483</u>	<u>338,930</u>	<u>1,340,690</u>
Business-Type Activities				
Charges for services				
Water and sewer	1,769,865	2,062,000	2,543,513	3,062,084
Refuse	646,239	701,287	813,308	869,261
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>2,416,104</u>	<u>2,763,287</u>	<u>3,356,821</u>	<u>3,931,345</u>
Total Program Revenues	<u>\$ 2,582,193</u>	<u>\$ 3,885,770</u>	<u>\$ 3,695,751</u>	<u>\$ 5,272,035</u>
Net (Expense)/Revenue				
Governmental activities	\$ (3,257,967)	\$ (2,803,141)	\$ (3,360,566)	\$ (4,682,246)
Business-type activities	(277,532)	(43,795)	132,394	773,821
Total Net Expense	<u>\$ (3,535,499)</u>	<u>\$ (2,846,936)</u>	<u>\$ (3,228,172)</u>	<u>\$ (3,908,425)</u>

Fiscal Year

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 1,676,685	\$ 1,680,540	\$ 966,880	\$ 1,078,921	\$ 1,020,821	\$ 1,070,264
1,330,407	1,996,880	2,005,207	2,117,615	2,174,567	2,204,452
801,733	1,023,098	1,422,006	1,151,412	1,317,655	1,315,938
389,495	475,913	631,215	598,987	595,737	581,974
113,837	782,221	870,551	655,102	576,481	645,688
943,998	937,955	776,729	722,249	681,460	633,697
<u>5,256,155</u>	<u>6,896,607</u>	<u>6,672,588</u>	<u>6,324,286</u>	<u>6,366,721</u>	<u>6,452,013</u>
2,405,119	2,822,889	3,150,636	3,225,967	3,019,288	3,170,831
783,072	795,252	860,456	765,371	838,182	837,012
<u>3,188,191</u>	<u>3,618,141</u>	<u>4,011,092</u>	<u>3,991,338</u>	<u>3,857,470</u>	<u>4,007,843</u>
<u>\$ 8,444,346</u>	<u>\$ 10,514,748</u>	<u>\$ 10,683,680</u>	<u>\$ 10,315,624</u>	<u>\$ 10,224,191</u>	<u>\$ 10,459,856</u>
279,152	290,581	447,569	380,974	421,610	391,963
25,443	35,394	36,572	28,625	48,008	64,802
102,980	361,668	1,042,973	493,848	125,638	610,798
<u>407,575</u>	<u>687,643</u>	<u>1,527,114</u>	<u>903,447</u>	<u>595,256</u>	<u>1,067,563</u>
3,017,897	2,996,343	3,104,029	3,198,803	3,070,922	3,096,300
907,203	898,957	942,360	1,000,024	1,034,706	1,029,176
-	-	344,576	35,000	-	-
-	-	261,526	-	-	-
<u>3,925,100</u>	<u>3,895,300</u>	<u>4,652,491</u>	<u>4,233,827</u>	<u>4,105,628</u>	<u>4,125,476</u>
<u>\$ 4,332,675</u>	<u>\$ 4,582,943</u>	<u>\$ 6,179,605</u>	<u>\$ 5,137,274</u>	<u>\$ 4,700,884</u>	<u>\$ 5,193,039</u>
\$ (4,848,580)	\$ (6,208,964)	\$ (5,145,474)	\$ (5,420,839)	\$ (5,771,465)	\$ (5,384,450)
736,909	277,159	641,399	242,489	248,158	117,633
<u>\$ (4,111,671)</u>	<u>\$ (5,931,805)</u>	<u>\$ (4,504,075)</u>	<u>\$ (5,178,350)</u>	<u>\$ (5,523,307)</u>	<u>\$ (5,266,817)</u>

CITY OF DAYTON, TEXAS
CHANGES IN NET POSITION (Continued)
Last Ten Years
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
General Revenues and Other Changes in Net Position				
Governmental activities				
Property taxes	\$ 2,294,298	\$ 3,421,472	\$ 3,603,433	\$ 3,816,741
Sales taxes	615,814	798,285	925,496	1,001,892
Franchise and local taxes	428,853	563,783	542,324	572,664
Investment income	83,815	133,909	231,668	327,025
Other revenues	248,902	59,223	72,774	109,495
Gain (loss) on sale of capital assets	(743,292)	11,498	-	2,318
Transfers in (out)	499,655	637,367	556,065	421,548
Total Governmental Activities	<u>3,428,045</u>	<u>5,625,537</u>	<u>5,931,760</u>	<u>6,251,683</u>
Business-type activities				
Investment income	29,867	99,335	459,280	228,687
Other revenues	22,167	57,309	22,974	36,721
Gain on sale of capital assets	743,292	7,391	-	7,237
Transfers in (out)	(499,655)	(637,367)	(556,065)	(421,548)
Total Business-Type Activities	<u>295,671</u>	<u>(473,332)</u>	<u>(73,811)</u>	<u>(148,903)</u>
Total Primary Government	<u>\$ 3,723,716</u>	<u>\$ 5,152,205</u>	<u>\$ 5,857,949</u>	<u>\$ 6,102,780</u>
Change in Net Position				
Governmental activities	\$ 170,078	\$ 2,822,396	\$ 2,571,194	\$ 1,569,437
Business-type activities	18,139	(517,127)	58,583	624,918
Total Primary Government	<u>\$ 188,217</u>	<u>\$ 2,305,269</u>	<u>\$ 2,629,777</u>	<u>\$ 2,194,355</u>

Fiscal Year

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	4,811,646	\$ 4,656,172	\$ 4,564,356	\$ 4,570,211	\$ 4,696,620	\$ 4,772,360
	902,194	787,054	1,019,311	1,263,882	1,349,335	1,697,517
	567,042	611,240	768,721	728,811	791,503	735,786
	194,084	123,913	92,976	52,953	28,952	38,069
	97,752	326,260	67,840	76,708	111,890	161,238
	2,782	-	-	-	-	-
	(1,555,145)	489,184	149,611	410,267	1,125,000	(55,313)
	<u>5,020,355</u>	<u>6,993,823</u>	<u>6,662,815</u>	<u>7,102,832</u>	<u>8,103,300</u>	<u>7,349,657</u>
	61,230	44,811	39,337	26,628	11,318	14,698
	30,561	23,987	27,297	24,338	19,408	20,049
	1,495	-	-	-	-	-
	1,555,145	(489,184)	(149,611)	(410,267)	(1,125,000)	55,313
	<u>1,648,431</u>	<u>(420,386)</u>	<u>(82,977)</u>	<u>(359,301)</u>	<u>(1,094,274)</u>	<u>90,060</u>
\$	<u>6,668,786</u>	<u>6,573,437</u>	<u>6,579,838</u>	<u>6,743,531</u>	<u>7,009,026</u>	<u>7,439,717</u>
\$	171,775	\$ 784,859	\$ 1,517,341	\$ 1,681,993	\$ 2,331,835	\$ 1,965,207
	2,385,340	(143,227)	558,422	(116,812)	(846,116)	207,693
\$	<u>2,557,115</u>	<u>641,632</u>	<u>2,075,763</u>	<u>1,565,181</u>	<u>1,485,719</u>	<u>2,172,900</u>

CITY OF DAYTON, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)

<u>Function</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Property taxes	\$ 2,294,298	\$ 3,421,472	\$ 3,603,433	\$ 3,816,741
Sales taxes	615,814	798,285	925,496	1,001,892
Franchise and local taxes	428,853	563,783	542,324	572,664
Total	<u>\$ 3,338,965</u>	<u>\$ 4,783,540</u>	<u>\$ 5,071,253</u>	<u>\$ 5,391,297</u>

2009	2010	2011	2012	2013	2014
\$ 4,811,646	\$ 4,656,172	\$ 4,564,356	\$ 4,570,211	\$ 4,696,620	\$ 4,772,360
902,194	787,054	1,019,311	1,263,882	1,349,335	1,697,517
567,042	611,240	768,721	728,811	791,503	735,786
<u>\$ 6,280,882</u>	<u>\$ 6,054,466</u>	<u>\$ 6,352,388</u>	<u>\$ 6,562,904</u>	<u>\$ 6,837,458</u>	<u>\$ 7,205,663</u>

CITY OF DAYTON, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Ten Years
 (modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Nonspendable	\$ -	\$ -	\$ 776	\$ 785
Restricted	-	10,482	18,393	22,983
Assigned	29,761	102,718	370,059	275,935
Unassigned	1,365,980	2,293,886	3,568,645	3,407,477
Total General Fund	<u>\$ 1,395,741</u>	<u>\$ 2,407,086</u>	<u>\$ 3,957,873</u>	<u>\$ 3,707,180</u>
All Other Governmental Funds				
Restricted	\$ 770,181	\$ 1,038,330	\$ 1,094,717	\$ 14,288,457
Assigned	-	-	-	293,096
Unassigned	-	-	(18,191)	-
Total All Other Governmental Funds	<u>\$ 770,181</u>	<u>\$ 1,038,330</u>	<u>\$ 1,076,526</u>	<u>\$ 14,581,553</u>

Fiscal Year

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 581	\$ -	\$ 958	\$ 616	\$ 935	\$ 54,667
83,235	22,954	22,112	28,023	58,204	93,404
44,824	42,645	32,619	3,176	3,427	5,270
3,712,905	4,020,551	5,516,861	5,385,160	6,399,287	7,182,653
<u>\$ 3,841,545</u>	<u>\$ 4,086,150</u>	<u>\$ 5,572,550</u>	<u>\$ 5,416,975</u>	<u>\$ 6,461,853</u>	<u>\$ 7,335,994</u>
\$ 6,341,117	\$ 3,263,127	\$ 1,475,771	\$ 1,532,577	\$ 1,461,402	\$ 1,812,801
21,987	-	384,630	190,588	209,367	-
-	-	-	-	-	-
<u>\$ 6,363,104</u>	<u>\$ 3,263,127</u>	<u>\$ 1,860,401</u>	<u>\$ 1,723,165</u>	<u>\$ 1,670,769</u>	<u>\$ 1,812,801</u>

CITY OF DAYTON, TEXAS

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Property taxes	\$ 2,317,902	\$ 3,424,233	\$ 3,664,952	\$ 3,821,943
Sales taxes	615,814	798,285	925,496	1,001,892
Franchise and local taxes	328,758	415,755	381,056	406,600
Licenses and permits	43,153	33,242	52,028	33,832
Intergovernmental	-	843,638	40,872	1,049,982
Fines and forfeitures	97,006	221,731	208,901	224,222
Charges for services	19,247	21,006	26,679	26,046
Investment income	83,815	133,909	231,668	327,025
Contributions and donations	485	2,866	10,450	6,608
Payments in lieu of taxes	100,095	148,028	161,268	166,064
Other revenue	255,100	59,223	72,774	109,495
Total Revenues	3,861,375	6,101,916	5,776,144	7,173,709
Expenditures				
General government	761,958	752,507	767,588	2,991,880
Public safety	1,204,431	1,272,671	1,377,960	1,742,088
Public works	2,118,468	1,820,802	1,149,602	894,962
Culture and recreation	220,090	406,666	362,867	263,921
Community enhancement	77,502	388,052	86,637	268,055
Civic center	-	-	-	-
Tourism promotion	-	12,000	27,000	17,950
Capital outlay	-	-	245,781	573,240
Debt service				
Principal	749,515	776,954	1,102,365	1,096,465
Interest	316,289	285,764	313,426	643,449
Total Expenditures	5,448,253	5,715,416	5,433,226	8,492,010
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,586,878)	386,500	342,918	(1,318,301)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets/leases	-	244,129	-	-
Issuance of debt	-	-	750,000	13,915,000
Premium on debt	-	-	-	241,680
Payment to escrow agent	-	-	-	(3,267,911)
Transfers in	499,655	739,382	917,676	510,548
Transfers out	-	(102,015)	(361,611)	(89,000)
Refunding bonds issued	-	-	-	3,260,000
Sale of capital assets	-	11,498	-	2,318
Total Other Financing Sources	499,655	892,994	1,306,065	14,572,635
Net Change in Fund Balances	\$ (1,087,223)	\$ 1,279,494	\$ 1,648,983	\$ 13,254,334
Debt service as a percentage of noncapital expenditures	22.25%	23.53%	31.09%	24.72%

Fiscal Year

	2009	2010	2011	2012	2013	2014
\$	4,784,351	\$ 4,717,527	\$ 4,396,138	\$ 4,523,550	\$ 4,677,228	\$ 4,783,363
	902,194	787,054	1,019,311	1,263,882	1,349,335	1,697,517
	389,785	462,027	535,983	515,348	493,325	470,692
	25,443	35,394	36,572	28,625	48,008	64,802
	101,980	214,551	1,039,598	491,798	124,105	604,144
	253,422	198,026	269,994	260,989	295,556	255,716
	25,730	92,555	177,575	119,985	126,054	136,247
	194,084	123,913	92,976	52,953	28,952	38,069
	1,000	147,117	3,375	2,050	1,533	6,654
	177,257	149,213	232,738	213,463	298,178	265,094
	97,752	323,510	67,840	76,708	111,890	161,238
	<u>6,952,998</u>	<u>7,250,887</u>	<u>7,872,100</u>	<u>7,549,351</u>	<u>7,554,164</u>	<u>8,483,536</u>
	1,644,678	1,693,222	1,059,562	2,576,777	1,038,969	1,078,878
	1,732,664	1,990,372	1,954,600	2,064,095	2,050,093	2,151,798
	1,246,457	922,042	1,986,509	1,248,321	1,653,068	1,124,174
	362,028	366,971	393,173	423,189	468,025	375,242
	88,091	347,534	400,702	247,881	123,372	651,961
	-	159,350	318,467	276,644	317,575	376,200
	24,300	37,295	42,441	21,024	42,272	37,599
	8,411,816	2,975,161	33,410	7,092	-	-
	1,321,280	1,282,007	1,255,611	1,373,848	1,335,000	1,445,000
	976,190	824,239	828,562	756,016	701,942	651,736
	<u>15,807,504</u>	<u>10,598,193</u>	<u>8,273,037</u>	<u>8,994,887</u>	<u>7,730,316</u>	<u>7,892,588</u>
	(8,854,506)	(3,347,306)	(400,937)	(1,445,536)	(176,152)	590,948
	139,787	2,750	335,000	-	-	-
	2,255,000	-	-	700,000	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	726,308	495,374	1,736,162	621,997	1,125,000	425,225
	(2,281,453)	(6,190)	(1,586,551)	(211,730)	-	-
	-	-	-	-	-	-
	2,782	-	-	-	-	-
	<u>842,424</u>	<u>491,934</u>	<u>484,611</u>	<u>1,110,267</u>	<u>1,125,000</u>	<u>425,225</u>
\$	<u>(8,012,082)</u>	<u>(2,855,372)</u>	<u>83,674</u>	<u>(335,269)</u>	<u>948,848</u>	<u>1,016,173</u>
	36.47%	28.74%	28.99%	30.69%	29.52%	27.68%

CITY OF DAYTON, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Years

	Fiscal Year			
	2005	2006	2007	2008
Land	\$ 82,068,364	\$ 83,728,948	\$ 88,469,937	\$ 92,891,191
Improvements	240,102,615	252,808,911	260,127,430	299,417,041
Personal	283,843,880	350,328,740	376,111,610	457,805,580
Minerals	173,840	268,090	292,780	249,380
Less: Exempt, productivity loss and homestead cap	113,132,343	126,538,078	127,944,315	153,327,272
Total Taxable Assessed Valuation (1)	\$ 493,056,356	\$ 560,596,611	\$ 597,057,442	\$ 697,035,920
Full Market Valuation	\$ 606,188,699	\$ 686,866,599	\$ 725,001,757	\$ 850,363,192

Source: Liberty County Appraisal District

(1) All property is assessed at 100% of actual taxable value.

Fiscal Year

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 98,818,451	\$ 105,503,151	\$ 111,463,136	\$ 113,343,078	\$ 113,273,194	\$ 115,590,185
307,394,663	320,343,413	325,574,941	330,366,373	331,979,823	338,033,726
420,205,320	384,786,515	471,652,050	421,330,420	396,168,790	447,953,050
241,220	795,454	619,194	896,228	867,679	913,741
175,203,872	192,768,814	193,299,492	188,239,525	187,542,607	189,455,245
\$ 651,455,782	\$ 618,659,719	\$ 716,009,829	\$ 677,696,574	\$ 654,746,879	\$ 713,035,457
\$ 826,659,654	\$ 811,428,533	\$ 909,309,321	\$ 865,936,099	\$ 842,289,486	\$ 902,490,702

CITY OF DAYTON, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Years

	Fiscal Year			
	2005	2006	2007	2008
City of Dayton:				
Operating tax rate	\$ 0.562960	\$ 0.513900	\$ 0.490200	\$ 0.455000
Debt service tax rate	0.125000	0.131000	0.144700	0.230200
Total Direct Rates	<u>\$ 0.687960</u>	<u>\$ 0.644900</u>	<u>\$ 0.634900</u>	<u>\$ 0.685200</u>
Liberty County	\$ 0.567300	\$ 0.562300	\$ 0.560000	\$ 0.560000
Hospital District	0.090000	0.090000	0.090000	0.090000
Dayton ISD	1.659300	1.540000	1.220000	1.208000
Drainage District #1 (2)	0.105600	0.091300	0.091300	0.087800
Total Direct and Overlapping Rates (1)	<u>\$ 2.422200</u>	<u>\$ 2.283600</u>	<u>\$ 1.961300</u>	<u>\$ 1.945800</u>
Total Assessed Valuation	<u>\$ 493,056,356</u>	<u>\$ 560,596,611</u>	<u>\$ 597,057,442</u>	<u>\$ 697,035,920</u>

Note: 1)The basis for property tax rates is per \$100 of the assessed valuation.

2)Drainage District #1 has a partial overlapping area

Source: Liberty County Appraisal District

Fiscal Year

2009	2010	2011	2012	2013	2014
\$ 0.444600	\$ 0.483500	\$ 0.426200	\$ 0.497100	\$ 0.450900	\$ 0.444000
0.281000	0.241000	0.204200	0.188200	0.272000	0.246000
<u>\$ 0.725600</u>	<u>\$ 0.724500</u>	<u>\$ 0.630400</u>	<u>\$ 0.685300</u>	<u>\$ 0.722900</u>	<u>\$ 0.690000</u>
\$ 0.560000	\$ 0.560000	\$ 0.560000	\$ 0.560000	\$ 0.578800	\$ 0.578800
0.090000	0.090000	0.090000	0.090000	0.090000	0.090000
1.208000	1.208000	1.208000	1.208000	1.208000	1.198000
0.079900	0.110600	0.091700	0.097400	0.098700	0.094400
<u>\$ 1.937900</u>	<u>\$ 1.968600</u>	<u>\$ 1.949700</u>	<u>\$ 1.955400</u>	<u>\$ 1.975500</u>	<u>\$ 1.961200</u>
<u>\$ 651,455,782</u>	<u>\$ 618,659,719</u>	<u>\$ 716,009,829</u>	<u>\$ 677,696,574</u>	<u>\$ 654,746,879</u>	<u>\$ 713,035,457</u>

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CITY OF DAYTON, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2014			2005		
	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation	Taxable Assessed Valuation	Rank	% of Total Assessed Valuation
Exxon Chemical Americas	\$ 139,814,000	1	19.61%	\$ 68,707,410	1	13.94%
Total Petrochemicals USA	82,291,950	2	11.54%	32,566,365	3	6.60%
Equistar Chemicals LP	38,900,270	3	5.46%	n/a	-	-
Global Tubing	23,431,000	4	3.29%	n/a	-	-
Oxy Vinyls LP	21,742,780	5	3.05%	7,030,800	9	1.43%
Insteel Wire Products Co	19,985,630	6	2.80%	8,973,630	7	1.82%
TRT Lease Co LLC	14,717,410	7	2.06%	n/a	-	-
Sams East Inc	6,225,000	8	0.87%	n/a	-	-
Wells Fargo Bank Northwest NA	6,142,200	9	0.86%	6,118,050	10	1.24%
Entergy Texas Inc	5,545,850	10	0.78%	n/a	-	-
Chevron Phillips	n/a	-	n/a	42,200,750	2	8.56%
Basell	n/a	-	n/a	24,579,870	4	4.99%
Sunoco (R&M) Inc.	n/a	-	n/a	17,989,400	5	3.65%
Innovene Wire Products Co	n/a	-	n/a	10,361,030	6	2.10%
Alabama Metal Industries	n/a	-	n/a	8,125,450	8	1.65%
Subtotal	<u>\$ 358,796,090</u>		<u>50.32%</u>	<u>\$ 226,652,755</u>		<u>45.97%</u>
Other Taxpayers	<u>354,239,367</u>		<u>49.68%</u>	<u>266,403,601</u>		<u>54.03%</u>
Total ⁽¹⁾	<u><u>\$ 713,035,457</u></u>		<u><u>100.00%</u></u>	<u><u>\$ 493,056,356</u></u>		<u><u>100.00%</u></u>

Source: Liberty County Appraisal District

(1) Net of exemptions and abatements

CITY OF DAYTON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Years

Fiscal Year	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy	
				Amount Collected	Percentage of Levy
2005	2004	\$ 0.687960	n/a	n/a	-
2006	2005	\$ 0.644900	n/a	n/a	-
2007	2006	\$ 0.634900	\$ 3,821,943	3,584,333	93.78%
2008	2007	\$ 0.685200	\$ 4,806,066	3,790,057	78.86%
2009	2008	\$ 0.725600	\$ 4,748,399	4,628,535	97.48%
2010	2009	\$ 0.724500	\$ 4,481,991	4,385,718	97.85%
2011	2010	\$ 0.630400	\$ 4,548,586	4,307,302	94.70%
2012	2011	\$ 0.685300	\$ 4,701,368	4,506,192	95.85%
2013	2012	\$ 0.722900	\$ 4,817,619	4,641,604	96.35%
2014	2013	\$ 0.690000	\$ 4,722,876	4,591,742	97.22%

Source: Liberty County Tax Office

Collected in Subsequent Years		Total Collections to Date	
Amount Collected		Amount Collected	Percentage of Levy
n/a		n/a	-
n/a		n/a	-
\$ 213,728		\$ 3,798,061	99.38%
\$ 984,023		\$ 4,774,080	99.33%
\$ 78,615		\$ 4,707,150	99.13%
\$ 39,978		\$ 4,425,696	98.74%
\$ 170,665		\$ 4,477,967	98.45%
\$ 124,699		\$ 4,630,891	98.50%
\$ 99,673		\$ 4,741,277	98.42%
\$ -		\$ 4,591,742	97.22%

CITY OF DAYTON, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Years

	Fiscal Year			
	2005	2006	2007	2008
Governmental Activities:				
General obligation bonds	\$ 3,560,000	\$ 3,140,000	\$ 2,700,000	\$ 16,515,000
Certificates of obligation	3,224,393	2,937,438	2,642,700	1,360,000
Tax anticipation notes	300,000	230,000	665,000	1,000,000
Capital leases	16,767	211,743	153,969	105,204
Premiums	-	-	-	241,680
Less deferred amounts	-	-	-	(7,911)
Subtotal	7,101,160	6,519,181	6,161,669	19,213,973
Business-Type Activities:				
Certificates of obligation	8,500,000	8,500,000	8,500,000	8,500,000
Capital leases	55,819	78,656	25,898	-
Subtotal	8,555,819	8,578,656	8,525,898	8,500,000
Government-Wide:				
General obligation bonds	3,560,000	3,140,000	2,700,000	16,515,000
Certificates of obligation	11,724,393	11,437,438	11,142,700	9,860,000
Tax anticipation notes	300,000	230,000	665,000	1,000,000
Capital leases	72,586	290,399	179,867	105,204
Premiums	-	-	-	241,680
Less deferred amounts	-	-	-	(7,911)
Total Government-Wide	\$ 15,656,979	\$ 15,097,837	\$ 14,687,567	\$ 27,713,973
Estimated Full Property Value	\$ 606,188,699	\$ 686,866,599	\$ 725,001,757	\$ 850,363,192
Percentage of Full Property Value:				
Governmental activities	1.171%	0.949%	0.850%	2.260%
Business-type activities	1.411%	1.249%	1.176%	1.000%
Government-wide	2.58%	2.20%	2.03%	3.26%
Population	8,804	8,431	8,087	7,774
Debt Per Capita:				
Governmental activities	\$ 807	\$ 773	\$ 762	\$ 2,472
Business-type activities	\$ 972	\$ 1,018	\$ 1,054	\$ 1,093
Government-wide	\$ 1,778	\$ 1,791	\$ 1,816	\$ 3,565

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Fiscal Year

	2009	2010	2011	2012	2013	2014
\$	16,190,000	\$ 15,860,000	\$ 15,520,000	\$ 14,825,000	\$ 14,110,000	\$ 13,120,000
	1,105,000	840,000	570,000	290,000	-	-
	2,565,000	1,960,000	1,340,000	1,725,000	1,395,000	940,000
	193,711	111,705	358,436	309,248	281,053	251,485
	226,831	211,982	197,133	185,537	173,941	162,345
	(7,120)	(6,329)	(5,537)	(4,745)	-	-
	<u>20,273,422</u>	<u>18,977,358</u>	<u>17,980,032</u>	<u>17,330,040</u>	<u>15,959,994</u>	<u>14,473,830</u>
	8,400,000	8,290,000	8,175,000	8,060,000	7,940,000	7,820,000
	-	-	-	-	-	-
	<u>8,400,000</u>	<u>8,290,000</u>	<u>8,175,000</u>	<u>8,060,000</u>	<u>7,940,000</u>	<u>7,820,000</u>
	16,190,000	15,860,000	15,520,000	14,825,000	14,110,000	13,120,000
	9,505,000	9,130,000	8,745,000	8,350,000	7,940,000	7,820,000
	2,565,000	1,960,000	1,340,000	1,725,000	1,395,000	940,000
	193,711	111,705	358,436	309,248	281,053	251,485
	226,831	211,982	197,133	185,537	173,941	-
	(7,120)	(6,329)	(5,537)	(4,745)	-	-
\$	<u>28,673,422</u>	<u>27,267,358</u>	<u>26,155,032</u>	<u>25,390,040</u>	<u>23,899,994</u>	<u>22,131,485</u>
\$	826,659,654	\$ 811,428,533	\$ 909,309,321	\$ 865,936,099	\$ 842,289,486	\$ 902,490,702
	2.452%	2.339%	1.977%	2.001%	1.895%	1.604%
	1.016%	1.022%	0.899%	0.931%	0.943%	0.866%
	3.47%	3.36%	2.88%	2.93%	2.84%	2.45%
	7,441	7,242	7,297	7,340	7,390	7,418
\$	2,725	\$ 2,620	\$ 2,464	\$ 2,361	\$ 2,160	\$ 1,951
\$	1,129	\$ 1,145	\$ 1,120	\$ 1,098	\$ 1,074	\$ 1,054
\$	3,853	\$ 3,765	\$ 3,584	\$ 3,459	\$ 3,234	\$ 2,983

CITY OF DAYTON, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Years

	Fiscal Year			
	2005	2006	2007	2008
Estimated Actual Taxable Value of Property	\$ 493,056,356	\$ 560,596,611	\$ 597,057,442	\$ 697,035,920
General obligation bonds	\$ 3,560,000	3,140,000	2,700,000	16,515,000
Certificates of obligation	11,724,393	11,437,438	11,142,700	9,860,000
Tax Anticipation notes	300,000	230,000	665,000	1,000,000
Less: amounts available in debt service fund	737,749	914,516	1,038,982	1,123,687
Total	<u>\$ 14,846,644</u>	<u>\$ 13,892,922</u>	<u>\$ 13,468,718</u>	<u>\$ 26,251,313</u>
Percentage of Estimated Actual Taxable Value of Property	3.01%	2.48%	2.26%	3.77%
Population	8,804	8,431	8,087	7,774
Per Capita	\$ 1,686	\$ 1,648	\$ 1,665	\$ 3,377

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Fiscal Year

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 651,455,782	\$ 618,659,719	\$ 716,009,829	\$ 677,696,574	\$ 654,746,879	\$ 713,035,457
16,190,000	15,860,000	15,520,000	14,825,000	14,110,000	13,120,000
9,505,000	9,130,000	8,745,000	8,350,000	7,940,000	7,820,000
2,565,000	1,960,000	1,340,000	1,725,000	1,395,000	940,000
1,194,865	1,440,671	1,475,771	1,532,577	1,461,402	1,582,429
<u>\$ 27,065,135</u>	<u>\$ 25,509,329</u>	<u>\$ 24,129,229</u>	<u>\$ 23,367,423</u>	<u>\$ 21,983,598</u>	<u>\$ 20,297,571</u>
4.15%	4.12%	3.37%	3.45%	3.36%	2.85%
7,441	7,242	7,297	7,340	7,390	7,418
\$ 3,637	\$ 3,522	\$ 3,307	\$ 3,184	\$ 2,975	\$ 2,736

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CITY OF DAYTON, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2014

Government Unit	Debt Outstanding	Estimated Percentage Applicable*	Amount Applicable to Primary Government
Dayton ISD	\$ 27,245,000	45.460%	\$ 12,385,577
Liberty County	\$ 15,875,000	17.230%	2,735,263
Liberty ISD	\$ 15,766,995	0.04%	6,307
Subtotal, overlapping debt			15,127,146
City Direct Debt		100.00%	21,880,000
Total Direct and Overlapping Debt			\$ 37,007,146
Population			7,418
Overlapping Debt Per Capita			\$ 2,039
Direct and Overlapping Debt Per Capita			\$ 4,989

Source: Tax department records of the various governments.

* The "Estimated Percentage Overlapping" is determined by dividing the City's certified taxable value within the taxing jurisdiction by the certified taxable value of the taxing jurisdiction.

Note: Overlapping governments are those that coincide, at least in part, with geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the property taxpayers of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the property taxpayers should be taken into account.

CITY OF DAYTON, TEXAS

LEGAL DEBT MARGIN INFORMATION

Last Ten Years

	Fiscal Year			
	2005	2006	2007	2008
Debt limit ⁽¹⁾	\$ 49,305,636	\$ 56,059,661	\$ 59,705,744	\$ 69,703,592
Total net debt applicable to limit	14,846,644	13,892,922	13,468,718	26,251,313
Legal debt margin	\$ 34,458,992	\$ 42,166,739	\$ 46,237,026	\$ 43,452,279
 Total net debt applicable to the limit as a percentage of debt limit	 30.11%	 24.78%	 22.56%	 37.66%
 Legal Debt Margin Calculation				
Assessed value	\$ 493,056,356	\$ 560,596,611	\$ 597,057,442	\$ 697,035,920
Debt limit (10% of assessed value)	49,305,636	56,059,661	59,705,744	69,703,592
Debt applicable to limit:				
General obligation bonds	3,560,000	3,140,000	2,700,000	16,515,000
Certificates of obligation	11,724,393	11,437,438	11,142,700	9,860,000
Tax anticipation notes	300,000	230,000	665,000	1,000,000
Less: amount set aside for repayment of general obligation debt	(737,749)	(914,516)	(1,038,982)	(1,123,687)
Total net debt applicable to limit	14,846,644	13,892,922	13,468,718	26,251,313
Legal debt margin	\$ 34,458,992	\$ 42,166,739	\$ 46,237,026	\$ 43,452,279

(1) There is no debt limit established by law; therefore, the limit is governed by the City's ability to levy and collect taxes to service the debt. The Attorney General of the State of Texas will not approve more than \$1.00 of the tax rate for debt service. The City's maximum legal tax rate is \$2.50 per \$100 valuation assessed at 100% of the market value. Ten percent (10%) of the assessed value has been applied as a "rule of thumb" procedure.

Fiscal Year

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 65,145,578	\$ 61,865,972	\$ 71,600,983	\$ 67,769,657	\$ 65,474,688	\$ 71,303,546
27,065,135	25,509,329	24,129,229	23,367,423	21,983,598	20,297,571
<u>\$ 38,080,443</u>	<u>\$ 36,356,643</u>	<u>\$ 47,471,754</u>	<u>\$ 44,402,234</u>	<u>\$ 43,491,090</u>	<u>\$ 51,005,975</u>
41.55%	41.23%	33.70%	34.48%	33.58%	28.47%
\$ 651,455,782	\$ 618,659,719	\$ 716,009,829	\$ 677,696,574	\$ 654,746,879	\$ 713,035,457
65,145,578	61,865,972	71,600,983	67,769,657	65,474,688	71,303,546
16,190,000	15,860,000	15,520,000	14,825,000	14,110,000	13,120,000
9,505,000	9,130,000	8,745,000	8,350,000	7,940,000	7,820,000
2,565,000	1,960,000	1,340,000	1,725,000	1,395,000	940,000
(1,194,865)	(1,440,671)	(1,475,771)	(1,532,577)	(1,461,402)	(1,582,429)
27,065,135	25,509,329	24,129,229	23,367,423	21,983,598	20,297,571
<u>\$ 38,080,443</u>	<u>\$ 36,356,643</u>	<u>\$ 47,471,754</u>	<u>\$ 44,402,234</u>	<u>\$ 43,491,090</u>	<u>\$ 51,005,975</u>

CITY OF DAYTON, TEXAS

PLEDGED-REVENUE COVERAGE

Last Ten Years

	Fiscal Year			
	2005	2006	2007	2008
Gross Revenues (1)	\$ 1,796,378	\$ 2,197,605	\$ 2,978,422	\$ 3,312,486
Operating Expenses (2)	\$ 1,467,847	\$ 1,459,244	\$ 1,457,545	\$ 1,498,326
Net Revenues Available for Debt Service	\$ 328,531	\$ 738,361	\$ 1,520,877	\$ 1,814,160
Debt Service Requirements (3)				
Principal	\$ -	\$ -	\$ -	\$ 100,000
Interest	-	304,034	305,733	305,258
Total	\$ -	\$ 304,034	\$ 305,733	\$ 405,258
Coverage	-	2.43	4.97	4.48

(1) Gross revenues as defined in the revenue bond ordinances, includes operating and non-operating revenue and excludes capital contributions, grant revenues, and capital recovery fees.

(2) Total operating expenses, as defined in the revenue bond ordinances, do not include depreciation, bond interest, and fiscal charges.

(3) Debt service requirements are based on the expected debt service payments for the following fiscal year.

Fiscal Year

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 3,132,364	\$ 3,055,852	\$ 3,159,797	\$ 3,242,709	\$ 3,098,424	\$ 3,127,657
\$ 1,530,058	\$ 1,451,480	\$ 1,737,463	\$ 1,799,355	\$ 1,560,107	\$ 1,682,620
\$ 1,602,306	\$ 1,604,372	\$ 1,422,334	\$ 1,443,354	\$ 1,538,317	\$ 1,445,037
\$ 110,000	\$ 115,000	\$ 115,000	\$ 120,000	\$ 120,000	\$ 130,000
301,133	297,758	294,250	290,578	286,738	282,643
<u>\$ 411,133</u>	<u>\$ 412,758</u>	<u>\$ 409,250</u>	<u>\$ 410,578</u>	<u>\$ 406,738</u>	<u>\$ 412,643</u>
3.90	3.89	3.48	3.52	3.78	3.50

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CITY OF DAYTON, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

Fiscal Year Ended Sept. 30	Population⁽¹⁾	Personal Income⁽²⁾	Per Capita Personal Income⁽²⁾	Median Age⁽²⁾	Public School Enrollment⁽³⁾	Unemployment Rate⁽⁴⁾	Education Level in Years of Formal Schooling⁽⁵⁾
2005	8,804	\$ 1,961,569	\$ 26,400	n/a	4,979	6.7%	n/a
2006	8,431	\$ 2,121,950	\$ 28,571	n/a	4,954	5.8%	n/a
2007	8,087	\$ 2,296,722	\$ 30,822	n/a	4,849	5.3%	n/a
2008	7,774	\$ 2,452,877	\$ 32,742	n/a	4,748	6.0%	n/a
2009	7,441	\$ 2,408,044	\$ 32,090	35.3	4,889	10.0%	9.6%
2010	7,242	\$ 2,446,339	\$ 32,261	34.5	4,906	11.1%	9.2%
2011	7,297	\$ 2,597,775	\$ 34,209	33.3	4,945	10.7%	11.5%
2012	7,340	\$ 2,778,585	\$ 36,393	33.7	5,067	9.0%	12.9%
2013	7,390	\$ 2,830,077	\$ 36,799	32.4	5,069	8.1%	11.3%
2014	7,418	n/a	n/a	35.6	5,137	6.5%	n/a

Data sources:

- (1) City of Dayton Planning Department
- (2) CDS Market Research/Claritas Survey/ESRI Data Source
- (3) Dayton ISD
- (4) Texas Workforce Commission
- (5) Percent of population with Bachelor's degree or higher

Note: Personal income is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the start of the school year.

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CITY OF DAYTON, TEXAS

PRINCIPAL EMPLOYERS

Current Year ⁽²⁾

Employer	2014		
	Percentage of Total		Rank
Employees	Employment ⁽¹⁾		
Dayton Independent School District	697	1.74%	1
Global Tubing	235	0.59%	2
Dayton Leasing and Supply	134	0.33%	3
Insteal Wire	88	0.22%	4
City of Dayton	77	0.19%	4
Amico - Klemp	60	0.15%	5
Huntsman Chemical	58	0.14%	6
Sam's Distribution	55	0.14%	7
Fabrication and Construction Serices	48	0.12%	8
Harris Rebar LLC	21	0.05%	9
	<u>1,473</u>	<u>3.67%</u>	

(1) Percentage of total employment is based on total employment of 40,094.

(2) The requirement is for the current year and nine years ago, however, only the current year is available at this time.

Source: Human Resource Department of each company

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CITY OF DAYTON, TEXAS
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 Last Ten Years

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<u>Governmental Activities:</u>										
General government	6.75	9.00	10.00	13.00	13.00	14.25	13.25	14.00	14.00	14.00
Public safety	19.00	20.00	19.00	21.00	23.00	24.00	25.00	24.00	26.00	26.00
Public works	10.25	13.75	11.00	12.50	9.50	10.50	13.50	11.50	13.50	13.50
Culture and recreation	0.25	0.25	-	-	-	0.75	1.75	2.75	3.00	4.00
Facility maintenance	1.25	1.25	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<u>Business-Type Activities:</u>										
Water and sewer	14.50	12.50	11.00	9.25	14.50	16.50	15.50	15.75	15.50	16.50
Refuse	2.00	2.25	2.00	1.25	1.00	1.00	1.00	1.00	1.00	1.00
Total City Positions	54.00	59.00	54.00	59.00	63.00	69.00	72.00	71.00	75.00	77.00

Source: City Finance Department

CITY OF DAYTON, TEXAS
OPERATING INDICATORS BY FUNCTION
 Last Ten Years

	Fiscal Year			
	2005	2006	2007	2008
City of Dayton				
Population	8,804	8,431	8,087	7,774
Budgeted full-time employees	54	59	54	59
Function				
Police				
Arrests	302	398	387	460
Accident reports	477	517	642	642
Citations	3,031	4,009	4,095	5,764
Offense reports	758	800	716	734
Calls for service	8,491	8,578	8,744	10,382
Municipal court				
Traffic violations	1,697	2,470	1,867	2,120
Non-traffic violations	2,278	3,073	2,594	3,871
Fire				
Emergency responses	n/a	376	404	461
Fire incidents	n/a	167	136	183
Average response time (min)†	8.5	8.5	8.5	8.5
Parks and recreation				
Recreation programs (\$)	\$ 15,386	\$ 17,251	\$ 16,902	\$ 15,490
Field and facility rentals (\$)	\$ 2,600	\$ 2,735	\$ 8,680	\$ 9,722
Community Development				
Residential building permits issued	14	28	69	36
Residential building permits-value	\$ 557,576	\$ 2,517,390	\$ 6,869,667	\$ 4,006,450
Commercial building permits issued	5	2	2	7
Commercial building permits-value	\$ 1,351,018	\$ 425,000	\$ 199,900	\$ 3,813,425
Water				
Average daily gallons pumped-combined water (millions of gallons)	n/a	n/a	n/a	n/a
Average daily gallons pumped-surface water (millions of gallons)	n/a	n/a	n/a	n/a
Average daily gallons pumped-well water (millions of gallons)	n/a	n/a	1,206,805	1,421,871
Number of connections	n/a	n/a	2,403	2,429
Wastewater				
Average daily effluent treated (millions of gallons)	1.43	1.51	1.73	1.47
Number of connections	2,052	2,069	2,140	2,157

Source: Various City departments

† Source: Dayton Police Dept.

Fiscal Year

2009	2010	2011	2012	2013	2014
7,441	7,242	7,297	7,340	7,390	7,418
63	69	72	71	75	77
481	462	579	400	488	662
655	561	650	475	459	493
4,390	4,144	4,850	4,491	3,245	3,849
752	626	708	707	784	795
10,281	9,127	9,832	8,147	9,236	9,471
2,284	2,694	3,149	1,842	914	1,122
2,106	1,450	1,701	2,649	2,529	2,195
398	427	470	364	391	435
165	235	210	134	133	127
8.5	8.5	8.5	8.5	8.5	8.5
\$ 15,759	\$ 17,235	\$ 16,866	\$ 19,716	\$ 21,382	\$ 21,116
\$ 9,680	\$ 9,349	\$ 9,700	\$ 11,100	\$ 8,250	\$ 10,500
21	2	24	12	8	15
\$ 2,740,189	\$ 95,000	\$ 288,699	\$ 1,407,375	\$ 1,541,693	\$ 1,598,305
10	3	7	7	3	7
\$ 8,720,600	\$ 881,500	\$ 3,698,000	\$ 2,323,000	\$ 3,650,000	\$ 4,697,957
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
1,374,191	1,512,147	1,510,553	1,342,002	1,185,677	1,188,172
2,447	2,434	2,495	3,043	3,072	3,176
1.51	1.32	1.22	1.64	1.38	1.38
2,177	2,191	2,702	2,712	2,743	2,842

CITY OF DAYTON, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Years

Function	Fiscal Year			
	2005	2006	2007	2008
<u>General government</u>				
Municipal buildings	1	1	1	1
City vehicles	40	40	40	41
<u>Public safety</u>				
Police protection				
Stations	1	1	1	1
Fire protection				
Stations/drill field	1	1	1	1
Fire apparatus	1	1	1	1
<u>Public works</u>				
Streets (lane miles)	90.1	90.1	90.1	90.1
<u>Community services</u>				
Parks	4	4	4	4
Ball fields	1	1	1	1
Swimming pools	1	1	1	1
Park acreage developed	44.75	44.75	44.75	44.75
<u>Water</u>				
Water wells	3	3	3	3
Ground/elevated storage tanks	7	7	7	7
Water mains (miles)	64	64	64	64
Fire hydrants	900	900	900	900
<u>Wastewater</u>				
Wastewater treatment plants	1	1	1	1
Sanitary sewers (miles)	50	50	50	50
Sewer manholes	528	528	528	528

Source: Various City departments

Fiscal Year

2009	2010	2011	2012	2013	2014
1	1	1	1	1	1
41	46	48	52	52	54
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1
90.1	90.1	90.1	90.1	90.1	90.1
5	5	5	5	5	5
1	1	1	1	1	1
1	1	1	1	1	1
49.75	49.75	49.75	49.75	49.75	49.75
3	3	3	3	3	3
7	7	7	6	6	6
64	64	64	64	64	64
900	900	900	900	900	900
1	1	1	1	1	1
50	50	50	50	50	50
528	528	528	528	528	528

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