



Annual Report of Certain Financial and Local Debt Information

Fiscal Year Ended June 30, 2016

Denotes Required Information Pursuant to Local Government Code, Section 140.008

This report was posted on the District's website on January 25, 2017.



☑ Overview of Certain Financial/Bond Ratings

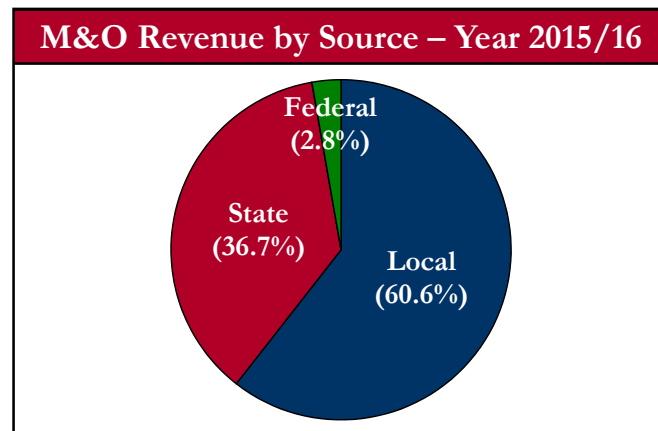
- ☐ **Overview:** Denton Independent School District (the “District”) has been assigned the following independent financial/bond ratings that indicate the relative strength of the District’s financial and debt management:
 - **School Financial Integrity Rating System of Texas (“FIRST”):** Pursuant to Subchapter D, Chapter 39 of the Texas Education Code, the State annually deploys a financial accountability rating system to distinguish the level of a school district’s financial performance based upon certain uniform criteria.
 - ✓ Based on data for year 2014/15, the District was assigned a 2015/16 FIRST Rating of “Superior” and the District’s score was 100 out of a possible 100 points.
 - **Credit Ratings:** The District also maintains independent ratings from certain nationally recognized credit rating agencies, such as S&P Global Ratings and Fitch Ratings, Inc., that evaluate the District’s financial strength and its ability to pay its existing bonds.
 - ✓ **S&P Global Ratings:** Assigns a “AA” credit rating to the District, defined as “Having a very strong capacity to meet its financial commitments. It differs from the highest-rating only to a small degree.”
 - ✓ **Fitch Ratings, Inc.:** Assigns a “AA” credit rating to the District, defined as “Very high quality. A “AA” rating denotes expectations of very low default risk and very strong capacity for payment of financial commitments.”

For comparison purposes, S&P Global Ratings assigns a credit rating of “AA” to the United States of America and a “BBB+” rating to Citigroup, Bank of America and Goldman Sachs – which is 2 rating categories below the District.



Overview of State Funding System

- ❑ **State Funding System – Where Do the District’s Revenues Come From:** Denton ISD is legally required to operate pursuant to the requirements of the Texas Education Code. In particular, the Texas Education Code determines the District’s ability to generate local tax revenues for maintenance & operation purposes and for the repayment of voter-approved bonds. In this regard, the District annually sets two (2) separate tax rates that are levied upon its certified taxable value that is independently determined by the Denton Central Appraisal District:
- **Maintenance & Operations (“M&O”) Tax Rate:** To provide funds for the “day to day” operational expenses of the District, including instructional programs, teacher salaries, instructional supplies, security, student transportation, extracurricular activities, utilities, facility infrastructure/maintenance, etc.
 - ✓ The District’s annual funds for maintenance & operation purposes primarily consist of a combination of State funding and local M&O taxes. In general, the dollar amount of each component is determined by the District’s “Equalized Wealth per Student” (i.e. taxable value / weighted average daily attendance) as set by the State. For year 2015/16, the District’s sources for M&O revenues are summarized below.





☑ Overview of State Funding System

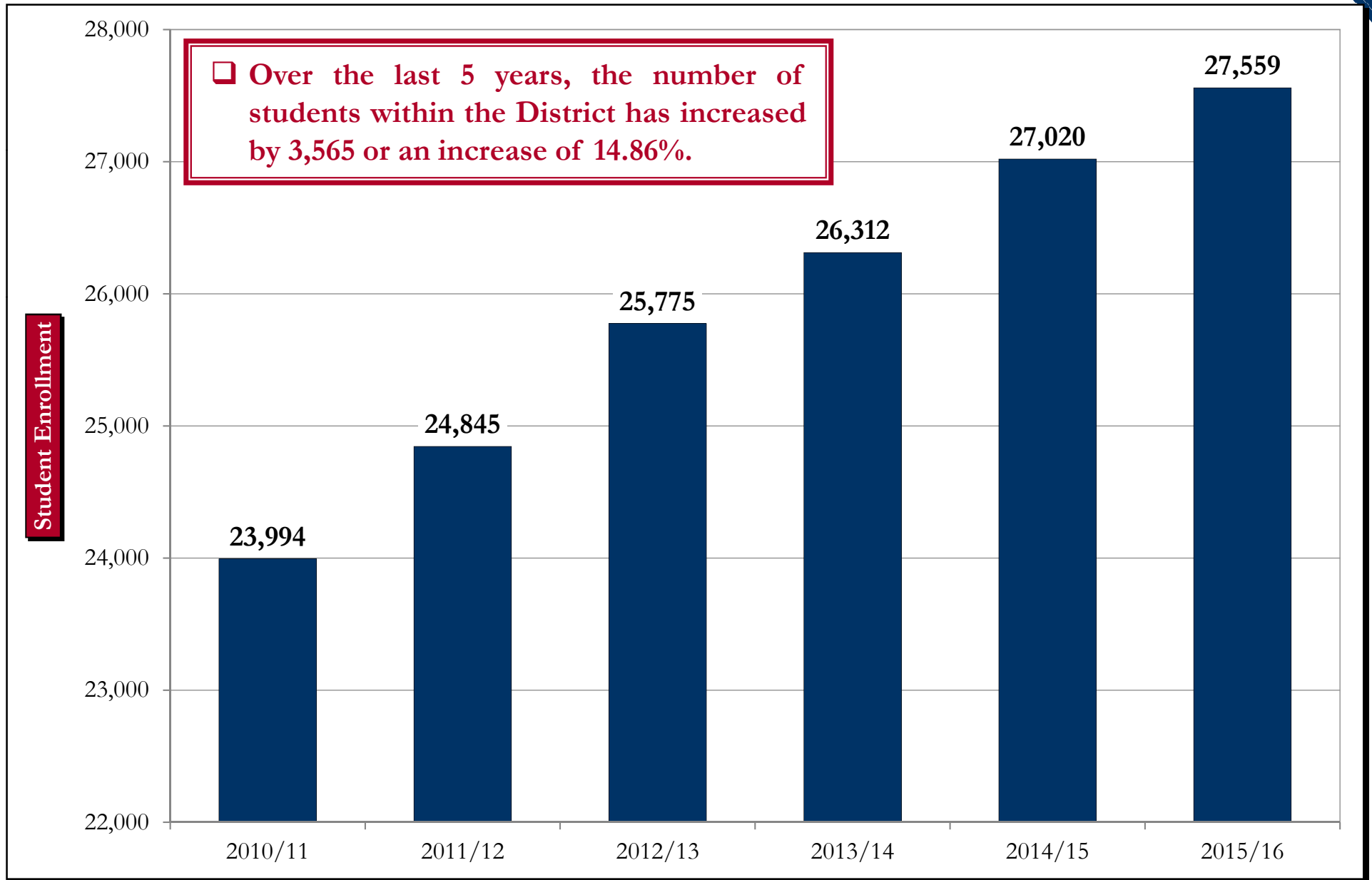
- **Interest & Sinking Fund (“I&S”) Tax Rate:** To provide funds to pay the principal and interest on bonds approved by a majority of voters for capital improvements. The District does not receive any facilities funding from the State for the payment of bonds. The following summarizes the District’s bond programs approved by voters over the last 15 years:

| District’s Historical Bond Elections Approved By Voters | | | | |
|--|-------------------------------|---------------------------|------------------------|--|
| Election Date | Purpose | Student Enrollment | Election Amount | Dollar Amount Of Bonds Remaining To Be Issued |
| September 14, 2002 | School Building & Renovations | 15,149 | \$192,655,000 | \$0 |
| September 11, 2004 | School Building & Renovations | 16,932 | \$152,330,000 | \$0 |
| November 6, 2007 | School Building | 20,892 | \$282,000,000 | \$0 |
| November 5, 2013 | School Building | 26,312 | \$312,000,000 | \$0 |
| Total Dollar Amount Of Authorized But Unissued Bonds - As of June 30, 2016: | | | | \$0 |

- ✓ As of fiscal year ended June 30, 2016, the District had \$232,814,117 within its Capital Projects Fund for projects currently in progress.

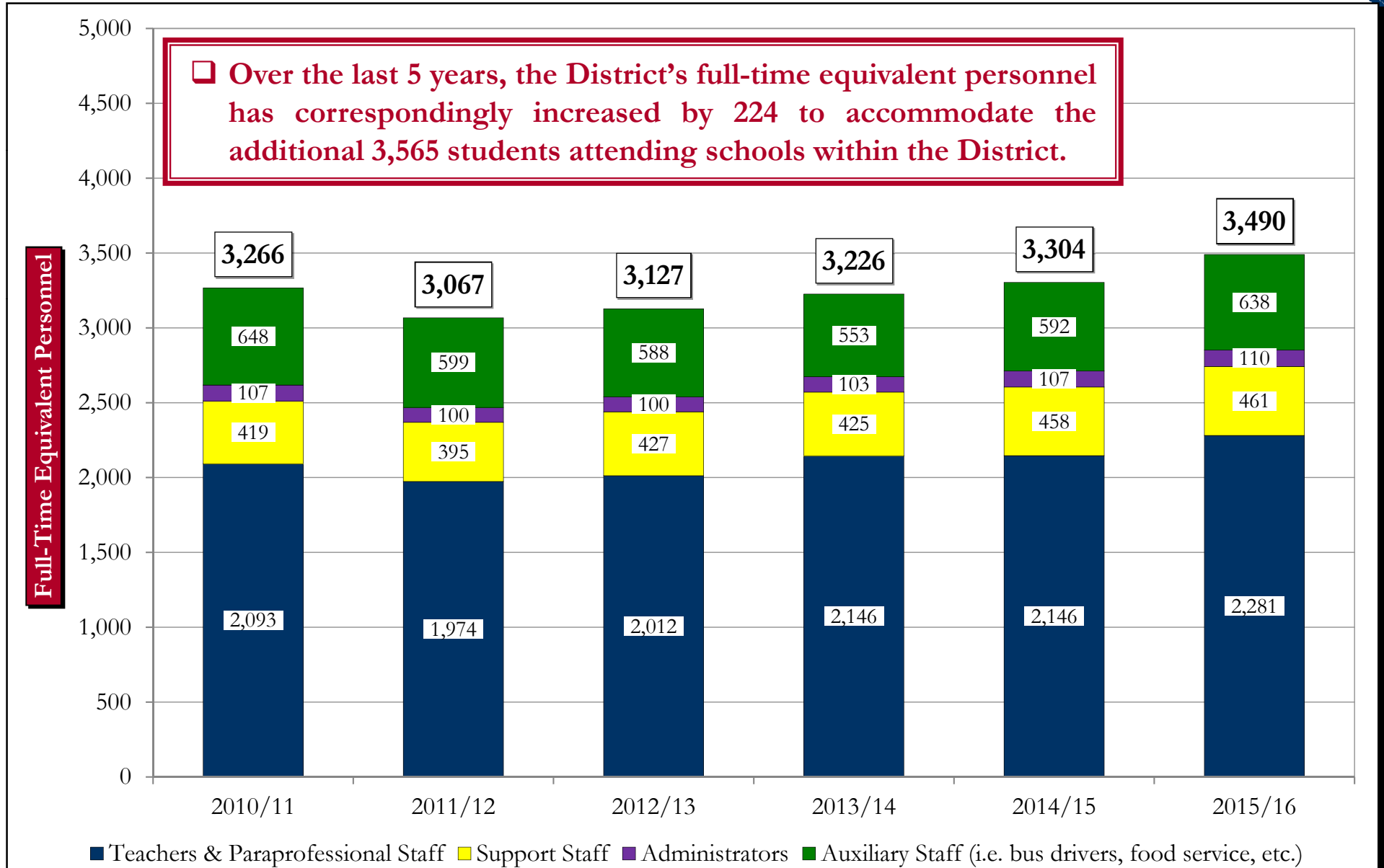


Historical Student Enrollment



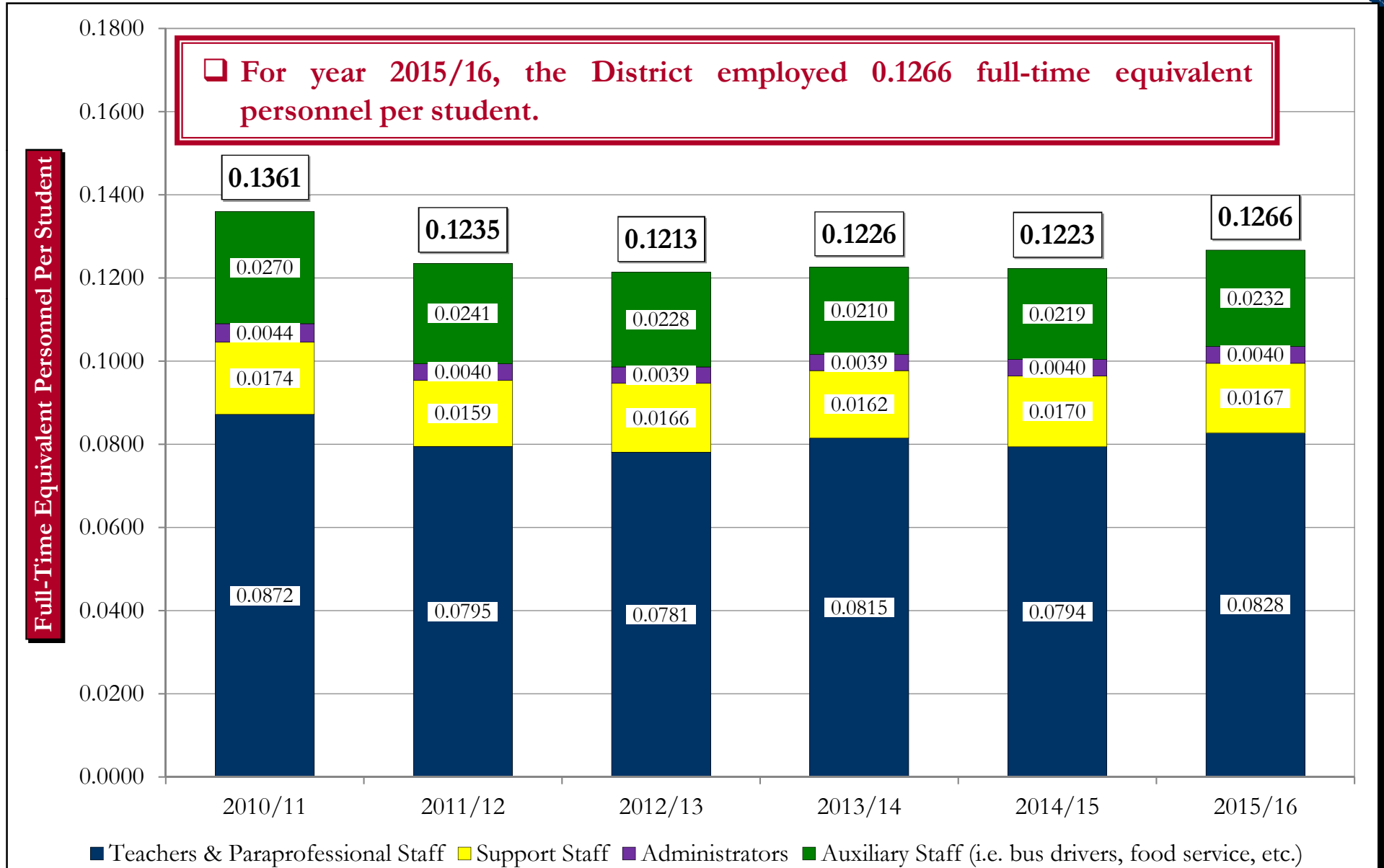


Full-Time Equivalent Personnel



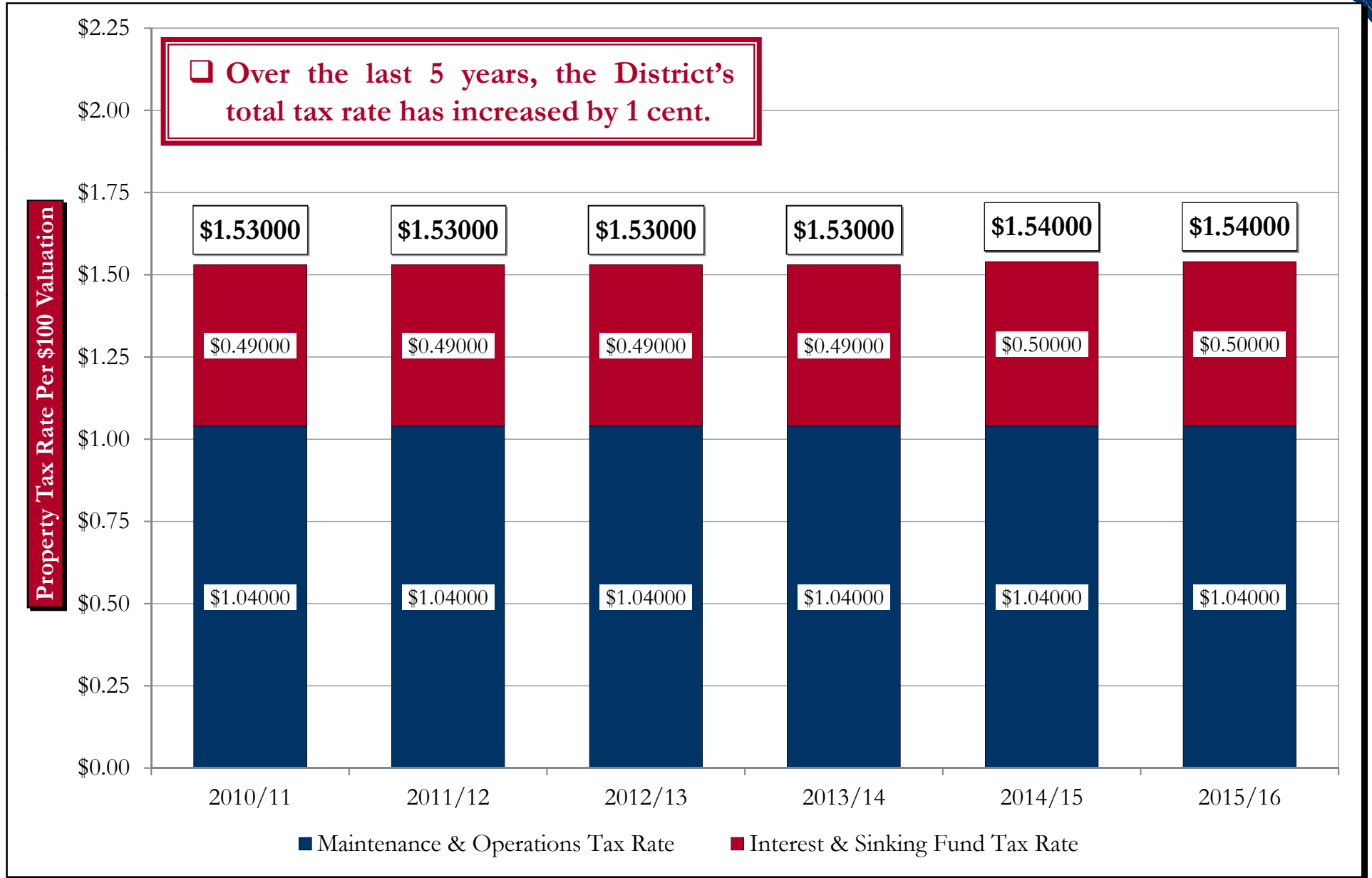


Full-Time Equivalent Personnel Per Student



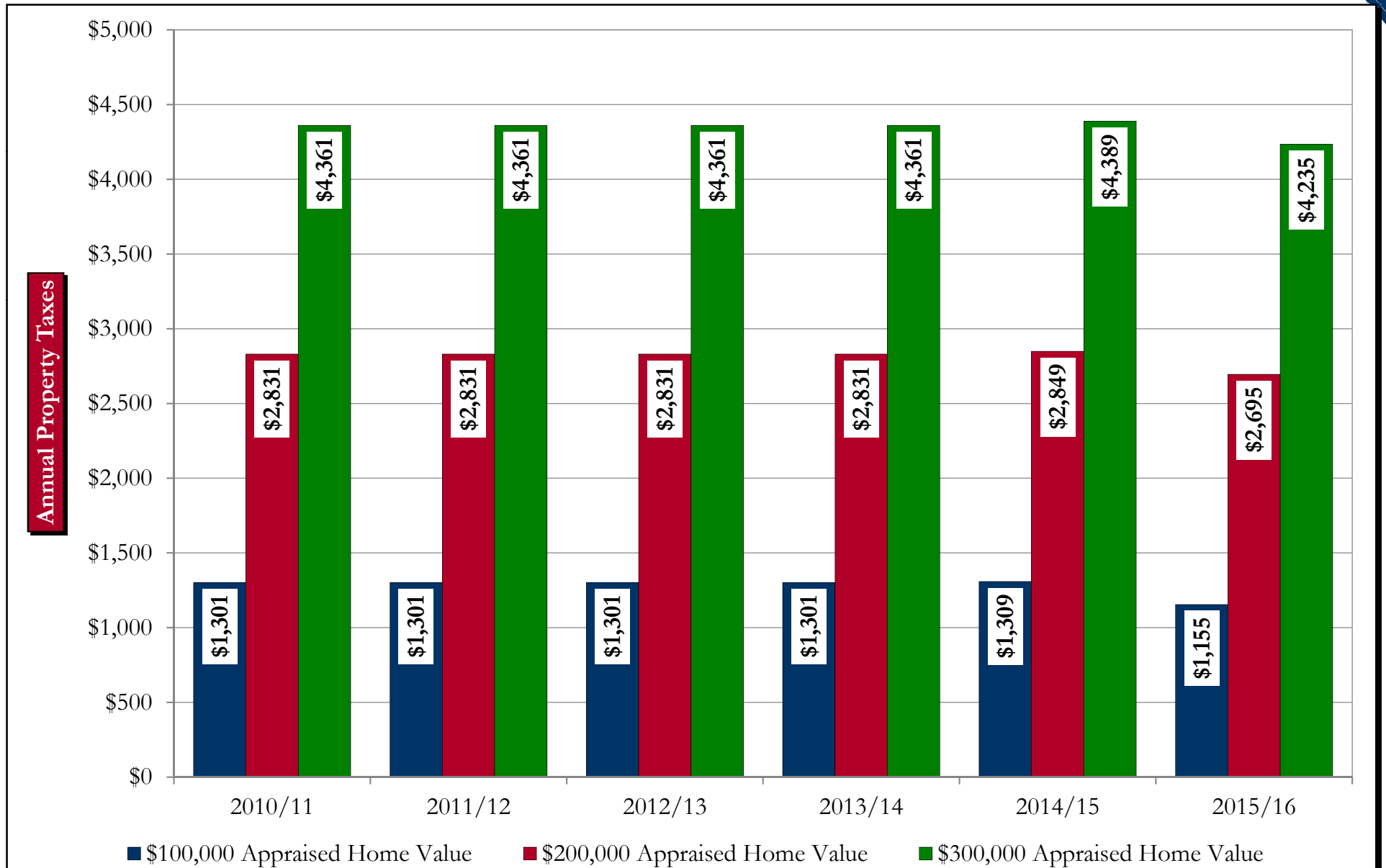


Historical Tax Rates





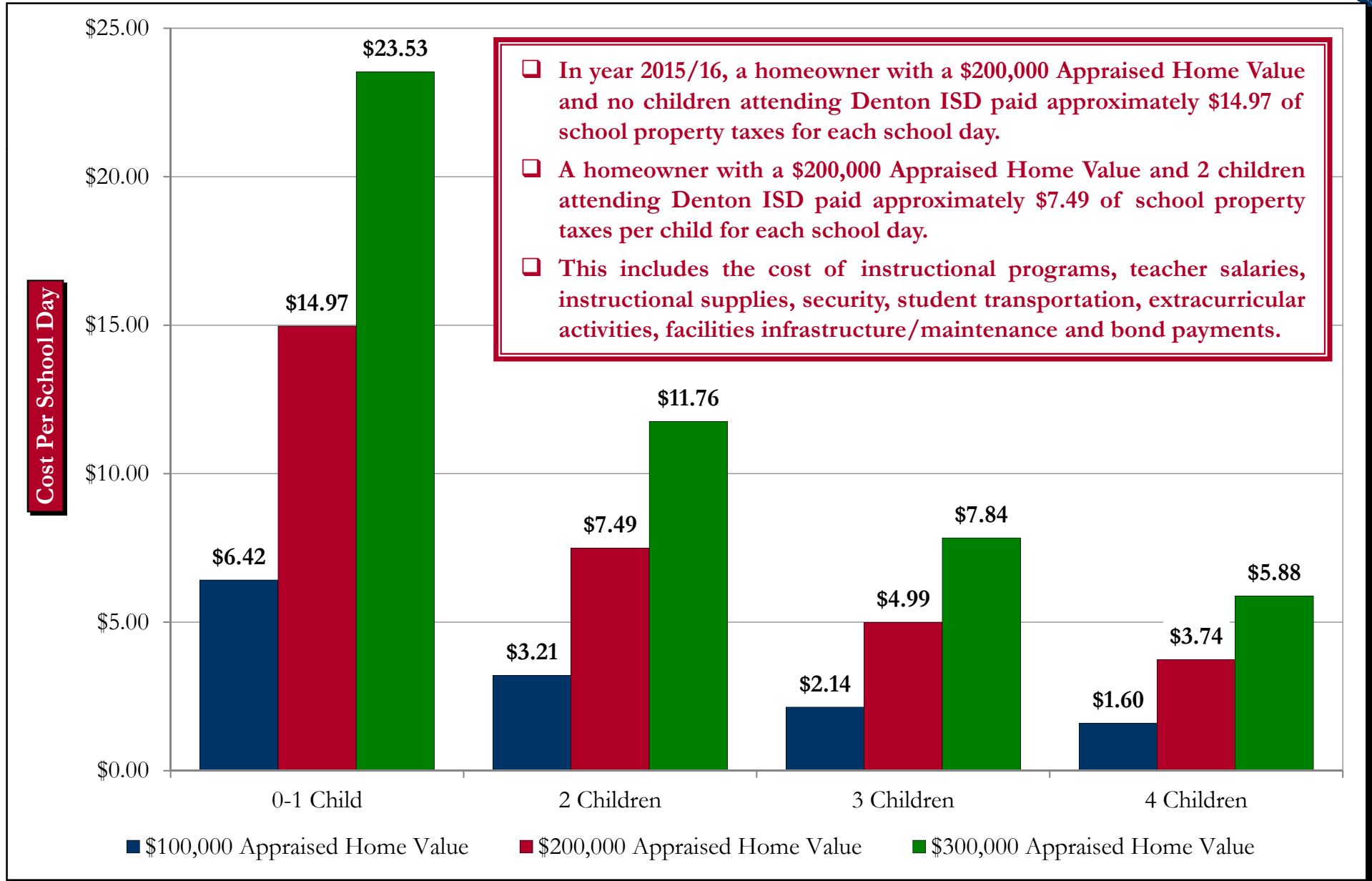
Historical Total Property Taxes For Maintenance and Operations and Voter-Approved Bonds – For Various Appraised Home Values



Note: Taxes are net of the State-mandated residential homestead exemption.



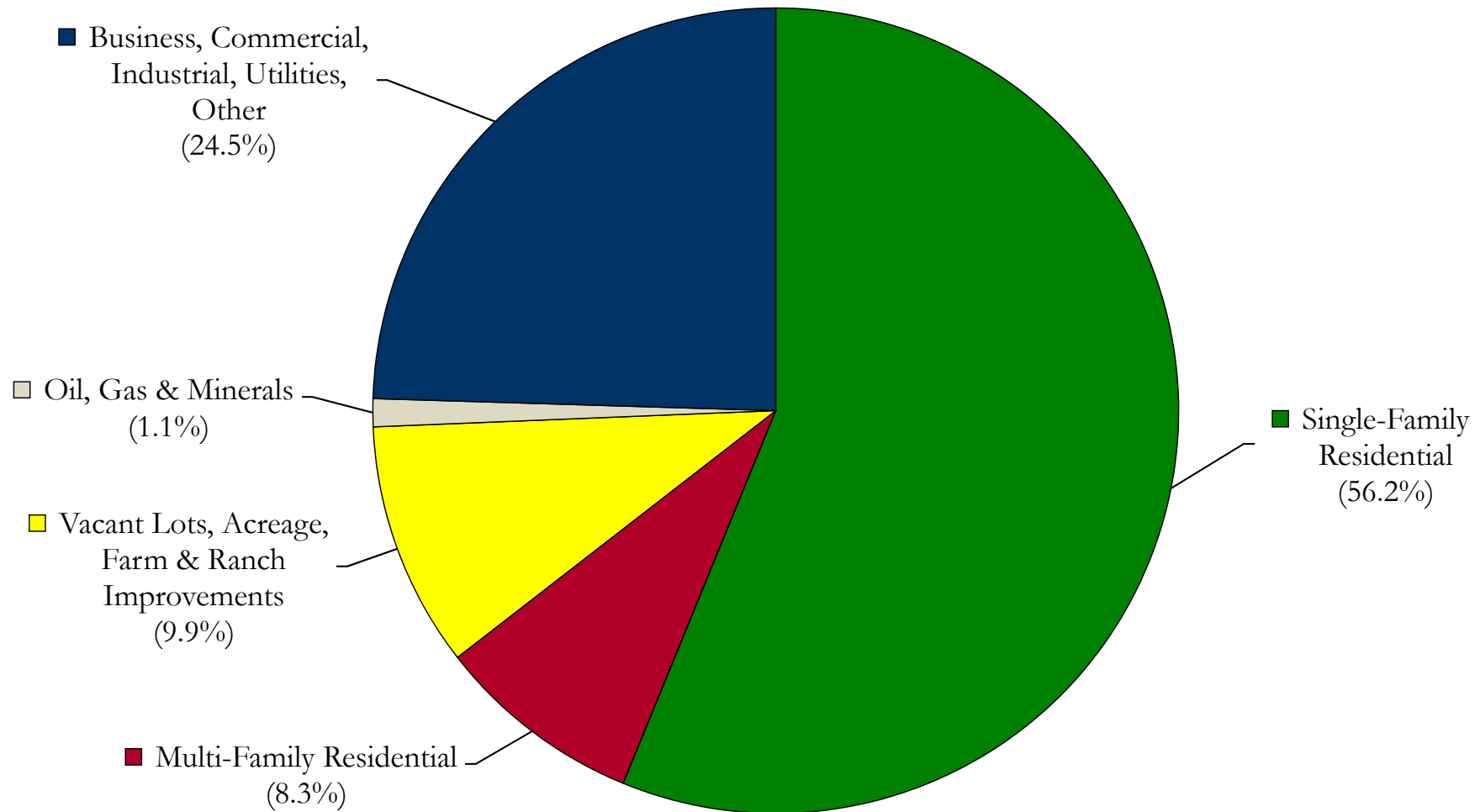
Summary of Property Tax Cost Per School Day – For Various Appraised Home Values – Year 2015/16





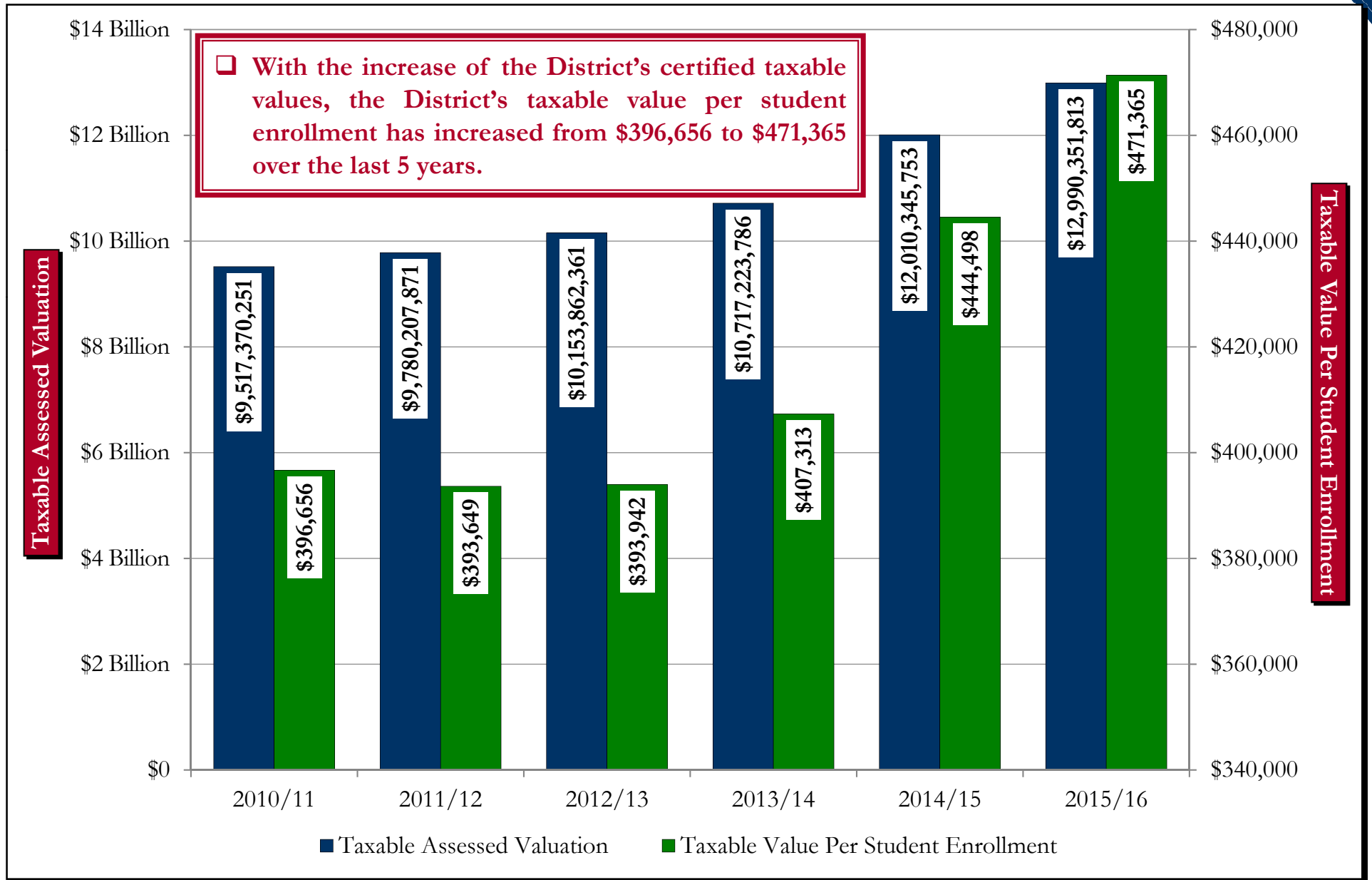
Composition of Total Assessed Valuation – Year 2015/16

For year 2015/16, Single-Family Residential properties comprised 56.2% of the District's total assessed valuation and other property categories comprised 43.8%.





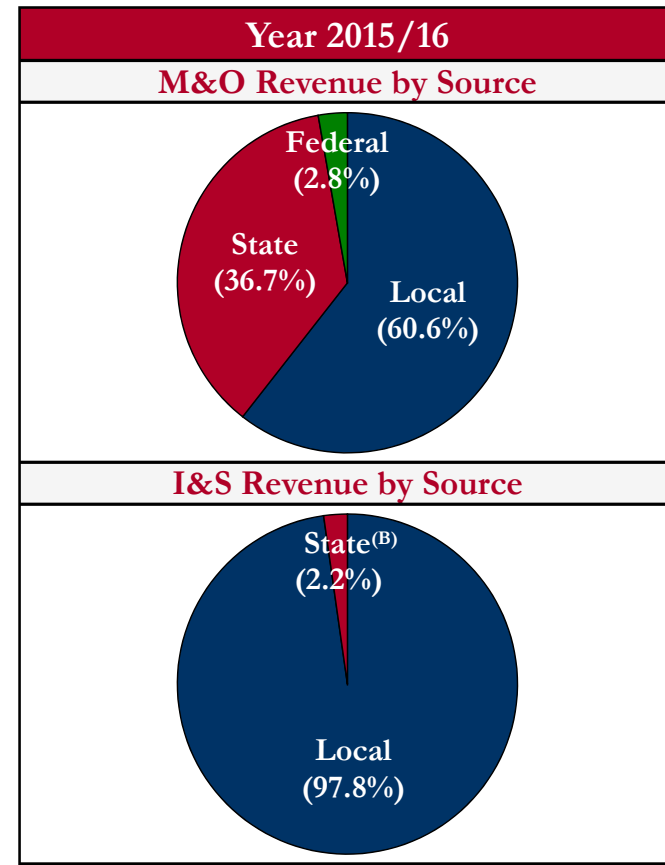
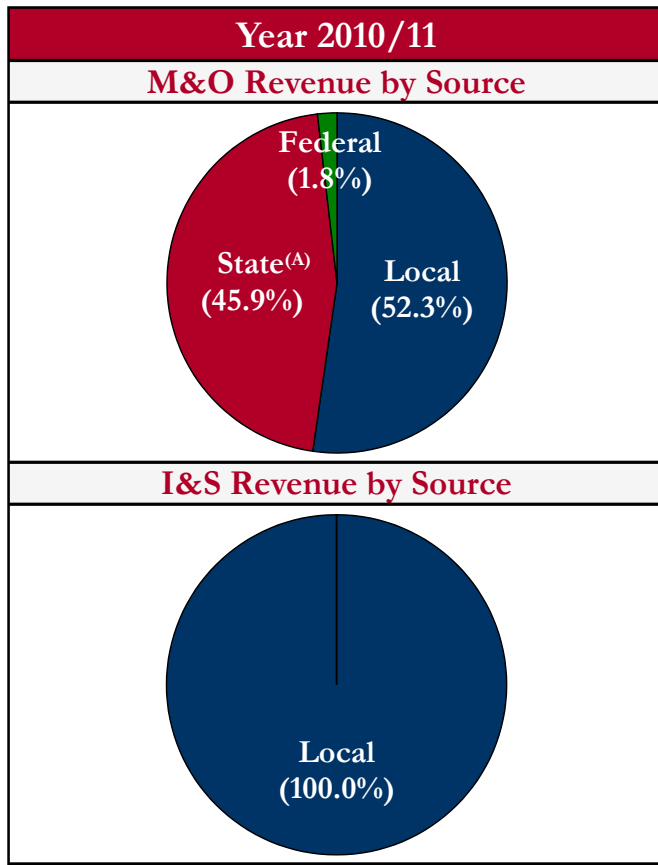
Historical Taxable Assessed Valuation and Taxable Value Per Student Enrollment





General Fund and Debt Service Fund – Revenue By Source

- Given the State funding system is structured to provide the District with an “equalized” dollar amount per student, the increase of the District’s taxable value per student has reduced the percentage of M&O revenues received from the State from 45.9%^(A) to 36.7% over the last 5 years.
- The District does not receive any facilities funding from the State for the payment of voter-approved bonds.

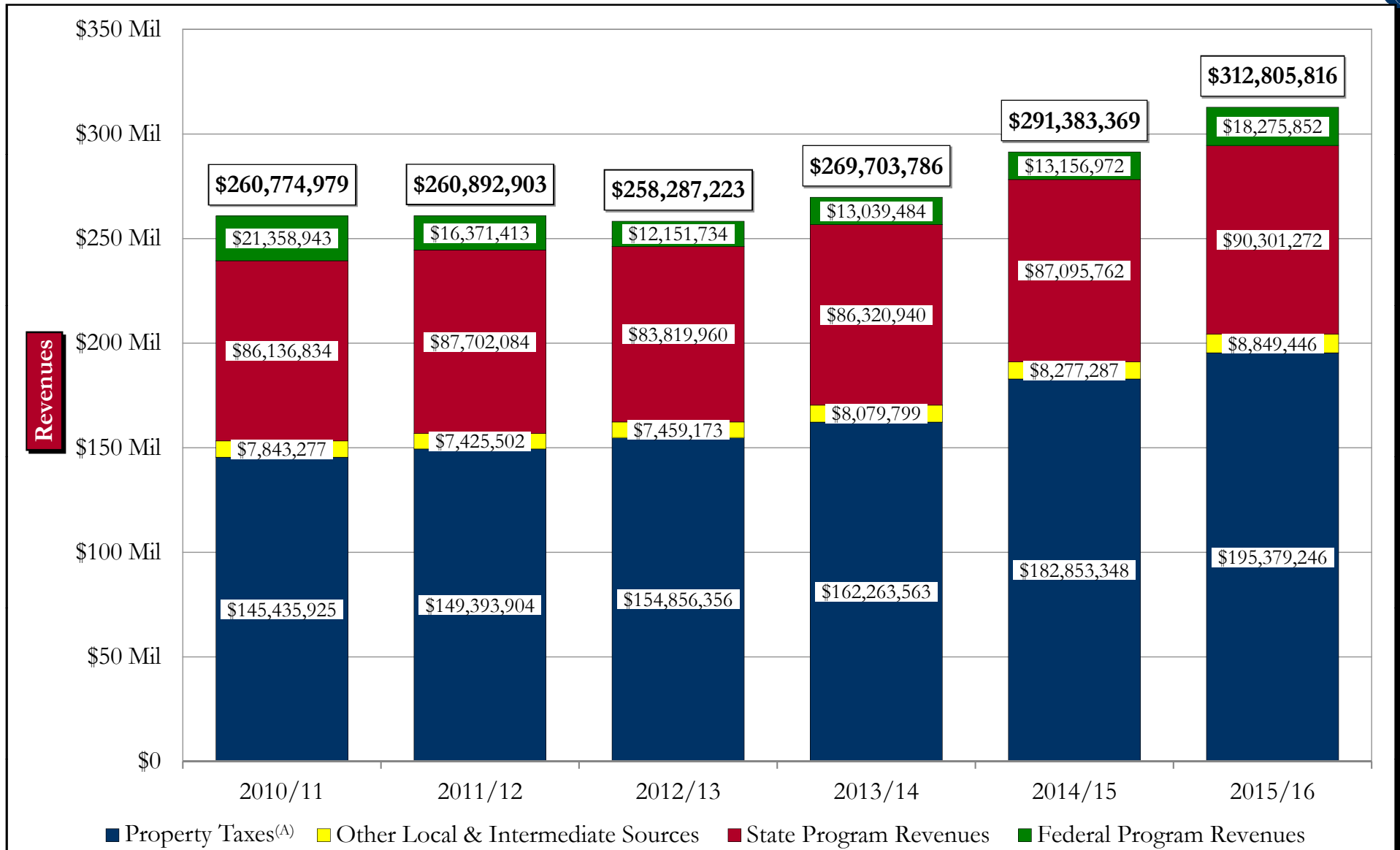


^(A) Includes \$6,496,862 from the State Fiscal Stabilization Fund, distributed under the Federal American Recovery and Reinvestment Act.

^(B) Represents payment from State received for lost tax revenues resulting from increase of residential homestead exemption in year 2015/16.



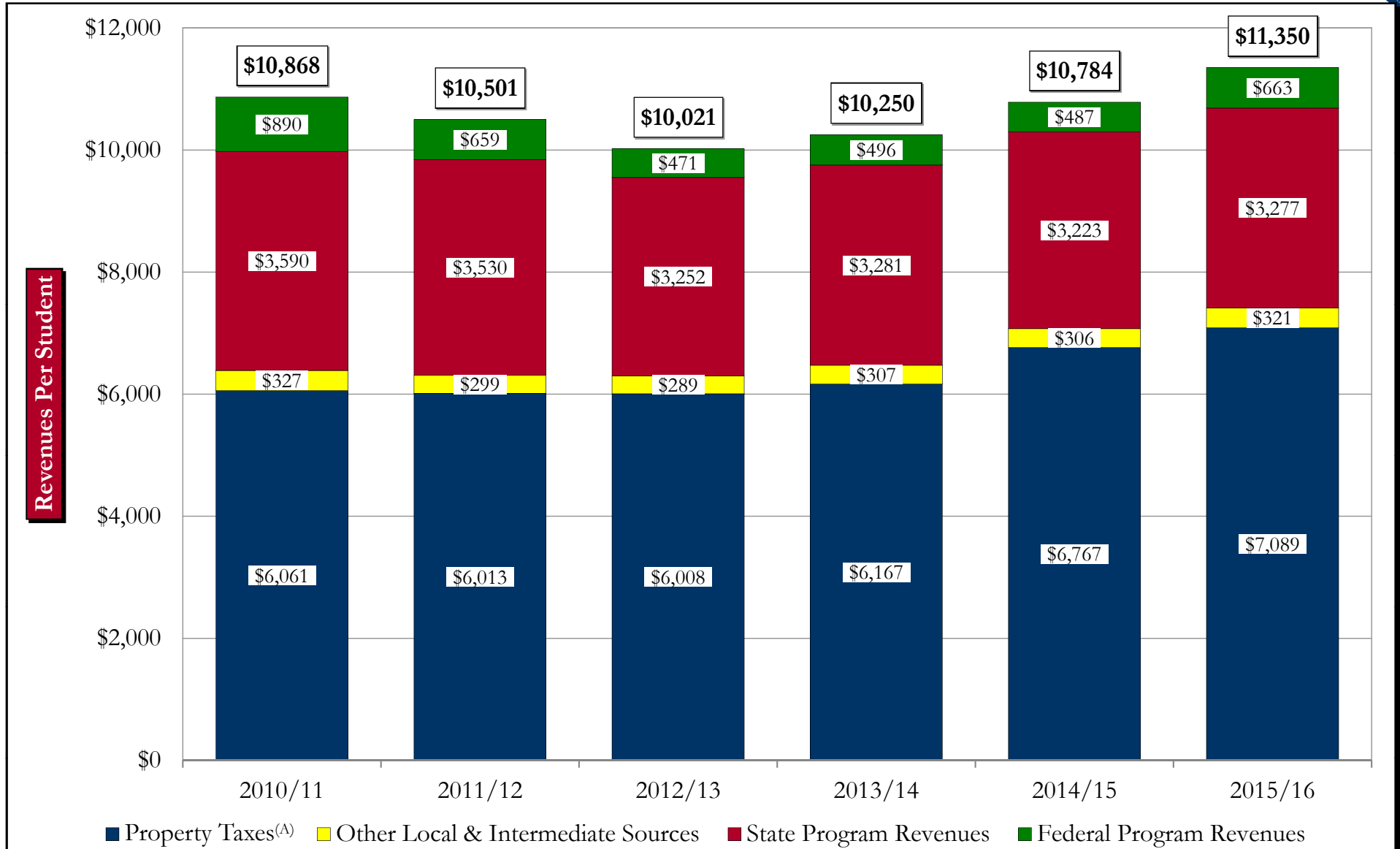
Total Revenues (All Governmental Funds*) By Source



^(A) Includes maintenance and operation expenses and bond payments of voter-approved bonds.



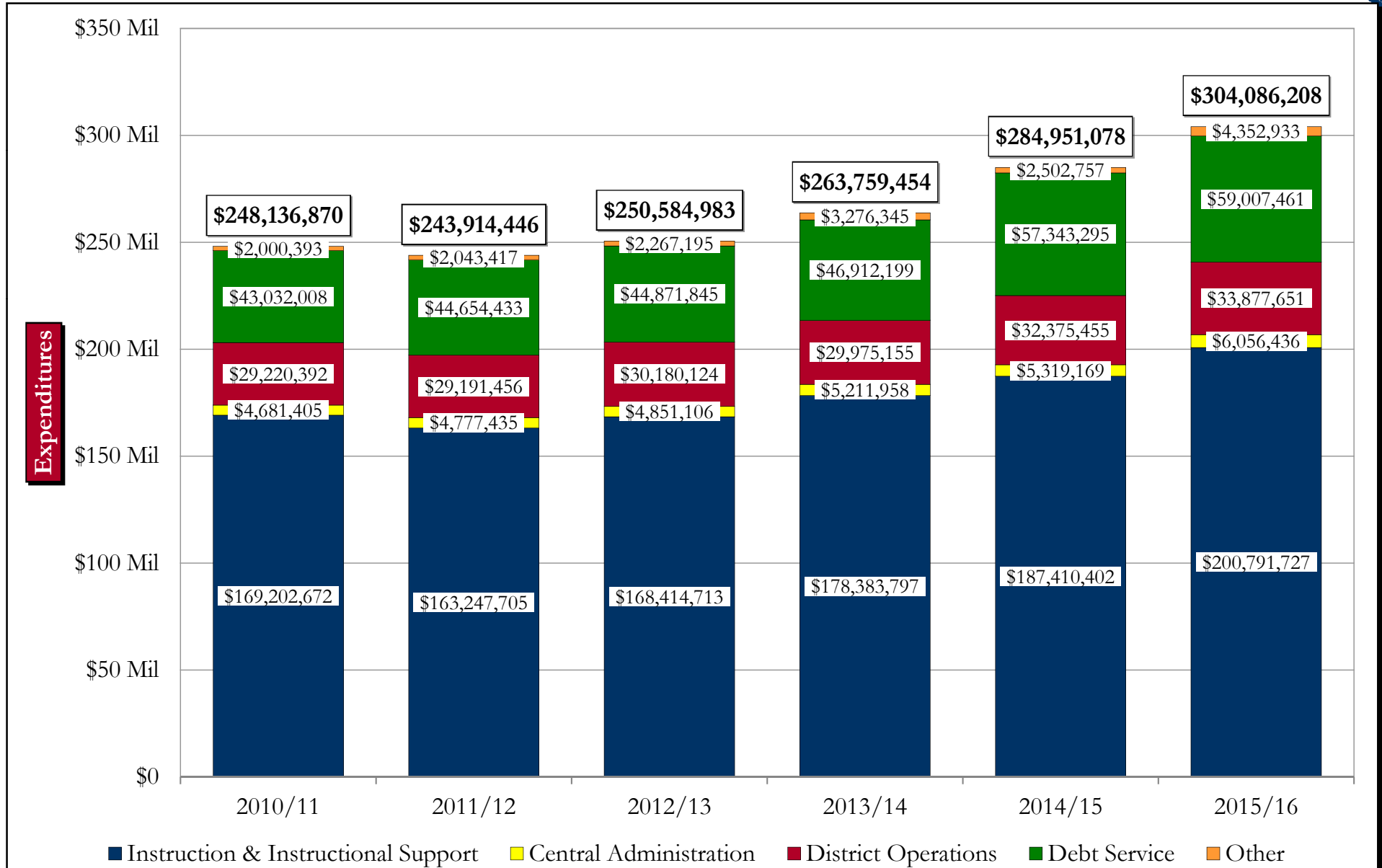
Total Revenues (All Governmental Funds*) Per Student



^(A) Includes maintenance and operation expenses and bond payments of voter-approved bonds.



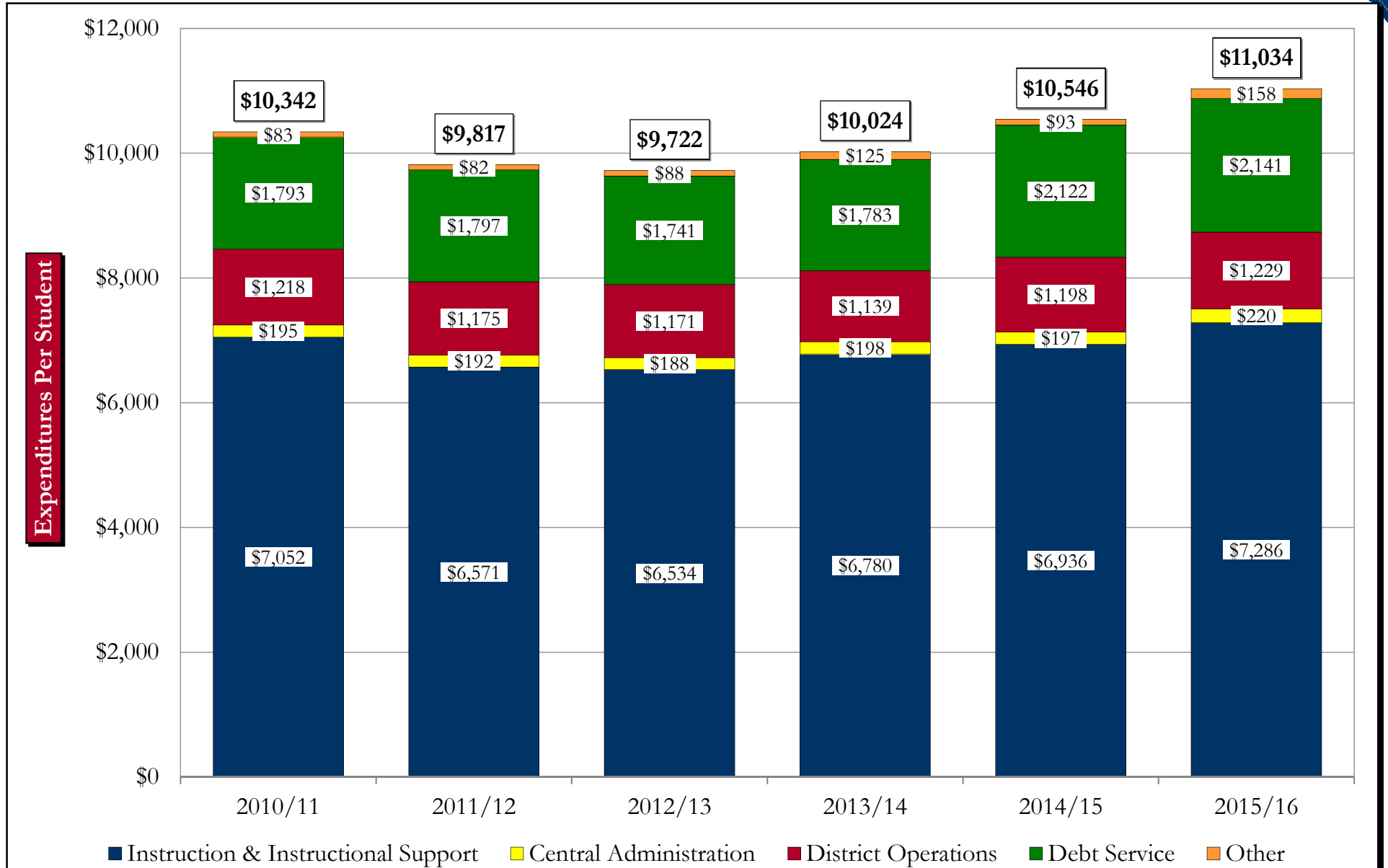
Total Expenditures (All Governmental Funds*) By Source



*Excludes Capital Projects Fund. Source: District's Audited Financial Statements and District records.



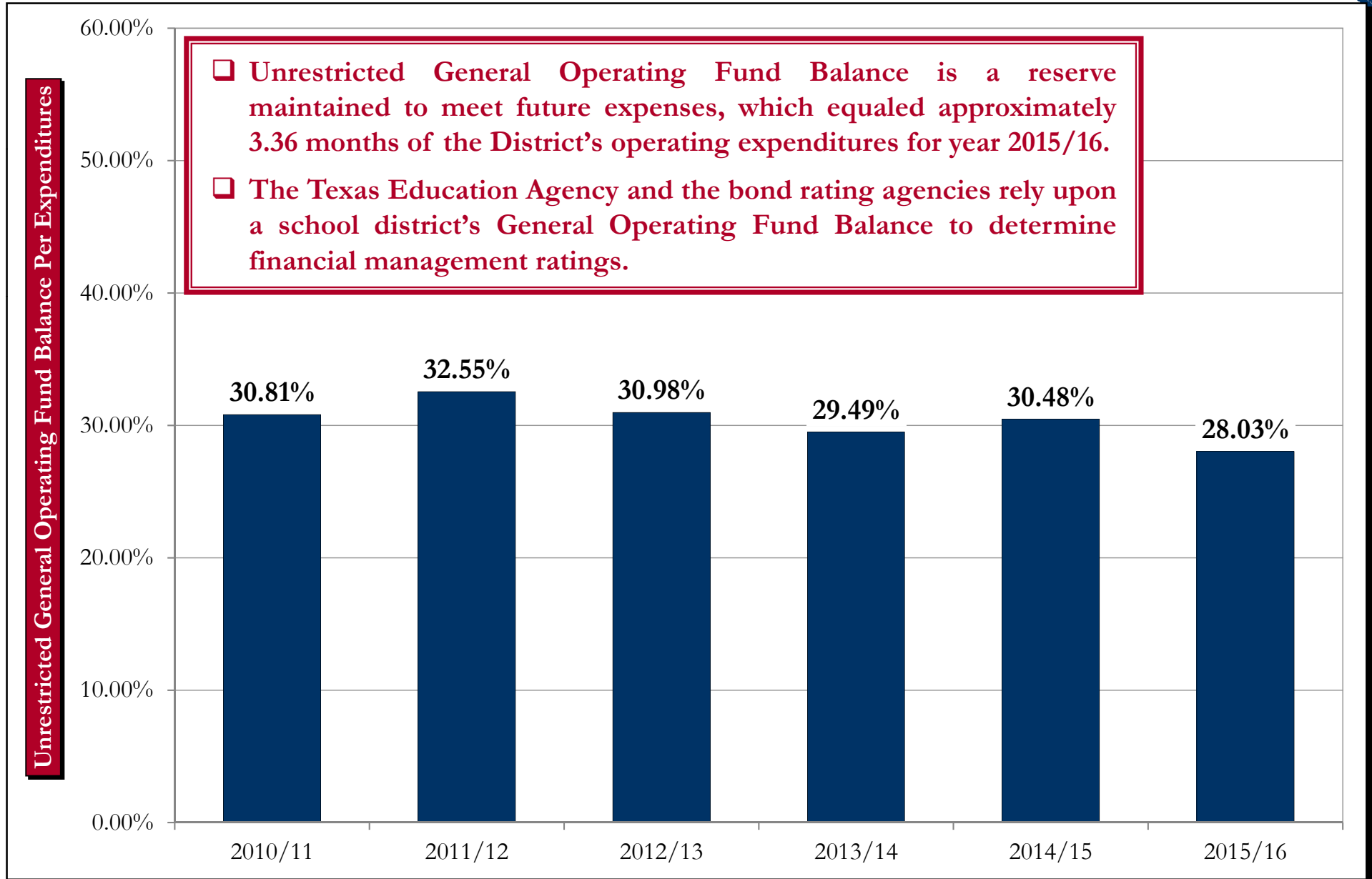
Total Expenditures (All Governmental Funds*) Per Student



*Excludes Capital Projects Fund. Source: District's Audited Financial Statements, Texas Education Agency - PEIMS and District records.

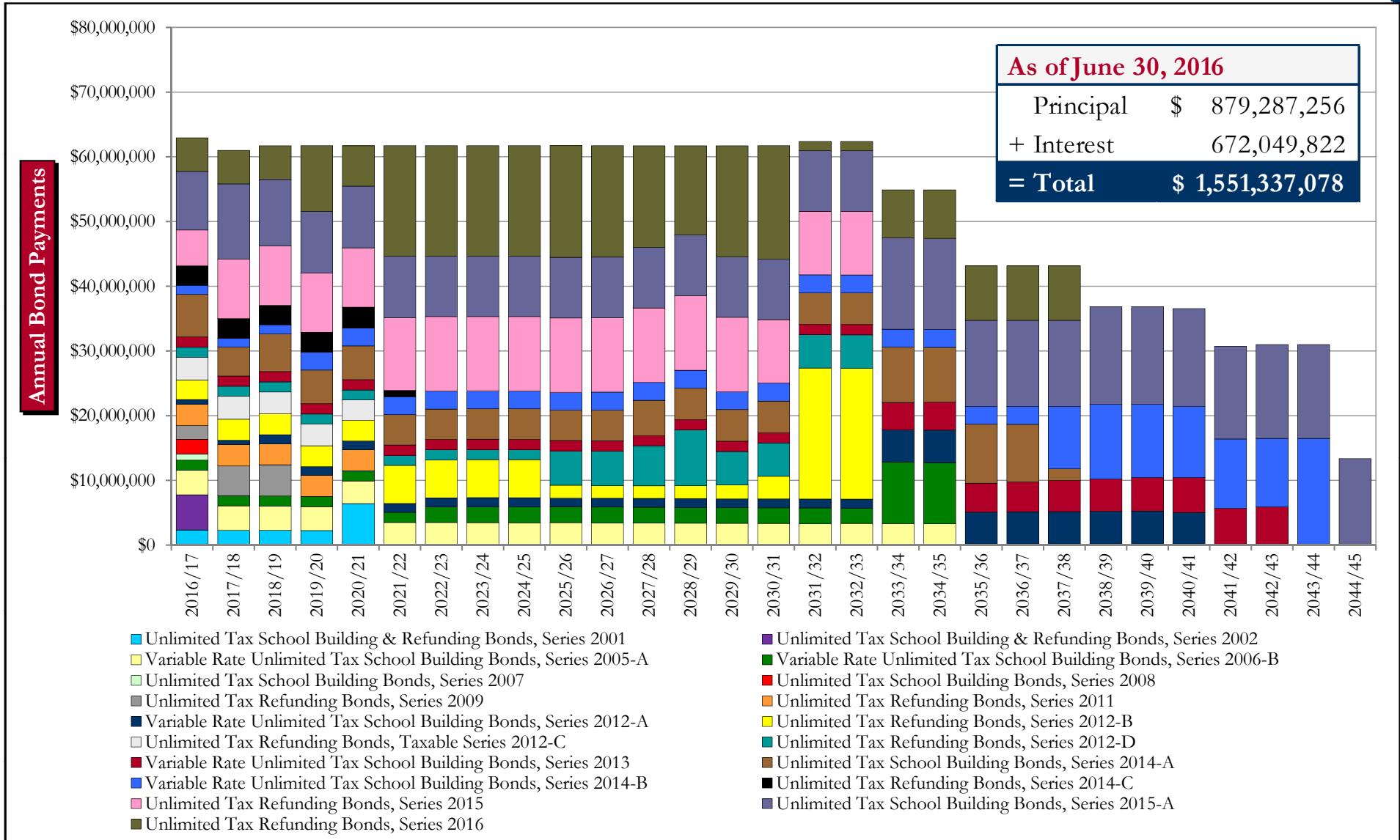


Unrestricted General Operating Fund Balance as a Percentage of General Operating Expenditures





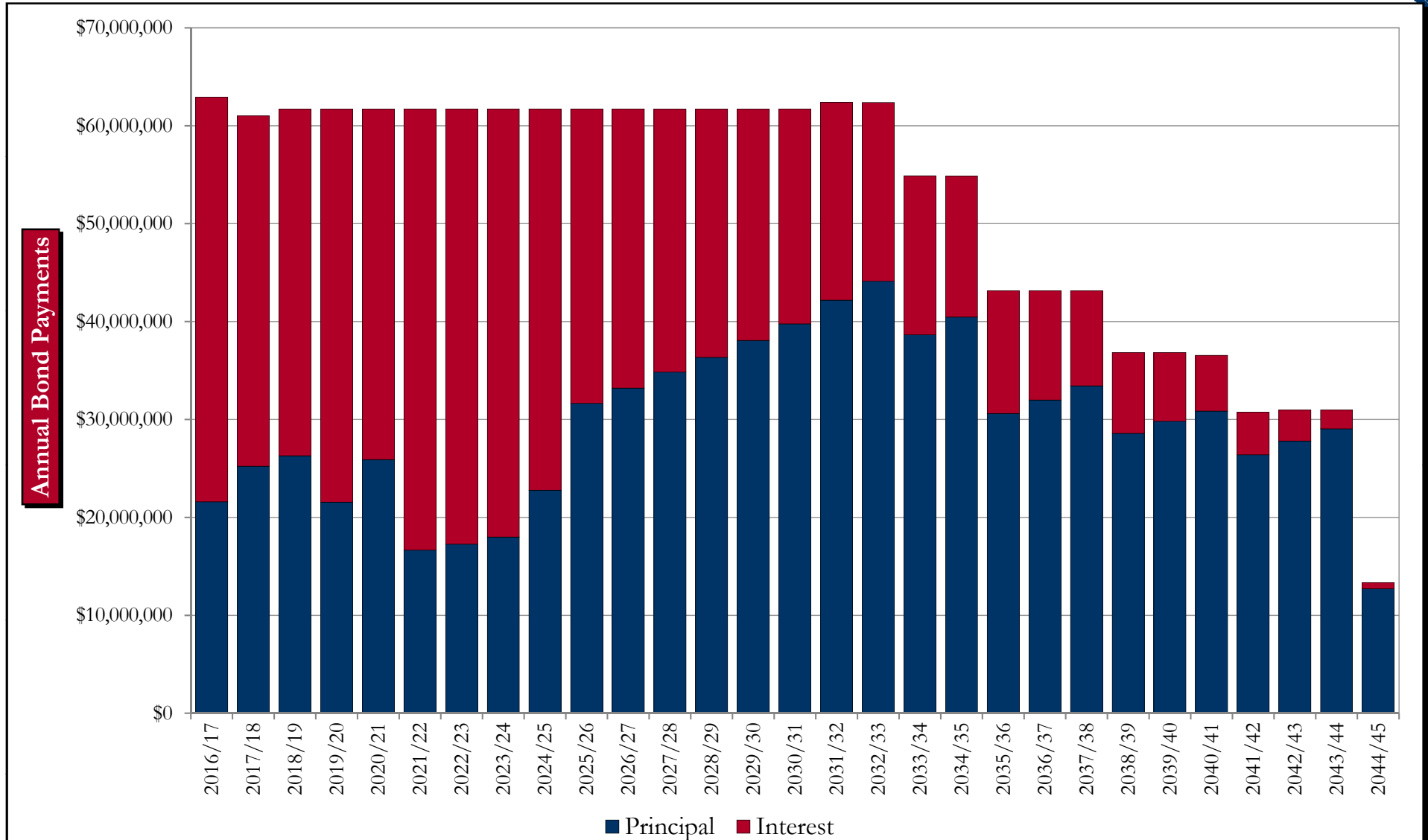
Unlimited Tax Debt Service By Series – Existing Bonds Approved By Voters



Note: Although the District's fiscal year ends on June 30, debt service payments reflect payments from September 1 through August 31 to match the receipt of tax collections and the District's budget. As such, the District's August 2016 debt payments are not portrayed in the graph above.



☑ Unlimited Tax Debt Service By Principal and Interest – Existing Bonds Approved By Voters



Note: Although the District's fiscal year ends on June 30, debt service payments reflect payments from September 1 through August 31 to match the receipt of tax collections and the District's budget. As such, the District's August 2016 debt payments are not portrayed in the graph above.



Savings from District's Recent Bond Refunding and Prepayment Programs to Lower Interest Costs

- Denton ISD has implemented 9 refunding programs and prepaid \$14.06 million of existing bonds to reduce the cost of voter-approved bonds – Which have generated more than \$126.3 million of savings for District taxpayers in recent years.

Summary of Interest Cost Savings – Bond Refunding Programs / Prepayment of Bonds

| Issue / Description | Series Refunded | Principal Amount Refunded | Total Savings |
|--|------------------------|----------------------------------|-----------------------|
| Unlimited Tax Refunding Bonds, Series 2005-C [March 2005] | 1998, 1999, 2001 | \$ 50,855,000 | \$ 3,251,044 |
| Prepayment of Series 1995 Bonds [November 2005] | 1995 | 1,315,000 | 362,625 |
| Unlimited Tax Refunding Bonds, Series 2006 [July 2006] | 2002 | 48,329,192 | 12,125,000 |
| Prepayment of Series 2000 Bonds [February 2009] | 2000 | 625,000 | 609,375 |
| Unlimited Tax Refunding Bonds, Series 2011 [June 2011] | 1998, 1999, 2001, 2004 | 24,940,000 | 1,838,589 |
| Unlimited Tax Refunding Bonds, Series 2012-B [May 2012] | 2002, 2004, 2005-C | 64,614,784 | 13,196,404 |
| Unlimited Tax Refunding Bonds, Taxable Series 2012-C [November 2012] | 2004, 2005-C | 25,030,000 | 2,551,494 |
| Unlimited Tax Refunding Bonds, Series 2012-D [November 2012] | 2004 | 40,155,000 | 8,937,721 |
| Unlimited Tax Refunding Bonds, Series 2014-C [December 2014] | 2006-A | 15,010,000 | 1,252,934 |
| Unlimited Tax Refunding Bonds, Series 2015 [April 2015] | 2007, 2008 | 125,110,000 | 17,203,964 |
| Prepayment of Series 2012-A Bonds [August 2015] | 2012-A | 5,120,000 | 5,529,600 |
| Unlimited Tax Refunding Bonds, Series 2016 [May 2016] | 2006, 2007, 2008, 2009 | 118,749,192 | 51,970,247 |
| Prepayment of Series 2013 Bonds [August 2016] | 2013 | 7,000,000 | 7,507,600 |
| Totals | --- | \$ 526,853,168 | \$ 126,336,597 |

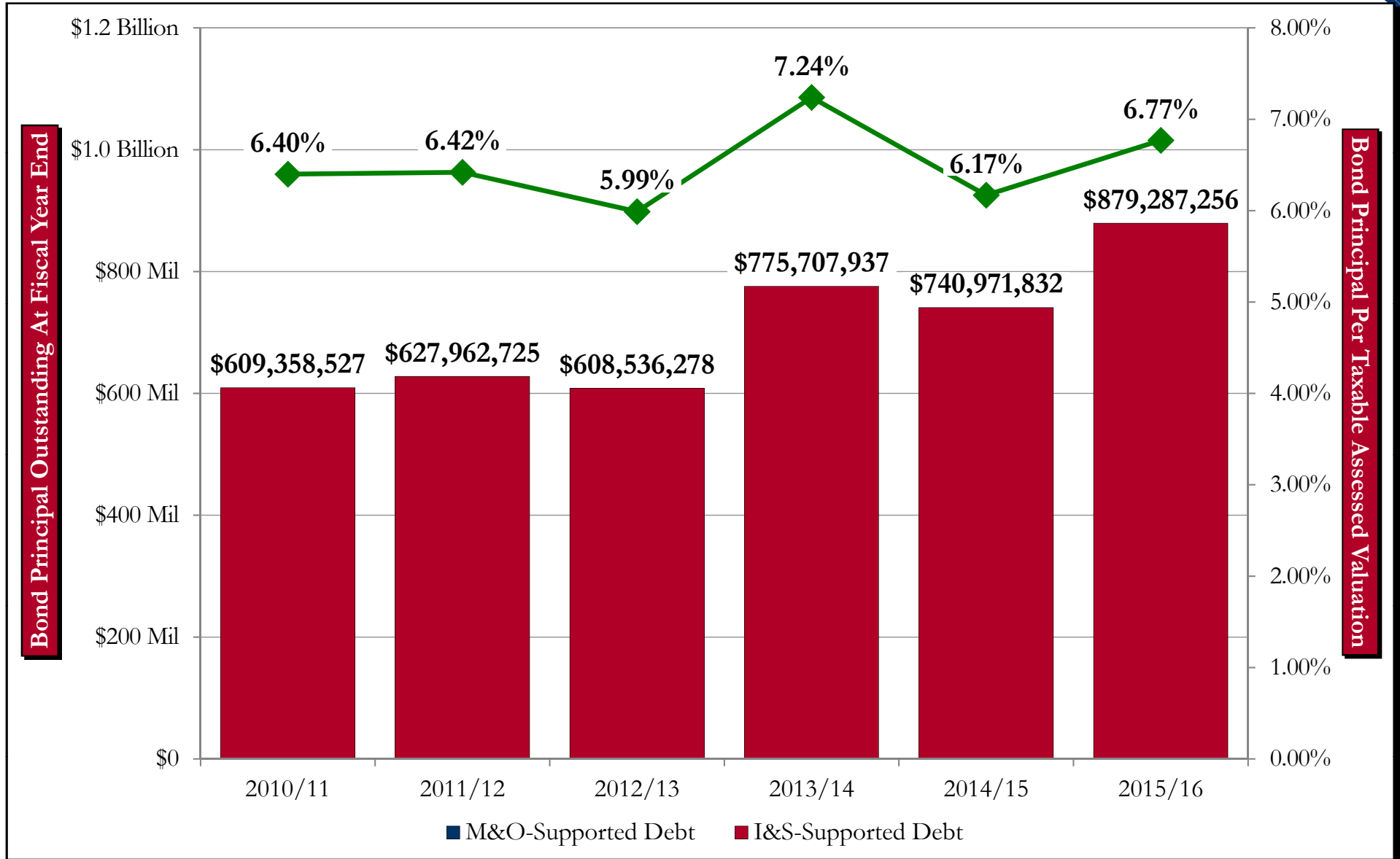


Summary of Unlimited Tax Debt Outstanding By Series – As of Fiscal Year Ended June 30, 2016

| No. | Issue Description | Purpose | Original Principal Amount | Outstanding Principal | Total Outstanding Debt Service | Outstanding Principal Per Capita | Outstanding Debt Service Per Capita | Final Maturity Date | Total Proceeds Received | Spent Proceeds | Unspent Proceeds |
|-----|--|---|---------------------------|-----------------------|--------------------------------|----------------------------------|-------------------------------------|---------------------|-------------------------|------------------|------------------|
| 1 | Unlimited Tax School Building & Refunding Bonds, Series 2001 | Capital Improvements & Refunding at a lower interest rate, etc. | \$63,956,903.40 | \$18,430,000.00 | \$21,332,175.00 | \$101.60 | \$117.60 | 08/15/2021 | \$65,621,324.01 | \$65,621,324.01 | \$0.00 |
| 2 | Unlimited Tax School Building & Refunding Bonds, Series 2002 | Capital Improvements & Refunding at a lower interest rate, etc. | \$109,430,675.86 | \$1,498,152.71 | \$10,875,000.00 | \$8.26 | \$59.95 | 08/15/2017 | \$112,469,262.17 | \$112,469,262.17 | \$0.00 |
| 3 | Variable Rate Unlimited Tax School Building Bonds, Series 2005-A | Capital Improvements | \$46,500,000.00 | \$46,500,000.00 | \$68,915,915.00 | \$256.34 | \$379.91 | 08/01/2035 | \$46,471,952.33 | \$46,471,952.33 | \$0.00 |
| 4 | Unlimited Tax School Building Bonds, Series 2006-A | Capital Improvements | \$21,580,000.00 | \$2,365,000.00 | \$2,424,125.00 | \$13.04 | \$13.36 | 08/15/2016 | \$22,200,341.10 | \$22,200,341.10 | \$0.00 |
| 5 | Variable Rate Unlimited Tax School Building Bonds, Series 2006-B | Capital Improvements | \$30,000,000.00 | \$30,000,000.00 | \$55,899,845.40 | \$165.38 | \$308.15 | 08/01/2035 | \$29,947,800.00 | \$29,947,800.00 | \$0.00 |
| 6 | Unlimited Tax School Building Bonds, Series 2007 | Capital Improvements | \$39,841,765.00 | \$1,745,000.00 | \$1,820,600.00 | \$9.62 | \$10.04 | 08/15/2017 | \$40,582,472.46 | \$40,555,060.24 | \$27,412.22 |
| 7 | Unlimited Tax School Building Bonds, Series 2008 | Capital Improvements | \$158,215,000.00 | \$4,290,000.00 | \$4,474,075.00 | \$23.65 | \$24.66 | 08/15/2017 | \$166,503,389.25 | \$166,503,389.25 | \$0.00 |
| 8 | Unlimited Tax Refunding Bonds, Series 2009 | Refunding at a lower interest rate, etc. | \$31,875,000.00 | \$10,570,000.00 | \$11,756,787.50 | \$58.27 | \$64.81 | 08/15/2019 | \$32,395,994.70 | \$32,395,994.70 | \$0.00 |
| 9 | Unlimited Tax Refunding Bonds, Series 2011 | Refunding at a lower interest rate, etc. | \$24,325,000.00 | \$16,930,000.00 | \$19,326,925.00 | \$93.33 | \$106.54 | 08/15/2021 | \$27,395,771.95 | \$27,395,771.95 | \$0.00 |
| 10 | Variable Rate Unlimited Tax School Building Bonds, Series 2012-A | Capital Improvements | \$40,000,000.00 | \$34,360,000.00 | \$63,193,800.00 | \$189.41 | \$348.36 | 08/01/2041 | \$41,163,717.67 | \$41,163,717.67 | \$0.00 |
| 11 | Unlimited Tax Refunding Bonds, Series 2012-B | Refunding at a lower interest rate, etc. | \$60,868,367.20 | \$56,280,000.00 | \$95,060,922.01 | \$310.25 | \$524.03 | 08/15/2033 | \$69,970,156.87 | \$69,970,156.87 | \$0.00 |
| 12 | Unlimited Tax Refunding Bonds, Taxable Series 2012-C | Refunding at a lower interest rate, etc. | \$24,875,000.00 | \$19,060,000.00 | \$20,382,812.50 | \$105.07 | \$112.36 | 08/15/2021 | \$25,518,785.96 | \$25,518,785.96 | \$0.00 |
| 13 | Unlimited Tax Refunding Bonds, Series 2012-D | Refunding at a lower interest rate, etc. | \$40,030,000.00 | \$39,205,000.00 | \$60,785,642.50 | \$216.12 | \$335.09 | 08/15/2033 | \$44,093,769.11 | \$44,093,769.11 | \$0.00 |
| 14 | Variable Rate Unlimited Tax School Building Bonds, Series 2013 | Capital Improvements | \$44,300,000.00 | \$39,815,000.00 | \$77,164,550.00 | \$219.48 | \$425.38 | 08/01/2043 | \$45,168,640.34 | \$39,369,590.52 | \$5,799,049.82 |
| 15 | Unlimited Tax School Building Bonds, Series 2014-A | Capital Improvements | \$75,055,000.00 | \$74,225,000.00 | \$126,423,268.75 | \$409.17 | \$696.92 | 08/15/2038 | \$86,223,705.78 | \$86,223,705.78 | \$0.00 |
| 16 | Variable Rate Unlimited Tax School Building Bonds, Series 2014-B | Capital Improvements | \$69,075,000.00 | \$69,075,000.00 | \$135,821,450.00 | \$380.78 | \$748.73 | 08/01/2044 | \$70,214,253.72 | \$16,982,561.71 | \$53,231,692.01 |
| 17 | Unlimited Tax Refunding Bonds, Series 2014-C | Refunding at a lower interest rate, etc. | \$14,435,000.00 | \$14,130,000.00 | \$16,688,200.00 | \$77.89 | \$92.00 | 08/15/2022 | \$16,507,158.03 | \$16,507,158.03 | \$0.00 |
| 18 | Unlimited Tax Refunding Bonds, Series 2015 | Refunding at a lower interest rate, etc. | \$118,775,000.00 | \$117,480,000.00 | \$177,579,375.00 | \$647.62 | \$978.93 | 08/15/2033 | \$138,185,628.38 | \$138,185,628.38 | \$0.00 |
| 19 | Unlimited Tax School Building Bonds, Series 2015-A | Capital Improvements | \$164,580,000.00 | \$164,580,000.00 | \$337,979,300.00 | \$907.27 | \$1,863.15 | 08/15/2045 | \$188,349,518.46 | \$6,981,952.20 | \$181,367,566.26 |
| 20 | Unlimited Tax Refunding Bonds, Series 2016 | Refunding at a lower interest rate, etc. | \$118,749,103.75 | \$118,749,103.75 | \$243,432,309.44 | \$654.62 | \$1,341.95 | 08/15/2038 | \$180,751,757.33 | \$180,751,757.33 | \$0.00 |



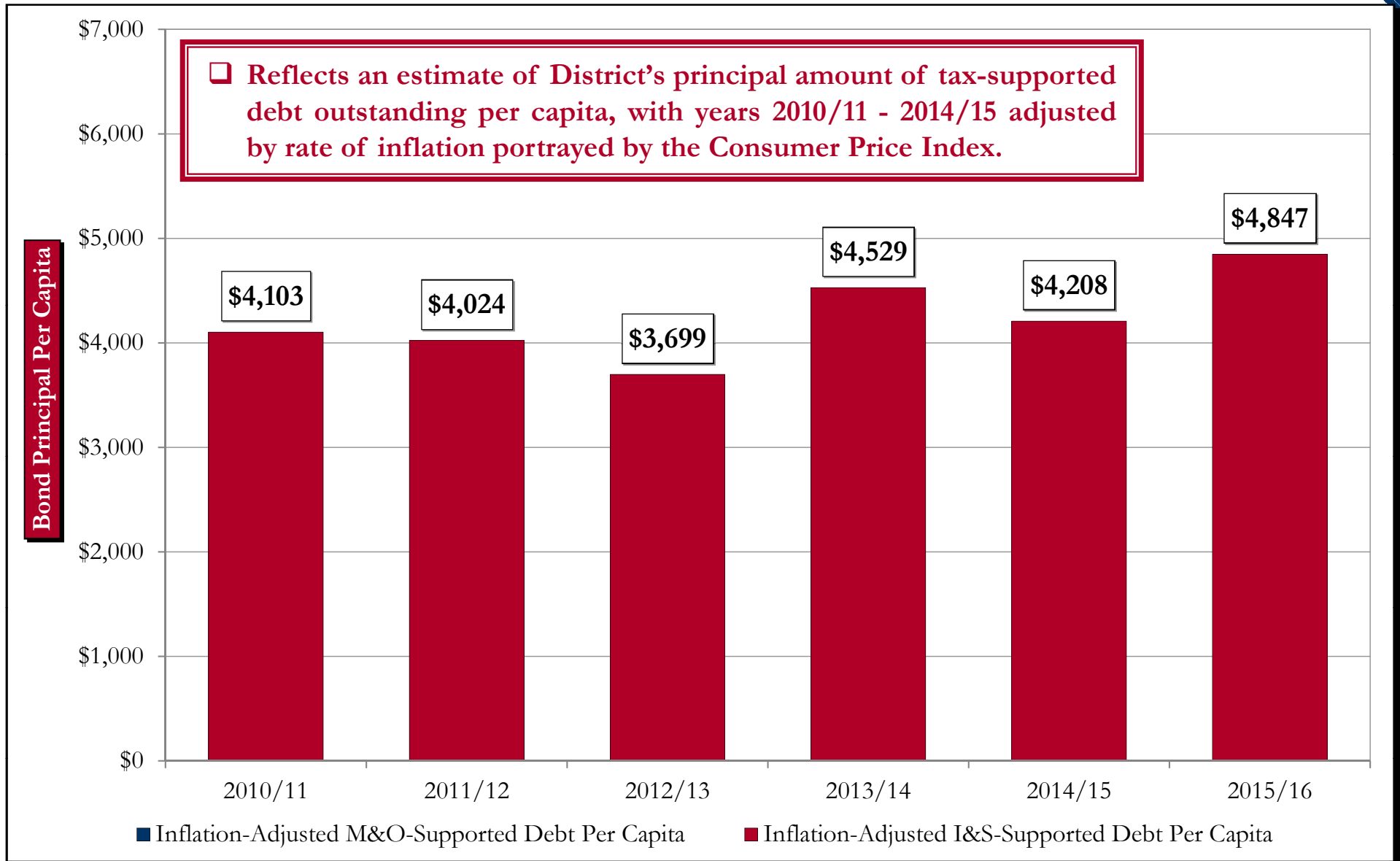
Tax-Supported Debt Obligations At Fiscal Year End and As a Percentage of Taxable Assessed Valuation



Note: The District has no outstanding debt payable from M&O taxes.



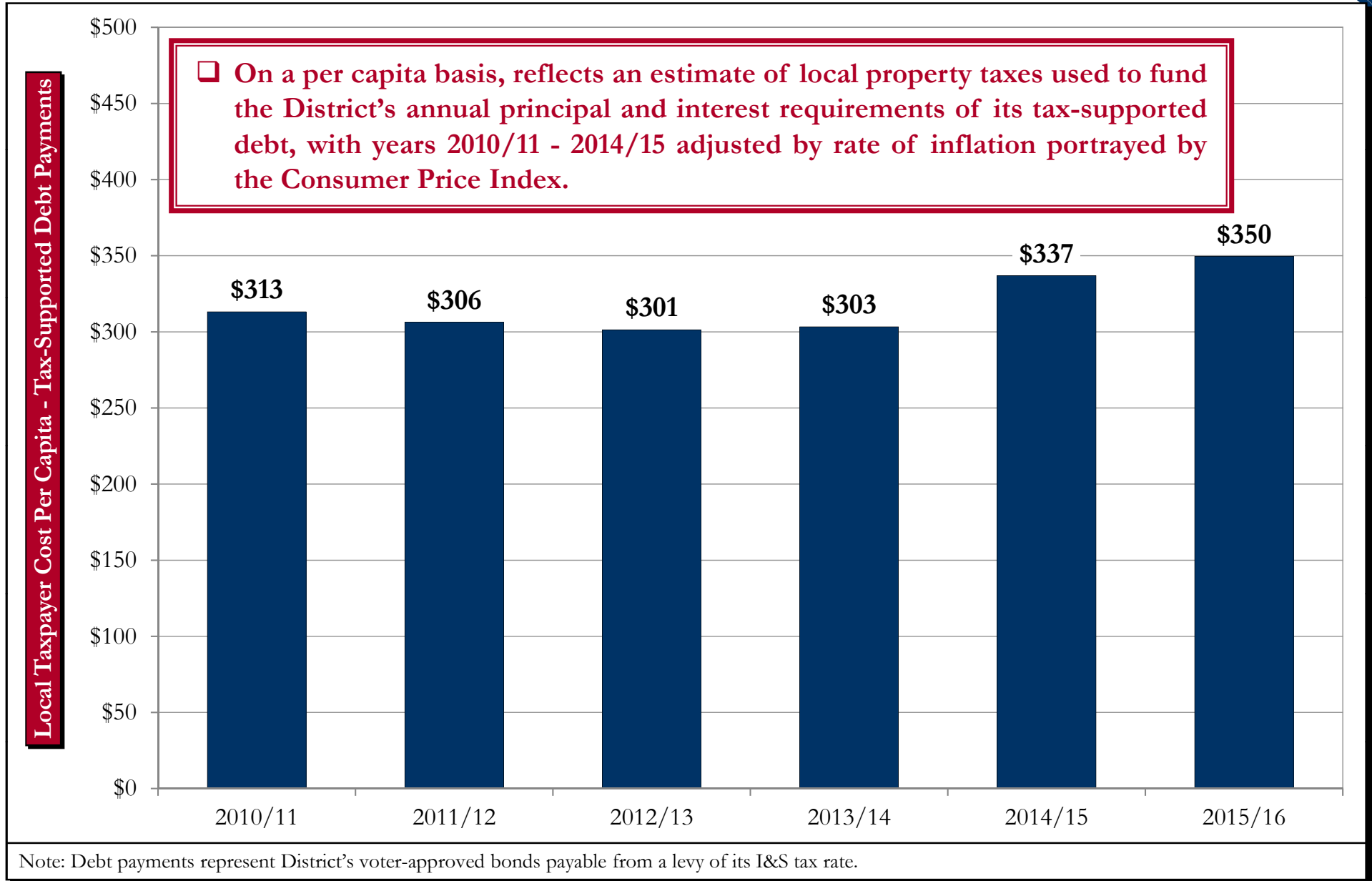
Inflation-Adjusted Tax-Supported Debt Per Capita



Note: The District has no outstanding debt payable from M&O taxes.



Inflation-Adjusted Tax-Supported Debt Cost Per Capita – Principal and Interest In Each of the Last 5 Years





Contact Information and Links to Additional Resources

Main Office Contact Information:

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Debbie Monschke
Assistant Superintendent for Administrative Services
Phone: (940) 369-0010
Email: dmonschke@dentonisd.org

Links to Additional Resources:

<https://www.comptroller.texas.gov/transparency/local/debt/isds.php>

http://www.brb.state.tx.us/local_debt_search.aspx