

DENTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2008

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CERTIFICATE OF BOARD

Denton Independent School District
Name of School District

Denton
County

061-901
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended June 30, 2008, at a meeting of the Board of Trustees of such school district on the ____ day of November, 2008.

Signature of Board Secretary

Signature of Board President

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MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
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**HANKINS, EASTUP, DEATON,
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A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

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UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER
SUPPLEMENTARY INFORMATION
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

Board of Trustees
Denton Independent School District
Denton, TX 76201

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denton Independent School District (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on them based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, each major fund, and the aggregate remaining fund information of Denton Independent School District as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the budgetary comparison information on pages 7 through 15 and 29, 88 and 89 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Denton Independent School District's basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

In addition, the combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are like presented for additional analysis and are not a part of the basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules (except for Exhibit J-3 The Fund Balance and Cash Flow Calculation Worksheet, which is marked **UNAUDITED** and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2008, on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

October 28, 2008

**DENTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008
(UNAUDITED)**

As management of Denton Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2008. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 19.

FINANCIAL HIGHLIGHTS

- The assets of Denton Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$44,112,247 (net assets). Included in the total is \$72,832,595 of unrestricted net assets that may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund designation and fiscal policies.
- The District's total net assets decreased by \$1,658,980.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$274,714,261. Over 20% of this total amount (\$55,391,688) is unreserved and available for use within the District's designation and policies.
- At the end of the current fiscal period, unreserved fund balance for the general fund was \$54,712,749 or 33.3% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 19 through 21). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 22) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 35) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Single Audit Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 19. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Assets and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- Business-type activities—The District charges a fee to “customers” to help it cover all or most of the cost of services it provides in the child nutrition program and in its athletic stadium concessions activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

The fund financial statements begin on page 22 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government'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 District maintains forty 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, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other thirty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 22 through 28 of this report.
- **Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs and the print shop.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets that can be found on page 34. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental and business-type activities.

Net assets of the District's governmental activities decreased from \$43,935,996 to \$42,260,149. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$71,402,271 at June 30, 2008. This decrease in governmental net assets was the result of several factors. First, the District's revenues exceeded expenses by \$18,960,149 (as adjusted for the effects of capital outlay and debt service payments.) Second, the District recorded depreciation expense, which is a non-cash expense that reduces the value of District assets, in the amount of \$15,867,530. Third, various adjustments totaling \$4,768,466 were posted to revenues and expenses to account for prepaid expenses, interest accruals and tax revenues earned during the period under the full accrual method of accounting.

In 2008, net assets of our business-type activities increased by \$16,867, less than 1 percent. This increase is relatively insignificant to the overall operations of the District, but it represents significant services to the community through the Child Nutrition program and the athletic stadium concession activities.

**Table I
NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	193,412,166	318,747,835	1,332,626	1,610,682	194,744,792	320,358,517
Capital assets	421,992,281	459,833,782	585,014	421,774	422,577,295	460,255,556
Total assets	615,404,447	778,581,617	1,917,640	2,032,456	617,322,087	780,614,073
Long-term liabilities	524,646,827	674,820,589	-	-	524,646,827	674,820,589
Other liabilities	46,821,624	61,500,879	82,409	180,358	46,904,033	61,681,237
Total liabilities	571,468,451	736,321,468	82,409	180,358	571,550,860	736,501,826
Net Assets:						
Invested in capital assets net of related debt	(39,996,928)	(61,369,224)	585,014	421,774	(39,411,914)	(60,947,450)
Restricted	24,856,195	32,227,102	-	-	24,856,195	32,227,102
Unrestricted	59,076,729	71,402,271	1,250,217	1,430,324	60,326,946	72,832,595
Total net assets	43,935,996	42,260,149	1,835,231	1,852,098	45,771,227	44,112,247

Table II
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program Revenues:						
Charges for Services	1,713,699	1,869,346	3,136,939	3,520,476	4,850,638	5,389,822
Operating grants and contributions	22,792,584	24,077,720	3,434,630	3,881,365	26,227,214	27,959,085
General Revenues:						
Maintenance and operations taxes	107,041,924	93,722,191	-	-	107,041,924	93,722,191
Debt service taxes	30,726,849	35,258,115	-	-	30,726,849	35,258,115
State aid - formula grants	31,103,330	65,089,322	-	-	31,103,330	65,089,322
Grants and Contributions	3,798,787	153,087	9,070	-	3,807,857	153,087
Investment Earnings	7,863,894	7,352,177	68,392	50,039	7,932,286	7,402,216
Miscellaneous	632,976	1,540,946	-	-	632,976	1,540,946
Total Revenue	205,674,043	229,062,904	6,649,031	7,451,880	212,323,074	236,514,784
Expenses:						
Instruction, curriculum and media services	115,182,903	128,417,794	-	-	115,182,903	128,417,794
Instructional and school leadership	12,025,796	13,152,278	-	-	12,025,796	13,152,278
Student support services	14,196,356	16,252,730	-	-	14,196,356	16,252,730
Food Services	231,689	183,583	6,598,542	7,358,557	6,830,231	7,542,140
Cocurricular activities	3,748,905	4,452,419	88,174	76,456	3,837,079	4,528,875
General administration	4,421,559	4,816,372	-	-	4,421,559	4,816,372
Plant maintenance, security & data processing	21,935,301	22,888,859	-	-	21,935,301	22,888,859
Community services	262,414	148,626	-	-	262,414	148,626
Debt services	24,610,585	26,470,091	-	-	24,610,585	26,470,091
Facilities acquisition, construction	3,267,398	13,772,770	-	-	3,267,398	13,772,770
Intergovernmental charges	230,253	254,123	-	-	230,253	254,123
Total Expenses	200,113,159	230,809,645	6,686,716	7,435,013	206,799,875	238,244,658
Increase (decrease) in net assets before transfers and special items	5,560,884	(1,746,741)	(37,685)	16,867	5,523,199	(1,729,874)
Transfers	15,070	-	(15,070)	-	-	-
Special Items	(68,207)	70,894	(30,369)	-	(98,576)	70,894
Net Assets – beginning of year	38,428,249	43,935,996	1,918,355	1,835,231	40,346,604	45,771,227
Net Assets – end of year	43,935,996	42,260,149	1,835,231	1,852,098	45,771,227	44,112,247

- State funding increased \$36,501,870 and property tax collections decreased \$12,378,316 as a result of House Bill 1, Third Called Session, of the 79th Legislature and a 6% growth in average daily attendance. ADA increased 1,111 from 18,425 to 19,536 for 2007-2008.
- The Board of Trustees lowered the maintenance and operation property tax rate from \$1.37 to \$1.04 for the fiscal year 2007-2008. This is the maximum rate allowed by law without a rollback election. The debt service rate was set at \$0.394. The total tax rate necessary to fund the 2007-2008 budget was \$1.434.
- The District experienced an increase in property values for the thirteenth consecutive year. For 2007-2008 the budget was based on an assessed value of \$8.172 billion, for an increase of \$937.5 million. The actual increase in certified and under review values was \$1,047,162,424 or 14.48%.
- The Citizens Advisory Committee presented a recommendation to the Board of Trustees for a \$282 million bond package. The Bond Authorization was approved by voters on November 6, 2007, with a 59.4% approval rate. The bond package will provide facilities for the District's growing population and will refurbish existing facilities.
- The Board of Trustees approved \$8,098,447 for 125 new/growth positions for 2007-2008. A commitment to competitive salaries for the employees of the District was supported by the increase of 5% for all paraprofessional and operations personnel and a 3% increase for exempt personnel. All teachers, librarians, counselors and nurses received a minimum 3% pay increase plus an additional salary increase of \$350 as a result of State Rider 86.
- The District increased its contribution for employee health insurance from \$240 to \$260 per participant per month.
- Paloma Creek and Nelson Elementary schools opened in 2007-2008. Construction of two new elementary schools and a middle school continued during the year for a Fall 2008-2009 opening.
- Three elementary schools, Hawk, Savannah and Wilson, received the highest rating of "Exemplary" for the 2007-2008 school year.
- There were eleven elementary schools that were named "Recognized" for the 2007-2008 school year.

The cost of all governmental activities for the current fiscal period was \$230,809,645. However, as shown in the Statement of Activities on pages 20 and 21, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$128,980,306 because some of the costs were paid by those who directly benefited from the programs (\$1,869,346) or by other governments and organizations that subsidized certain programs with grants and contributions (\$24,077,720) or by State equalization funding (\$65,089,322).

THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$274,714,261 an increase of \$122,305,551. Approximately 19.1 percent of this total amount (\$52,413,690) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$235,852), 2) to pay debt service (\$31,828,436), 3) to liquidate purchase orders of the prior period (\$23,066,308), 4) for capital projects (\$163,809,197), and 5) for other miscellaneous designations (\$3,360,778).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$52,002,671, while the total fund balance was \$55,358,656. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 31.6 percent of the total general fund expenditures, while the total fund balance represents 33.7 percent of that same amount.

The fund balance of the District's general fund increased by \$11,425,547 during the current fiscal year. Key factors related to this change are as follows:

- A decrease in the District's M & O tax rate caused a decrease in tax revenues of \$12,378,316. This was offset by a significant increase in the state foundation and per capita funding of \$36,501,870. The net total revenue for the general fund increased by \$23,268,442.

The debt service fund has a total fund balance of \$31,828,436, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$7,324,843.

Following are factors contributing to this change:

- The increase in the District's taxable value and in the I & S tax rate generated an increase of \$4,698,660 in tax revenues in the debt service fund.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by \$103,392,299 due to \$158,215,000 in new bond proceeds offset partially by \$65,976,016 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Assets and discussed in Note 4 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2007). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$55,358,656 reported on page 22 differs from the General Fund's budgetary fund balance of \$50,374,116 reported in the budgetary comparison schedule on page 29. This is principally due to cost savings in several functional expenditure categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had \$460,255,556 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$37,678,261, or 8.9 percent, above last year.

This fiscal year's major additions included:

Continuing construction costs on two new elementary schools, paid for with proceeds of general obligation bonds issued in a prior year.	\$19,685,659
Continuing construction costs on a new middle school, paid for with proceeds of general obligation bonds issued in a prior year.	16,810,243
Purchase of land for future school sites, paid for with proceeds of general obligation bonds issued in a prior year.	3,628,099
Totaling	40,124,001

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had \$687,214,522 in bonds outstanding (including accreted interest on bonds) versus \$534,314,667 last year—an increase of 28.6 percent. \$158,215,000 in new debt was incurred during the fiscal period. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$877,702,503, which is significantly in excess of the District's outstanding general obligation debt.

Other obligations include accrued vacation benefits and special termination benefits. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees of the Denton Independent School District adopted a total tax rate of \$1.49 per \$100 of assessed value. The M & O tax rate will remain at \$1.04. The debt service tax rate will increase from \$0.394 to \$0.45. This is an increase of \$0.056 or 14.21%. The District experienced an increase in property values of \$372,136,329 or 4.42% for 2008-2009.

State funding is projected to be \$66,077,030 or 37.40% of the total budget compared to \$73,299,199 or 41.86% for 2007-2008.

The District received official Chapter 41 notification for the 2008-2009 school year on July 15, 2008. The Board of Trustees approved a contract to exercise Option 3, an Agreement for the Purchase of Attendance Credits, in order to equalize wealth for the 2008-2009 school year. Denton ISD's wealth per weighted average daily attendance (WADA) was estimated at \$333,925 by the Texas Education Agency. The following wealth levels apply.

	Tax Effort
1 st Equalized Wealth Level - \$374,200	\$1.00
2 nd Equalized Wealth Level – Unlimited	\$0.06
3 rd Equalized Wealth Level - \$319,500	<u>\$0.13</u>
Total Tax Effort	\$1.19

There is no projected recapture payment due with a tax rate of \$1.06 or less for M & O and a wealth level per WADA less than \$374,200.

The Board of Trustees approved \$9,452,791 for 166 new/growth positions for 2008-2009. In a continued effort to remain competitive in the marketplace, a minimum 3% pay increase was approved for all employees.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Denton Independent School District, 1307 North Locust, Denton, Texas 76201, (940) 369-0000.

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BASIC FINANCIAL STATEMENTS

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DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 315,516,866	\$ 1,477,801	\$ 316,994,667
1220 Property Taxes Receivable (Delinquent)	4,789,680	-	4,789,680
1230 Allowance for Uncollectible Taxes	(414,773)	-	(414,773)
1240 Due from Other Governments	8,333,019	-	8,333,019
1260 Internal Balances	693	(693)	-
1290 Other Receivables, net	937,373	-	937,373
1300 Inventories	241,907	133,574	375,481
1410 Deferred Expenses	395,282	-	395,282
1420 Capitalized Bond and Other Debt Issuance Costs	4,985,421	-	4,985,421
1430 Discount on Issuance of Debt	(16,050,986)	-	(16,050,986)
Capital Assets:			
1510 Land	26,989,772	-	26,989,772
1520 Buildings, Net	364,438,224	-	364,438,224
1530 Furniture and Equipment, Net	8,159,302	421,774	8,581,076
1580 Construction in Progress	60,246,484	-	60,246,484
1900 Other Assets	13,353	-	13,353
1000 Total Assets	<u>778,581,617</u>	<u>2,032,456</u>	<u>780,614,073</u>
LIABILITIES			
2110 Accounts Payable	17,019,516	16,212	17,035,728
2140 Interest Payable	917,560	-	917,560
2150 Payroll Deductions & Withholdings	1,134,822	-	1,134,822
2160 Accrued Wages Payable	17,423,868	24,069	17,447,937
2180 Due to Other Governments	471	-	471
2200 Accrued Expenses	11,031,777	-	11,031,777
2300 Deferred Revenues	309,486	140,077	449,563
Noncurrent Liabilities			
2501 Due Within One Year	13,663,379	-	13,663,379
2502 Due in More Than One Year	674,820,589	-	674,820,589
2000 Total Liabilities	<u>736,321,468</u>	<u>180,358</u>	<u>736,501,826</u>
NET ASSETS			
3200 Invested in Capital Assets, Net of Related Debt	(61,369,224)	421,774	(60,947,450)
Restricted for:			
3850 Restricted for Debt Service	31,828,436	-	31,828,436
3870 Restricted for Campus Activities	398,666	-	398,666
3900 Unrestricted Net Assets	71,402,271	1,430,324	72,832,595
3000 Total Net Assets	<u>\$ 42,260,149</u>	<u>\$ 1,852,098</u>	<u>\$ 44,112,247</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 120,963,361	\$ 1,251,757	\$ 15,954,604
12 Instructional Resources and Media Services	3,509,026	-	221,696
13 Curriculum and Instructional Staff Development	3,945,407	-	1,684,453
21 Instructional Leadership	2,580,909	-	180,708
23 School Leadership	10,571,369	-	550,254
31 Guidance, Counseling and Evaluation Services	8,251,825	-	1,303,034
32 Social Work Services	766,224	-	277,305
33 Health Services	2,022,307	-	510,390
34 Student (Pupil) Transportation	5,212,374	-	2,129,684
35 Food Services	183,583	-	183,180
36 Extracurricular Activities	4,452,419	351,546	242,288
41 General Administration	4,816,372	-	227,378
51 Plant Maintenance and Operations	19,235,310	266,043	382,160
52 Security and Monitoring Services	437,029	-	1,607
53 Data Processing Services	3,216,520	-	98,067
61 Community Services	148,626	-	102,232
72 Debt Service - Interest on Long Term Debt	26,342,718	-	-
73 Debt Service - Bond Issuance Cost and Fees	127,373	-	-
81 Facilities Acquisition and Construction	13,772,770	-	28,680
93 Payments to Fiscal Agent/Member Districts of SSA	226,800	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	27,323	-	-
[TG] Total Governmental Activities:	230,809,645	1,869,346	24,077,720
BUSINESS-TYPE ACTIVITIES:			
35 National School Breakfast & Lunch	7,358,557	3,428,138	3,881,365
01 Stadium Concessions	76,456	92,338	-
[TB] Total Business-Type Activities:	7,435,013	3,520,476	3,881,365
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 238,244,658	\$ 5,389,822	\$ 27,959,085

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S1	Special Item - Surface & Pipeline Easements
S2	Gain (Loss) on Disposition of Capital Assets
TR	Total General Revenues and Special Items
CN	Change in Net Assets
NB	Net Assets--Beginning
NE	Net Assets--Ending

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (103,757,000)	\$ -	\$ (103,757,000)
(3,287,330)	-	(3,287,330)
(2,260,954)	-	(2,260,954)
(2,400,201)	-	(2,400,201)
(10,021,115)	-	(10,021,115)
(6,948,791)	-	(6,948,791)
(488,919)	-	(488,919)
(1,511,917)	-	(1,511,917)
(3,082,690)	-	(3,082,690)
(403)	-	(403)
(3,858,585)	-	(3,858,585)
(4,588,994)	-	(4,588,994)
(18,587,107)	-	(18,587,107)
(435,422)	-	(435,422)
(3,118,453)	-	(3,118,453)
(46,394)	-	(46,394)
(26,342,718)	-	(26,342,718)
(127,373)	-	(127,373)
(13,744,090)	-	(13,744,090)
(226,800)	-	(226,800)
(27,323)	-	(27,323)
<u>(204,862,579)</u>	<u>-</u>	<u>(204,862,579)</u>
-	(49,054)	(49,054)
-	15,882	15,882
<u>-</u>	<u>(33,172)</u>	<u>(33,172)</u>
<u>(204,862,579)</u>	<u>(33,172)</u>	<u>(204,895,751)</u>
93,722,191	-	93,722,191
35,258,115	-	35,258,115
65,089,322	-	65,089,322
153,087	-	153,087
7,352,177	50,039	7,402,216
1,540,946	-	1,540,946
59,730	-	59,730
11,164	-	11,164
<u>203,186,732</u>	<u>50,039</u>	<u>203,236,771</u>
(1,675,847)	16,867	(1,658,980)
43,935,996	1,835,231	45,771,227
<u>\$ 42,260,149</u>	<u>\$ 1,852,098</u>	<u>\$ 44,112,247</u>

DENTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 70,540,626	\$ 32,755,417	\$ 201,667,405
1220 Property Taxes - Delinquent	3,629,855	1,159,825	-
1230 Allowance for Uncollectible Taxes (Credit)	(328,959)	(85,814)	-
1240 Due from Other Governments	2,280,063	-	-
1260 Due from Other Funds	175,938	-	-
1290 Other Receivables	589,353	-	-
1300 Inventories	235,852	-	-
1410 Deferred Expenditures	381,780	9,325	-
1900 Other Assets	-	-	-
1000 Total Assets	<u>\$ 77,504,508</u>	<u>\$ 33,838,753</u>	<u>\$ 201,667,405</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 1,591,886	\$ 18,746	\$ 14,820,175
2140 Interest Payable - Current	-	917,560	-
2150 Payroll Deductions and Withholdings Payable	1,134,822	-	-
2160 Accrued Wages Payable	16,069,075	-	-
2170 Due to Other Funds	3,453	-	-
2180 Due to Other Governments	-	-	-
2300 Deferred Revenues	3,346,616	1,074,011	-
2000 Total Liabilities	<u>\$ 22,145,852</u>	<u>\$ 2,010,317</u>	<u>\$ 14,820,175</u>
Fund Balances:			
Reserved For:			
3410 Investments in Inventory	\$ 235,852	\$ -	\$ -
3420 Retirement of Long Term Debt	-	31,828,436	-
3430 Prepaid Items	381,780	-	-
3440 Outstanding Encumbrances	28,275	-	23,038,033
3480 Capital Projects	-	-	163,809,197
3490 Other Purposes	-	-	-
Unreserved Designated For:			
3590 Other Purposes	2,710,078	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	52,002,671	-	-
3610 Reported in Special Revenue Funds	-	-	-
3630 Reported in Permanent Funds	-	-	-
3000 Total Fund Balances	<u>\$ 55,358,656</u>	<u>\$ 31,828,436</u>	<u>\$ 186,847,230</u>
4000 Total Liabilities and Fund Balances	<u>\$ 77,504,508</u>	<u>\$ 33,838,753</u>	<u>\$ 201,667,405</u>

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

Other Funds	Total Governmental Funds
\$ (3,156,330)	\$ 301,807,118
-	4,789,680
-	(414,773)
6,052,956	8,333,019
-	175,938
45,609	634,962
1,701	237,553
4,177	395,282
13,353	13,353
<u>\$ 2,961,466</u>	<u>\$ 315,972,132</u>
\$ 490,476	\$ 16,921,283
-	917,560
-	1,134,822
1,353,081	17,422,156
173,733	177,186
471	471
263,766	4,684,393
<u>\$ 2,281,527</u>	<u>\$ 41,257,871</u>
\$ -	\$ 235,852
-	31,828,436
-	381,780
-	23,066,308
-	163,809,197
1,000	1,000
267,920	2,977,998
-	52,002,671
398,666	398,666
12,353	12,353
<u>\$ 679,939</u>	<u>\$ 274,714,261</u>
<u>\$ 2,961,466</u>	<u>\$ 315,972,132</u>

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DENTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2008

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	274,714,261
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		11,766,820
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$514,218,669 and the accumulated depreciation was \$92,226,388 in a net addition of \$421,992,281. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds resulting in a net decrease of \$535,470,777. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		(113,478,496)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2008 capital outlays and debt principal payments is to increase net assets.		63,567,745
4 The 2008 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(15,867,530)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(178,442,651)
19 Net Assets of Governmental Activities	\$	(42,260,149)

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 100,752,651	\$ 36,151,683	\$ 4,113,314
5800 State Program Revenues	73,299,199	-	-
5900 Federal Program Revenues	1,043,576	-	-
5020 Total Revenues	<u>175,095,426</u>	<u>36,151,683</u>	<u>4,113,314</u>
EXPENDITURES:			
Current:			
0011 Instruction	101,115,430	-	-
0012 Instructional Resources and Media Services	3,147,340	-	-
0013 Curriculum and Instructional Staff Development	2,161,220	-	-
0021 Instructional Leadership	2,244,547	-	-
0023 School Leadership	9,506,032	-	-
0031 Guidance, Counseling and Evaluation Services	6,647,994	-	-
0032 Social Work Services	494,573	-	-
0033 Health Services	1,819,647	-	-
0034 Student (Pupil) Transportation	4,696,198	-	-
0035 Food Services	115,940	-	-
0036 Extracurricular Activities	4,139,587	-	-
0041 General Administration	4,577,010	-	-
0051 Facilities Maintenance and Operations	18,663,606	-	-
0052 Security and Monitoring Services	437,029	-	-
0053 Data Processing Services	3,101,336	-	-
0061 Community Services	48,459	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	-	9,886,213	-
0072 Debt Service - Interest on Long Term Debt	-	19,599,292	-
0073 Debt Service - Bond Issuance Cost and Fees	-	432,193	1,098,910
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,067,096	-	65,976,016
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	226,800	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	27,323	-	-
6030 Total Expenditures	<u>164,237,167</u>	<u>29,917,698</u>	<u>67,074,926</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>10,858,259</u>	<u>6,233,985</u>	<u>(62,961,612)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	158,215,000
7912 Sale of Real and Personal Property	11,164	-	-
7915 Transfers In	500,000	-	-
7916 Premium or Discount on Issuance of Bonds	-	1,090,858	8,138,911
7949 Other Resources	17,713	-	-
8949 Other (Uses)	(21,319)	-	-
7080 Total Other Financing Sources (Uses)	<u>507,558</u>	<u>1,090,858</u>	<u>166,353,911</u>
SPECIAL ITEMS:			
7918 Special Item - Surface & Pipeline Easements	59,730	-	-
1200 Net Change in Fund Balances	<u>11,425,547</u>	<u>7,324,843</u>	<u>103,392,299</u>
0100 Fund Balance - July 1 (Beginning)	<u>43,933,109</u>	<u>24,503,593</u>	<u>83,454,931</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 55,358,656</u>	<u>\$ 31,828,436</u>	<u>\$ 186,847,230</u>

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

	Other Funds	Total Governmental Funds
\$	2,239,498	\$ 143,257,146
	3,212,849	76,512,048
	9,372,334	10,415,910
	<u>14,824,681</u>	<u>230,185,104</u>
	10,878,145	111,993,575
	92,659	3,239,999
	1,602,441	3,763,661
	103,838	2,348,385
	173,737	9,679,769
	987,922	7,635,916
	245,506	740,079
	8,111	1,827,758
	135,721	4,831,919
	67,643	183,583
	81,325	4,220,912
	11,033	4,588,043
	144,643	18,808,249
	-	437,029
	1,570	3,102,906
	98,845	147,304
	-	9,886,213
	-	19,599,292
	-	1,531,103
	28,680	67,071,792
	-	226,800
	-	27,323
	<u>14,661,819</u>	<u>275,891,610</u>
	<u>162,862</u>	<u>(45,706,506)</u>
	-	158,215,000
	-	11,164
	-	500,000
	-	9,229,769
	-	17,713
	-	(21,319)
	-	<u>167,952,327</u>
	-	59,730
	<u>162,862</u>	<u>122,305,551</u>
	<u>517,077</u>	<u>152,408,710</u>
\$	<u>679,939</u>	\$ <u>274,714,261</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	122,305,551
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		2,334,782
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2008 capital outlays and debt principal payments is to increase net assets.		63,567,745
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(15,867,530)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(174,016,395)
Change in Net Assets of Governmental Activities	\$	<u><u>(1,675,847)</u></u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT C-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 96,714,330	\$ 100,261,022	\$ 100,752,651	\$ 491,629
5800	State Program Revenues	61,414,369	76,306,724	73,299,199	(3,007,525)
5900	Federal Program Revenues	330,000	343,323	1,043,576	700,253
5020	Total Revenues	158,458,699	176,911,069	175,095,426	(1,815,643)
EXPENDITURES:					
Current:					
0011	Instruction	94,406,762	103,995,295	101,115,430	2,879,865
0012	Instructional Resources and Media Services	2,949,900	3,233,754	3,147,340	86,414
0013	Curriculum and Instructional Staff Development	2,202,412	2,277,793	2,161,220	116,573
0021	Instructional Leadership	2,437,665	2,359,834	2,244,547	115,287
0023	School Leadership	8,942,457	9,454,839	9,506,032	(51,193)
0031	Guidance, Counseling and Evaluation Services	6,305,054	6,727,130	6,647,994	79,136
0032	Social Work Services	356,419	480,724	494,573	(13,849)
0033	Health Services	1,577,517	1,800,507	1,819,647	(19,140)
0034	Student (Pupil) Transportation	4,958,225	5,283,252	4,696,198	587,054
0035	Food Services	176,938	119,600	115,940	3,660
0036	Extracurricular Activities	3,836,919	4,386,371	4,139,587	246,784
0041	General Administration	5,418,795	5,235,838	4,577,010	658,828
0051	Facilities Maintenance and Operations	21,039,607	20,412,429	18,663,606	1,748,823
0052	Security and Monitoring Services	354,557	475,243	437,029	38,214
0053	Data Processing Services	2,802,626	3,057,751	3,101,336	(43,585)
0061	Community Services	77,556	64,424	48,459	15,965
Capital Outlay:					
0081	Facilities Acquisition and Construction	777,036	1,402,208	1,067,096	335,112
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	205,292	226,800	226,800	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	30,000	30,000	27,323	2,677
6030	Total Expenditures	158,855,737	171,023,792	164,237,167	6,786,625
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(397,038)	5,887,277	10,858,259	4,970,982
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	500	11,164	11,164	-
7915	Transfers In	500,000	500,000	500,000	-
7949	Other Resources	-	-	17,713	17,713
8949	Other (Uses)	-	(5,914)	(21,319)	(15,405)
7080	Total Other Financing Sources (Uses)	500,500	505,250	507,558	2,308
SPECIAL ITEMS:					
7918	Special Item - Surface & Pipeline Easements	-	48,480	59,730	11,250
1200	Net Change in Fund Balances	103,462	6,441,007	11,425,547	4,984,540
0100	Fund Balance - July 1 (Beginning)	43,933,109	43,933,109	43,933,109	-
3000	Fund Balance - June 30 (Ending)	\$ 44,036,571	\$ 50,374,116	\$ 55,358,656	\$ 4,984,540

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,477,801	\$ 13,709,748
Due from Other Funds	-	3,453
Other Receivables	-	302,411
Inventories	133,574	4,354
Total Current Assets	1,611,375	14,019,966
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	3,133,573	55,261
Depreciation on Furniture and Equipment	(2,711,799)	(23,807)
Total Noncurrent Assets	421,774	31,454
Total Assets	2,033,149	14,051,420
LIABILITIES		
Current Liabilities:		
Accounts Payable	16,212	98,233
Accrued Wages Payable	24,069	1,712
Due to Other Funds	693	1,511
Accrued Expenses	-	2,179,188
Deferred Revenues	140,077	-
Total Liabilities	181,051	2,280,644
NET ASSETS		
Investments in Capital Assets, Net of Debt	421,774	31,454
Unrestricted Net Assets	1,430,324	11,739,322
Total Net Assets	\$ 1,852,098	\$ 11,770,776

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 3,470,300	\$ 17,441,643
State Program Revenues	50,176	-
Total Operating Revenues	<u>3,520,476</u>	<u>17,441,643</u>
OPERATING EXPENSES:		
Payroll Costs	2,929,824	308,077
Professional and Contracted Services	226,418	1,347,533
Supplies and Materials	4,086,480	91,994
Other Operating Costs	192,291	13,252,042
Total Operating Expenses	<u>7,435,013</u>	<u>14,999,646</u>
Operating Income (Loss)	<u>(3,914,537)</u>	<u>2,441,997</u>
NONOPERATING REVENUES (EXPENSES):		
National School Breakfast Program	717,342	-
National School Lunch Program	2,869,475	-
Donated Commodities (USDA)	294,548	-
Earnings from Temporary Deposits & Investments	50,039	389,890
Total Nonoperating Revenues (Expenses)	<u>3,931,404</u>	<u>389,890</u>
Income Before Transfers	16,867	2,831,887
Transfers Out	-	(500,000)
Change in Net Assets	16,867	2,331,887
Total Net Assets - July 1 (Beginning)	<u>1,835,231</u>	<u>9,438,889</u>
Total Net Assets - June 30 (Ending)	<u>\$ 1,852,098</u>	<u>\$ 11,770,776</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT D-3 (Cont'd)

	Business-Type Activities	Governmental Activities -
	Total	Total
	Enterprise	Internal
	Funds	Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from District	\$ -	\$ 11,342,498
Cash Received from Charges and Fees	3,520,476	357,745
Cash Received from Employees	-	5,909,685
Cash Payments for Payroll Costs	(2,911,137)	(308,979)
Cash Payments for Purchased Services	(226,418)	(1,344,719)
Cash Payments for Supplies and Materials	(4,013,276)	(91,994)
Cash Payments for Other Expenses	(14,144)	(4,023,210)
Cash Payments for Claims	-	(8,768,143)
Net Cash Provided by (Used for) Operating Activities	<u>(3,644,499)</u>	<u>3,072,883</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Cash Received from Federal Programs	3,881,365	-
Operating Transfer Out	-	(500,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>3,881,365</u>	<u>(500,000)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	<u>(14,907)</u>	<u>(27,499)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	<u>50,039</u>	<u>389,890</u>
Net Increase in Cash and Cash Equivalents	271,998	2,935,274
Cash and Cash Equivalents at Beginning of the Year:	1,205,803	10,774,474
Cash and Cash Equivalents at the End of the Year:	<u>\$ 1,477,801</u>	<u>\$ 13,709,748</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total	Total
	Enterprise	Internal
	Funds	Service Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (3,914,537)	\$ 2,441,997
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	178,147	2,896
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Gov.	38,590	-
Decrease (increase) in Other Receivables	-	764,331
Decrease (increase) in Inventories	(54,411)	-
Decrease (increase) in Due from Other Funds	9,070	(3,453)
Increase (decrease) in Accounts Payable	(1,821)	(138,391)
Increase (decrease) in Accrued Wages Payable	17,994	(902)
Increase (decrease) in Due to Other Funds	693	1,511
Increase (decrease) in Accrued Expenses	-	4,894
Increase (decrease) in Deferred Revenues	81,776	-
Net Cash Provided by (Used for) Operating Activities	\$ (3,644,499)	\$ 3,072,883

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 786,282
Other Receivables	517
Total Assets	<u>\$ 786,799</u>
LIABILITIES	
Due to Student Groups	<u>\$ 786,799</u>
Total Liabilities	<u>\$ 786,799</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Denton Independent School District's (the "District") combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the Denton Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Enterprise Fund** - The District utilizes enterprise funds to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its food service operations and for its athletic stadium concessions, because these programs are self-supporting and do not require subsidies from the general fund.
3. **Internal Service Funds** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service funds for its health and workers compensation self-insurance plans, and its print shop.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

4. **Permanent Fund** - The District utilizes a permanent fund to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes to support the District's programs. The District uses this fund to account for the Lewis Price Memorial Fund, the earnings on which are to be used for playground equipment.
5. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

The enterprise funds and internal service funds are proprietary fund types. Proprietary funds distinguish operating revenues and expenses from non-operating 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments or earlier pronouncements), or 2) continuing to follow new FASB pronouncements (unless they conflict with GASB guidance). The District has chosen not to apply future FASB standards.

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FAR module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Debt Service Fund. The special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

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

June 30, 2008	
<u>Fund Balance</u>	
Appropriated Budget Funds	\$ -0-
Nonappropriated Budget Funds	<u>666,586</u>
All Special Revenue Funds	<u>\$666,586</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

E. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures.

F. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources.

G. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances" and "internal advances".

H. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	20-40 Years
Furniture and Equipment	10 Years

I. COMPENSATED ABSENCES

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

J. NATURE AND PURPOSE OF RESERVATIONS AND DESIGNATIONS OF FUND BALANCES

The District classifies fund balances as follows:

A. Reserves – Used to denote that portion of fund balance, which is not appropriable for expenditure or is legally segregated for specific future use.

1. Reserve for encumbrances represents commitments for expenditures through purchase orders.
2. Reserve for funded indebtedness represents that portion of fund balance legally restricted to debt service.
3. Reserve for inventories represents that portion of fund balance already expended on supplies held for consumption in a future period.
4. Reserve for prepaid costs represents that portion of fund balance already disbursed on insurance premiums, lease contracts and other items which are expenditures of a future period.
5. Reserve for other purposes represents the portion of fund balance held in a permanent trust, the earnings on which are to be used for playground equipment within the District.

B. Designations – Used to indicate tentative plans for financial resource utilization:

1. Designated for future construction represents management's intent to utilize resources for construction.
2. Designated for other purposes represents management's intent to utilize resources for specific purposes identified and already approved by the Board.

C. Undesignated – Used to denote that portion of fund balance which is available for appropriation.

K. CASH EQUIVALENTS

For purposes of the statement of cash flows, investments are considered to be cash equivalents if they are highly liquid with maturity within one year or less.

L. NET ASSETS

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

M. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

N. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

In fiscal year 2002, the District implemented GASB Statement No. 33 (GASB 33), "Accounting and Financial Reporting for Nonexchange Transactions", GASB Statement No. 34 (GASB 34), "Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments", GASB Statement No. 37 (GASB 37), "Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus" and GASB Statements No. 38 (GASB 38), "Certain Financial Statement Disclosures".

GASB 34 created new basis financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements split the District programs between governmental and business-type activities.

O. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2008, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. ESTIMATES

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

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The details of this \$63,567,745 adjustment are as follows:

Current year capital outlay	\$ 53,681,532
Bond principal payments	<u>9,886,213</u>
Net adjustment	<u>\$ 63,567,745</u>

Another element of that reconciliation state that: "Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest" The details of this \$(178,442,651) adjustment are as follows:

Bond sale proceeds	\$(158,215,000)
Deferred tax revenue recognized as revenue	4,374,907
Accrued interest payable on bonds and leases	(8,852,589)
Change in accreted interest on bonds	(4,571,068)
Change in accrued vacation and special termination benefits	(113,336)
Capitalization of net bond issuance costs/premiums	<u>(11,065,565)</u>
Net adjustment	<u>\$(178,442,651)</u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities: One element of that reconciliation explains that "various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting.

These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$(174,016,395) adjustment are as follows:

Bond sale proceeds	\$(158,215,000)
Current year change in deferred tax revenue	(1,122,200)
Current year change in accrued interest payable on bonds	(2,168,752)
Change in accreted interest on bonds	(4,571,068)
Change in accrued vacation and special termination benefits	(113,336)
Capitalization of current year bond issuance costs/premiums	(8,130,859)
Amortization of bond issuance costs/premiums	<u>304,820</u>
Net adjustment	<u>\$(174,016,395)</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 3. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At June 30, 2008, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$7,191,129 and the bank balance was \$10,018,922. The District's cash deposits at June 30, 2008 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, the District's cash balances totaled \$10,018,922. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2008, the District held all of its investments in three public funds investment pools (TexPool, Lone Star and TexStar). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool and TexStar at year-end was AAAM (Standard & Poor's), and the credit quality rating for Lone Star was AA Af (Standard & Poor's).

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- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for both the TexPool and TexStar investments is less than 30 days, and the weighted average maturity for the Lone Star investments is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2008, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments at June 30, 2008, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$ 77,655,052	\$ 77,644,957
TexStar	95,989,734	95,955,370
Lone Star	<u>136,939,134</u>	<u>136,947,345</u>
Total	<u>\$310,583,920</u>	<u>\$310,547,672</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Balance</u> July 1	<u>Additions/</u> <u>Completions</u>	<u>Retirement/</u> <u>Adjustments</u>	<u>Balance</u> June 30
Governmental Activities:				
Land	\$ 23,411,673	\$ 3,578,099	\$ -	\$ 26,989,772
Construction in Progress	38,244,895	46,085,397	24,083,808	60,246,484
Buildings and Improvements	431,455,688	26,501,471	-	457,957,159
Furniture and Equipment	<u>21,106,413</u>	<u>1,627,872</u>	-	<u>22,734,285</u>
Totals at historic cost	<u>514,218,669</u>	<u>77,792,839</u>	<u>24,083,808</u>	<u>567,927,700</u>
Less accumulated depreciation for:				
Buildings and Improvements	(79,712,002)	(13,806,933)	-	(93,518,935)
Furniture and Equipment	<u>(12,514,386)</u>	<u>(2,060,597)</u>	-	<u>(14,574,983)</u>
Total accumulated depreciation	<u>(92,226,388)</u>	<u>(15,867,530)</u>	-	<u>(108,093,918)</u>
Governmental activities capital assets, net	<u>\$421,992,281</u>	<u>\$ 61,925,309</u>	<u>\$ 24,083,808</u>	<u>\$ 459,833,782</u>
Business-type activities:				
Furniture and Equipment	\$ 3,118,666	\$ 14,907	\$ -	\$ 3,133,573
Totals at historic cost	<u>3,118,666</u>	<u>14,907</u>	-	<u>3,133,573</u>
Less accumulated depreciation for:				
Furniture and Equipment	<u>(2,533,652)</u>	<u>(178,147)</u>	-	<u>(2,711,799)</u>
Total accumulated depreciation	<u>(2,533,652)</u>	<u>(178,147)</u>	-	<u>(2,711,799)</u>
Business-type activities capital assets net	<u>\$ 585,014</u>	<u>\$ (163,240)</u>	<u>\$ -</u>	<u>\$ 421,774</u>

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$11,102,229
Instructional Resources & Media Services	317,661
Curriculum & Instructional Staff Development	181,746
Instructional Leadership	232,524
School Leadership	1,052,779
Guidance, Counseling & Evaluation Services	727,250
Social Work Services	26,145
Health Services	194,549
Student (Pupil) Transportation	449,232
Cocurricular/Extracurricular Activities	291,756
General Administration	269,605
Plant Maintenance and Operations	749,811
Data Processing Services	270,921
Community Services	<u>1,322</u>
Total depreciation expense-Governmental activities	<u>\$15,867,530</u>
Business-type activities:	
Food Services	\$ 170,238
Stadium Concessions	<u>7,909</u>
Total depreciation expense Business-type activities	<u>\$ 178,147</u>

DENTON INDEPENDENT SCHOOL DISTRICT
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NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, compensated absences, interest rate swap agreements, and special termination benefits. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2008:

Description	Interest Rate Payable	Amounts Outstanding 7/1/07	Additions	Refunded/ Retired	Amounts Outstanding 6/30/08	Due Within One Year
Bonded Indebtedness:						
1992 Refunding	2.90-6.25%	\$ 1,425,000	\$ -	\$ 945,000	\$ 480,000	\$ 480,000
1993 Refunding	2.60-5.00%	6,200,000	-	1,645,000	4,555,000	1,735,000
1995 School Bldg.	5.00-7.00%	585,000	-	325,000	260,000	260,000
1996B School Bldg.	3.75%	19,400,000	-	-	19,400,000	-
1998 Bldg/Refunding	4.20-5.50%	3,710,000	-	185,000	3,525,000	340,000
1999 Bldg/Refunding	3.50-5.38%	8,960,000	-	2,125,000	6,835,000	1,995,000
1999 Bldg/Ref CAB	4.60-5.20%	3,219,824	-	931,340	2,288,484	860,334
2000 School Bldg.	3.00%	13,400,000	-	-	13,400,000	-
2001 Bldg/Refunding	3.64-4.40%	43,650,000	-	1,980,000	41,670,000	2,325,000
2001 Bldg/Ref CAB	4.37-4.59%	3,036,903	-	940,106	2,096,797	966,234
2002 Bldg/Refunding	5.00%	40,235,000	-	-	40,235,000	-
2002 Bldg/Ref CAB	3.58-5.88%	20,866,484	-	-	20,866,484	126,705
2004 Bldg/Refunding	2.58-5.00%	84,070,000	-	-	84,070,000	650,000
2004 Bldg/Ref CAB	2.60-3.04%	1,747,457	-	809,767	937,690	937,690
2005A Building	Variable	46,500,000	-	-	46,500,000	-
2005B Bldg/Refunding	3.00-5.00%	13,315,000	-	-	13,315,000	-
2005B Bldg/Ref CAB	3.45-4.13%	4,045,445	-	-	4,045,445	-
2005C Refunding	3.00-5.00%	49,925,000	-	-	49,925,000	-
2006 Refunding CAB	4.81-5.22%	62,670,339	-	-	62,670,339	-
2006A Building	4.25-5.00%	21,580,000	-	-	21,580,000	-
2006B Building	Variable	30,000,000	-	-	30,000,000	-
2007 Building	4.00-5.00%	39,365,000	-	-	39,365,000	1,375,000
2007 Building/CAB	3.86%	476,765	-	-	476,765	476,765
2008 Building	3.375-5.0%	-	158,215,000	-	158,215,000	-
Total Bonded Indebtedness		<u>518,383,217</u>	<u>158,215,000</u>	<u>9,886,213</u>	<u>666,712,004</u>	<u>12,527,728</u>
Accreted Interest	4.10-5.20%	15,931,450	5,379,855	808,787	20,502,518	1,032,272
Accrued Vacation Benefits		899,803	319,344	152,946	1,066,201	-
Special Termination Benefits		256,307	72,028	128,090	203,245	103,379
Total Other Obligations		<u>17,087,560</u>	<u>5,771,227</u>	<u>1,086,823</u>	<u>21,771,964</u>	<u>1,135,651</u>
Total Obligations of District		<u>\$535,470,777</u>	<u>\$163,986,227</u>	<u>\$10,973,036</u>	<u>\$688,483,968</u>	<u>\$13,663,379</u>

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The 1999, 2001, 2002, 2004, 2005, 2006 and 2007 bond series include outstanding capital appreciation bonds in the principal amount of \$93,382,004. The bonds mature variously beginning in 2008 through 2031. Interest accrues on these bonds each February 15 and August 15, even though the interest is not paid until maturity. The accrued interest of \$20,502,518 is accounted for in the Statement of Net Assets as Accrued Interest Payable-Capital Appreciation Bonds.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2008.

Interest Rate Swap Agreements

2005 Swap Agreements

As a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on January 27, 2005 the District entered into an interest rate swap transaction pursuant to agreements (the "2005 Swap Agreements") with Bear Stearns Financial Products Inc. ("BSFP") and UBS AG ("UBS"), each in an original notional amount of \$23,250,000, in order to synthetically fix the interest obligation on the District's \$46,500,000 Variable Rate Unlimited Tax School Building Bonds, Series 2005-A (the "Series 2005-A Bonds").

Under the 2005 Swap Agreements, the District is obligated to make payments to BSFP and UBS calculated on a notional amount that is equal to the scheduled outstanding principal amount of the Series 2005-A Bonds at a fixed rate of 3.42% per annum and BSFP and UBS are each obligated to make floating rate payments to the District calculated on a notional amount that is equal to the scheduled outstanding principal amount of the Series 2005-A Bonds at a rate equal to 67% of the one-month London Interbank Offered Rate (LIBOR) for U.S. deposits. The Series 2005-A Bonds and the 2005 Swap Agreements have a stated final maturity date of August 1, 2035.

As of June 30, 2008, the debt service requirements of the Series 2005-A Bonds were as follows. As interest rates change in the future, the differences between the floating rates payable to the District under the 2005 Swap Agreements and the actual interest rates payable by the District on the Series 2005-A Bonds will vary.

Year Ended	Total		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2009	\$ -	\$ 1,869,300	\$ 1,869,300
2010	-	1,869,300	1,869,300
2011	-	1,869,300	1,869,300
2012	-	1,869,300	1,869,300
2013	-	1,869,300	1,869,300
2014-2018	3,600,000	9,203,388	12,803,388
2019-2023	9,670,000	7,653,075	17,323,075
2024-2028	10,980,000	5,609,508	16,589,508
2029-2033	13,070,000	3,198,915	16,268,915
2034-2036	<u>9,180,000</u>	<u>563,604</u>	<u>9,743,604</u>
Totals	<u>\$ 46,500,000</u>	<u>\$ 35,574,990</u>	<u>\$ 82,074,990</u>

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Note: Interest was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 3.420% pursuant to the 2005 Swap Agreements; (b) the estimated cost of the liquidity facility for the Series 2005-A Bonds (0.200%); (c) the estimated cost of remarketing the Series 2005-A Bonds (0.050%); and (d) 0.350% per year to offset the potential differences between the floating rates payable to the District under the 2005 Swap Agreements and the actual interest rates payable by the District on the Series 2005-A Bonds.

2006 Swap Agreement

As a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on June 29, 2006 the District entered into an interest rate swap transaction pursuant to an agreement (the "2006 Swap Agreement") with Bear Stearns Financial Products Inc. ("BSFP"), in an original notional amount of \$30,000,000, in order to synthetically fix the interest obligation on the District's \$30,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2006-B (the "Series 2006-B Bonds").

Under the 2006 Swap Agreement, the District is obligated to make payments to BSFP calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2006-B Bonds at a fixed rate of 4.077% per annum, and BSFP is obligated to make floating rate payments to the District calculated on a notional amount this is equal to the scheduled outstanding principal amount of the Series 2006-B Bonds at a rate equal to equal to 62.5% of the 10-year constant maturity swap rate (a reported market fixed rate at which 10-year interest rate swaps for a one-month U.S. dollar LIBOR rate are entered into from time to time). The Series 2006-B Bonds and the 2006 Swap Agreement have a stated final maturity date of August 1, 2035.

As of June 30, 2008, the debt service requirements of the Series 2006-B Bonds were as follows. As interest rates change in the future, the differences between the floating rates payable to the District under the 2006 Swap Agreement and the actual interest rates payable by the District on the Series 2006-B Bonds will vary.

Year Ended	Total		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2009	\$ -	\$ 1,511,100	\$ 1,511,100
2010	-	1,511,100	1,511,100
2011	-	1,511,100	1,511,100
2012	-	1,511,100	1,511,100
2013	-	1,511,100	1,511,100
2014-2018	-	7,555,500	7,555,500
2019-2023	-	7,555,500	7,555,500
2024-2028	4,935,000	6,960,504	11,895,504
2029-2033	6,155,000	5,563,492	11,718,492
2034-2035	<u>18,910,000</u>	<u>1,809,039</u>	<u>20,719,039</u>
Totals	<u>\$ 30,000,000</u>	<u>\$ 36,999,535</u>	<u>\$ 66,999,535</u>

Note: Interest was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 4.077% pursuant to the 2006 Swap Agreement; (b) the estimated cost of the liquidity facility for the Series 2006-B Bonds (0.200%); (c) the estimated cost of remarketing the Series 2006-B Bonds (0.060%); and (d) 0.700% per year to offset the potential differences between the floating rates payable to the District under the 2006 Swap Agreement and the actual interest rates payable by the District on the Series 2006-B Bonds.

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Other Information Common To Both The 2005 And 2006 Swap Agreements

Arrangements made in respect of the 2005 Swap Agreements and 2006 Swap Agreements (collectively, the "Swap Agreements") do not alter the District's obligation to pay principal of and interest on the Series 2005-A Bonds and Series 2006-B Bonds. The Swap Agreements do not provide a source of security or other credit for the Series 2005-A Bonds and Series 2006-B Bonds. The District's obligations under the Swap Agreements are secured by a levy of an annual ad valorem tax on a parity with the District's obligation to pay principal and interest on the Series 2005-A Bonds and Series 2006-B Bonds.

As of June 30, 2008, the District was not exposed to credit risk with BSFP and UBS on the 2005 Swap Agreements as such agreements had a negative fair value of \$1,664,169. The District was not exposed to credit risk with BSFP on the 2006 Swap Agreement as such agreement had a negative fair value of \$2,906,509. Collectively, as of June 30, 2008, the Swap Agreements had a net negative fair value of \$4,570,768.

As of June 30, 2008, BSFP was rated "Aaa" and "AAA" by Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P"), respectively, while UBS was rated "Aa1," "AA+" and "AA+" by Moody's, S&P and Fitch Ratings ("Fitch"), respectively.

The Swap Agreements are subject to mandatory redemption in the event of default or as follows:

2005 and 2006 Swap Agreement with BSFP: If the ratings assigned to the District's unenhanced long-term debt obligations are withdrawn or reduced to "BBB" by S&P, "BBB" by Fitch or "Ba1" by Moody's (if Moody's, S&P and Fitch assign ratings to the District's unenhanced long-term debt obligations) or "BBB+" by S&P or Fitch (if Moody's does not assign ratings to the District's unenhanced long-term debt obligations), or if the ratings assigned to BSFP's unenhanced long-term debt obligations are withdrawn or reduced to "BBB" by S&P or "Baa2" by Moody's.

2005 Swap Agreement with UBS: If the ratings assigned to either the District's or UBS's unenhanced long-term debt obligations are withdrawn or reduced to "BBB+" by S&P or "BBB+" by Fitch.

The Swap Agreements are also subject to optional termination by the District at any time over the term of the Swap Agreements at the then prevailing market value. BSFP and UBS do not have the elective right to optionally terminate the Swap Agreements.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows (excluding maturities on the 2005-A issue and 2006-B issue, which are reflected in Note 5 above):

Year Ended June 30	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2009	\$ 12,527,728	\$ 28,372,918	\$ 40,900,646
2010	13,107,975	27,148,685	40,256,660
2011	15,590,289	26,166,209	41,756,498
2012	17,258,901	26,727,889	43,986,790
2013	19,887,047	26,305,235	46,192,282
2014-2018	97,109,943	125,873,513	222,983,456
2019-2023	112,623,060	105,008,566	217,631,626
2024-2028	98,266,107	114,155,210	212,421,317
2029-2033	121,805,954	87,311,980	209,117,934
2034-2038	71,645,000	11,297,118	82,942,118
2039	<u>10,390,000</u>	<u>259,750</u>	<u>10,649,750</u>
	<u>\$590,212,004</u>	<u>\$578,627,073</u>	<u>\$1,168,839,077</u>

NOTE 7. DEFEASED BONDS OUTSTANDING

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On June 30, 2008, \$100,224,192 of bonds outstanding are considered defeased.

NOTE 8. SPECIAL TERMINATION BENEFITS

During the year ended August 31, 1997, the District adopted a Voluntary Exit Program for the purpose of rewarding eligible employees with compensation upon their voluntary leave from employment with the District, without regard to having reached the retirement provisions of the Teacher Retirement System of Texas.

From 1997 through 2001, any employee with a minimum of 25 years experience, at least 15 years of which had been with the District and at least the immediately preceding 5 years, was eligible to receive upon voluntary leave from employment a percentage of the employee's base salary, ranging from 50% to 100%, payable annually over a four-year period. During the year ended August 31, 2000, the District approved guidelines to phase out the program.

From 1999 through 2007, 105 employees elected participation in the program. The District's liability for these special termination benefits is considered a long-term liability and is recorded in the Statement of Net Assets at the present value at June 30, 2008 of all future periodic payments to be made to the 18 former employees currently in the program.

DENTON INDEPENDENT SCHOOL DISTRICT
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A summary of the future payments that the District is obligated to make under this program is as follows:

Year Ended	Total
<u>June 30</u>	<u>Payments</u>
2009	\$ 106,519
2010	61,129
2011	34,124
2012	<u>18,007</u>
Total	<u>\$ 219,779</u>
Present Value	<u>\$ 203,245</u>

NOTE 9. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

On resignation, retirement or death of certain employees, the District pays any accrued, unused vacation leave in a lump cash payment to such employee or his/her estate. The District's liability is considered a long-term liability and is recorded in the Statement of Net Assets as a long-term debt payable.

A summary of changes in the accumulated vacation leave liability is as follows:

Balance, July 1, 2007	\$ 899,803
Additions – New Entrants and Salary Increments	319,344
Deductions – Payments to Participants	<u>(152,946)</u>
Balance, June 30, 2008	<u>\$1,066,201</u>

On retirement of an employee, the District pays to the employee lump cash payment equal to one-tenth of the employee's annual salary, if the employee has accumulated a minimum amount of unused sick leave. It is impractical to estimate the amount of future liability because of uncertainty of the number of such employees who will remain with the District until retirement. Accordingly, no liability has been recorded in the accompanying financial statements. The District's policy is to recognize the cost of compensated absences when actually paid to employees.

NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District (DCAD) is responsible for the appraisal of property for all taxing units in Denton County, including the District. Under the terms of a contract for appraisal services, the District paid DCAD \$1,204,802 in fiscal year 2008 for appraising property.

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2007-08 fiscal year was based was \$8,777,025,035. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2008, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.394 per \$100 valuation, respectively, for a total of \$1.434 per \$ 100 valuation.

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Current tax collections for the year ended June 30, 2008 were 97.97% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2008, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,300,896 and \$1,074,011 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

NOTE 11. PENSION PLAN OBLIGATIONS

Plan Description - The District contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates under the authority of provisions contained primarily in Texas Government code, Title 8, Public Retirement Systems, Subtitle C, Teacher Retirement System of Texas, which is subject to amendment by the Texas Legislature. The System's annual financial report and other required disclosure information are available by writing the Teacher Retirement System of Texas, 1000 Red River, Austin, Texas 78701-2698 or by calling (800) 233-8778.

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.58% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.58% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. The District's employees' contributions to the System for the years ending June 30, 2006, 2007, and 2008 were \$5,949,822, \$7,041,000 and \$7,958,505, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending June 30, 2006, 2007, and 2008 were \$1,179,149, \$1,385,802 and \$1,855,289, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended June 30, 2006, 2007, and 2008 were \$4,704,646, \$5,365,698 and \$5,832,546, respectively, and are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2008, 2007 and 2006. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2008, 2007, and 2006, the State's contributions to the TRS-Care were \$886,405, \$894,283, and \$784,108, respectively, the active member contributions were \$576,163, \$581,284, and \$509,670, respectively, and the school district's contribution were \$487,523, \$491,856, and \$431,259, respectively, which equaled the required contributions each year.

NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2008, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 173,733	\$ -
Enterprise Fund	693	-
Internal Service Fund	1,512	3,453
Special Revenue Fund:		
General Fund	-	173,733
Enterprise Fund:		
General Fund	-	693
Internal Service Fund:		
General Fund	<u>3,453</u>	<u>1,512</u>
 TOTAL	 <u>\$ 179,391</u>	 <u>\$ 179,391</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Interfunds transfers for the year ended June 30, 2008 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Internal Service Fund	\$ -	\$ 500,000
Internal Service Fund:		
General Fund	<u>500,000</u>	<u>-</u>
 TOTAL	 <u>\$ 500,000</u>	 <u>\$ 500,000</u>

The purpose of the interfund transfer was to transfer excess workers compensation funds to the general fund.

NOTE 14. HEALTH CARE

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage (the District contributed \$260 monthly for each employee) and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance through United Healthcare who limited annual claims paid from the Fund for the calendar year ended December 31, 2008, to \$175,000 for any individual participant and for aggregate loss of \$14,020,616.

Estimates of claims payable and of claims incurred, but not reported at June 30, 2008, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

These liabilities are based on requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims is reported if information prior to the issuance of the financial statements indicates that it is a probable that a liability has been incurred as of the date of the financial statements and the amount of loss can be reasonably estimated.

Changes in the balances of claims liabilities in fiscal 2007 and 2008 are as follows:

	<u>Year Ended June 30, 2007</u>	<u>Year Ended June 30, 2008</u>
Unpaid claims, beginning of year	\$ 549,316	\$ 805,586
Incurred claims (including IBNR'S)	10,027,800	8,262,657
Claim payments	<u>9,771,530</u>	<u>8,358,324</u>
Unpaid claims, end of fiscal year	<u>\$ 805,586</u>	<u>\$ 709,919</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

NOTE 15. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2008, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$3,629,855	\$2,280,063	\$ 175,938	\$589,353	\$ 6,675,209
Debt Service Fund	1,159,825	-	-	-	1,159,825
Capital Projects Fund	-	-	-	-	-
Special Revenue Fund	-	6,052,956	-	45,609	6,098,565
Total - Governmental Activities	<u>\$4,789,680</u>	<u>\$8,333,019</u>	<u>\$ 175,938</u>	<u>\$634,962</u>	<u>\$13,933,599</u>
Amounts not scheduled for collection during the subsequent year	\$ 414,773	\$ -	\$ -	\$ -	\$ 414,773
Business-type Activities:					
Enterprise Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Payables at June 30, 2008, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due To Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 1,591,886	\$17,203,897	\$ 3,453	\$ -	\$ -	\$18,799,236
Debt Service Fund	18,746	-	-	-	917,560	936,306
Capital Projects Fund	14,820,175	-	-	-	-	14,820,175
Special Revenue Funds	490,476	1,353,081	173,733	471	-	2,017,761
Total-Governmental Activities	<u>\$16,921,283</u>	<u>\$18,556,978</u>	<u>\$ 177,186</u>	<u>\$ 471</u>	<u>\$917,560</u>	<u>\$36,573,478</u>
Amounts not scheduled for payment during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type Activities:						
Enterprise Fund	\$ 16,212	\$ 24,069	\$ 693	\$ -	\$ -	\$ 40,974
Total Business-type Activities	<u>\$ 16,212</u>	<u>\$ 24,069</u>	<u>\$ 693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,974</u>

NOTE 16. SELF-INSURED WORKERS' COMPENSATION

The District has also established a self-funding Workers' Compensation program. Texas Association of School Boards (TASB) through an actuarial review of the self-insurance program, projected an estimated outstanding loss of \$1,459,279 as of June 30, 2008. Claims administration is provided by TASB.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

The accrued liability for Workers' Compensation self-insurance of \$1,459,279 includes incurred but not reported claims. This liability reported in the fund at June 30, 2008, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability booked was the present value of the estimate of the actuary. Aggregate stop-loss coverage for 2008 was \$500,000.

Changes in the workers' compensation claims liability amounts in fiscal 2007 and 2008 are represented below:

	<u>Year Ended June 30, 2007</u>	<u>Year Ended June 30, 2008</u>
Unpaid claims, beginning of year	\$1,637,825	\$1,368,708
Incurred claims (including IBNR'S)	231,145	590,887
Claim payments	<u>500,262</u>	<u>500,316</u>
Unpaid claims, end of fiscal year	<u>\$1,368,708</u>	<u>\$1,459,279</u>

NOTE 17. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2008, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$2,089,774	\$ 190,289	\$2,280,063
Special Revenue	<u>616,100</u>	<u>5,436,856</u>	<u>6,052,956</u>
Total	<u>\$2,705,874</u>	<u>\$5,627,145</u>	<u>\$8,333,019</u>

NOTE 18. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At June 30, 2008, the estimated rebate liability on outstanding bond series was \$1,183,737.

NOTE 19. LITIGATION AND CONTINGENCIES

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the accompanying financial statements for such contingencies.

The Denton Central Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

NOTE 20. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$93,171,791	\$ -	\$34,877,965	\$ -	\$128,049,756
Investment Income	2,463,508	333	806,017	4,082,319	7,352,177
Penalties, interest and other tax related income	1,585,049	-	467,701	-	2,052,750
Co-curricular student activities	331,546	935,903	-	-	1,267,449
Tuition and fees	1,351,575	812,230	-	-	2,163,805
Gifts and bequests	153,087	490,618	-	-	643,705
Facilities rentals	238,686	-	-	-	238,686
Other	1,457,409	-	-	30,995	1,488,404
Total	<u>\$100,752,651</u>	<u>\$2,239,084</u>	<u>\$36,151,683</u>	<u>\$4,113,314</u>	<u>\$143,256,732</u>

NOTE 21. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund	Total
Net Tax Revenue	\$3,300,896	\$ -	\$1,074,011	\$ -	\$4,374,907
After-School Program	45,720	-	-	-	45,720
Lunchroom receipts	-	-	-	74,532	74,532
Food Commodities	-	-	-	65,545	65,545
High School Allotment	-	84,105	-	-	84,105
Read to Succeed	-	830	-	-	830
Advanced Placement Incentives	-	15,857	-	-	15,857
Technology Grant	-	102,264	-	-	102,264
Deaf Ed Mgmt Board	-	60,710	-	-	60,710
Total	<u>\$3,346,616</u>	<u>\$263,766</u>	<u>\$1,074,011</u>	<u>\$140,077</u>	<u>\$4,824,470</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2008

NOTE 22. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2008, as follows:

Year Ending <u>June 30,</u>	
2009	\$ 211,215
2010	129,911
2011	<u>26,677</u>
Total Minimum Rentals	<u>\$ 376,803</u>
Rental Expenditures in Fiscal Year 2008	<u>\$ 498,620</u>

NOTE 23. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Medicaid Reimbursement	N/A	\$ 423,439	\$ 423,439
Impact Aid	84.041	147,069	147,069
Junior ROTC	12.000	163,642	163,642
Indirect Costs	N/A	118,900	118,900
Fuel Excise Taxes	N/A	187,604	187,604
Other	N/A	<u>2,922</u>	<u>2,922</u>
Total for General Fund		<u>\$1,043,576</u>	<u>\$1,043,576</u>

NOTE 24. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in five functional categories for the year ended June 30, 2008.

NOTE 25. SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) which provides a regional day school for the deaf to various member districts. All services are provided by the fiscal agent. The member districts and the State provide the funds to the fiscal agent. According to guidance provided in TEA’s Resource Guide, the District has accounted for the fiscal agent’s activities of the SSA in Special Revenue Funds No. 315, 316, 317, 340, 435 and 446 and such activities have been accounted for using Model 3 in the SSA section of the Resource Guide.

In a manner similar to that described above, the District is also the fiscal agent for an adult education SSA accounted for in Special Revenue Fund No. 309, a vocational education SSA accounted for in Special Revenue Fund No. 331, and a TANF SSA accounted for in Special Revenue Fund No. 312.

The District participates in a shared services arrangement for juvenile justice alternative education services with ten other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Denton ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended June 30, 2008, the District contributed \$27,323 to the fiscal agent as its share of the costs of the joint venture.

COMBINING SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
ASSETS				
1110	\$ (45,794)	\$ (298,873)	\$ (1,263,569)	\$ (1,666,261)
1240	46,228	474,372	1,743,017	2,045,767
1290	-	-	11	548
1300	-	-	-	-
1410	-	-	-	-
1900	-	-	-	-
1000	<u>\$ 434</u>	<u>\$ 175,499</u>	<u>\$ 479,459</u>	<u>\$ 380,054</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110	\$ 434	\$ 1,128	\$ 108,494	\$ 28,636
2160	-	145,361	324,167	304,909
2170	-	29,010	46,798	46,509
2180	-	-	-	-
2300	-	-	-	-
2000	<u>434</u>	<u>175,499</u>	<u>479,459</u>	<u>380,054</u>
Fund Balances:				
Reserved For:				
3490	-	-	-	-
Unreserved Designated For:				
3590	-	-	-	-
Unreserved and Undesignated:				
3610	-	-	-	-
3630	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 434</u>	<u>\$ 175,499</u>	<u>\$ 479,459</u>	<u>\$ 380,054</u>

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	272 Medicaid Admin. Claim MAC
\$ (47,689)	\$ -	\$ (10,547)	\$ (219,353)	\$ (1,276)	\$ (103,884)	\$ (14,075)	\$ (22,850)
62,518	-	36,890	324,534	1,990	156,699	14,925	22,850
-	-	-	-	-	164	-	-
-	-	1,701	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 14,829</u>	<u>\$ -</u>	<u>\$ 28,044</u>	<u>\$ 105,181</u>	<u>\$ 714</u>	<u>\$ 52,979</u>	<u>\$ 850</u>	<u>\$ -</u>
\$ 722	\$ -	\$ 24,447	\$ 51,037	\$ 714	\$ 12,684	\$ 850	\$ -
10,999	-	3,597	48,329	-	35,856	-	-
2,637	-	-	5,815	-	4,439	-	-
471	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>14,829</u>	<u>-</u>	<u>28,044</u>	<u>105,181</u>	<u>714</u>	<u>52,979</u>	<u>850</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 14,829</u>	<u>\$ -</u>	<u>\$ 28,044</u>	<u>\$ 105,181</u>	<u>\$ 714</u>	<u>\$ 52,979</u>	<u>\$ 850</u>	<u>\$ -</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

Data Control Codes	288 Summer School LEP	289 Teaching American History	309 SSA Adult Education	312 SSA - TANF Family Assistance	
ASSETS					
1110	Cash and Cash Equivalents	\$ 12,713	\$ (30,991)	\$ (284,365)	\$ (3,661)
1240	Due from Other Governments	-	30,991	300,734	3,661
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 12,713</u>	<u>\$ -</u>	<u>\$ 16,369</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 12,713	\$ -	\$ 12,243	\$ -
2160	Accrued Wages Payable	-	-	3,769	-
2170	Due to Other Funds	-	-	357	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>12,713</u>	<u>-</u>	<u>16,369</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3490	Other Purposes	-	-	-	-
Unreserved Designated For:					
3590	Other Purposes	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3630	Reported in Permanent Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 12,713</u>	<u>\$ -</u>	<u>\$ 16,369</u>	<u>\$ -</u>

315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	331 SSA Vocational Ed Basic Grant	340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives
\$ (34,642)	\$ (26,182)	\$ -	\$ (75,646)	\$ -	\$ (9,396)	\$ (47,138)	\$ 68,630
34,642	26,182	-	110,856	-	9,396	47,138	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,630</u>
\$ -	\$ -	\$ -	\$ 22,184	\$ -	\$ -	\$ -	\$ 52,773
-	-	-	10,493	-	-	-	-
-	-	-	2,533	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	15,857
-	-	-	35,210	-	-	-	68,630
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,630</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,630</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

Data Control Codes	399 Investment Capital Funds	404 Student Success Initiative	409 Texas High School Completion	411 Technology Allotment
ASSETS				
1110 Cash and Cash Equivalents	\$ (36,900)	\$ (174,600)	\$ (21,736)	\$ 109,114
1240 Due from Other Governments	36,755	264,642	21,736	3,767
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1410 Deferred Expenditures	635	-	-	-
1900 Other Assets	-	-	-	-
1000 Total Assets	<u>\$ 490</u>	<u>\$ 90,042</u>	<u>\$ -</u>	<u>\$ 112,881</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ -	\$ 47,682	\$ -	\$ 10,617
2160 Accrued Wages Payable	490	42,360	-	-
2170 Due to Other Funds	-	-	-	-
2180 Due to Other Governments	-	-	-	-
2300 Deferred Revenues	-	-	-	102,264
2000 Total Liabilities	<u>490</u>	<u>90,042</u>	<u>-</u>	<u>112,881</u>
Fund Balances:				
Reserved For:				
3490 Other Purposes	-	-	-	-
Unreserved Designated For:				
3590 Other Purposes	-	-	-	-
Unreserved and Undesignated:				
3610 Reported in Special Revenue Funds	-	-	-	-
3630 Reported in Permanent Funds	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 490</u>	<u>\$ 90,042</u>	<u>\$ -</u>	<u>\$ 112,881</u>

425 Read to Succeed	426 Automatic Defibrillator	427 Tx Educ Excellence Award Prog.	428 High School Allotment	429 Tx Educ Excellence Grant	431 SSA - Adult Basic Education	432 SSA - TANF Temporary Assistance	435 SSA Regional Day School - Deaf
\$ 830	\$ (2,950)	\$ (6,757)	\$ 301,134	\$ -	\$ (7,152)	\$ (5,555)	\$ (45,816)
-	2,950	6,757	-	83,489	7,159	5,887	126,424
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	3,542	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,676</u>	<u>\$ 83,489</u>	<u>\$ 7</u>	<u>\$ 332</u>	<u>\$ 80,608</u>
\$ -	\$ -	\$ -	\$ 32,458	\$ -	\$ -	\$ -	\$ 462
-	-	-	188,113	78,730	7	332	69,530
-	-	-	-	4,759	-	-	10,616
-	-	-	-	-	-	-	-
830	-	-	84,105	-	-	-	-
<u>830</u>	<u>-</u>	<u>-</u>	<u>304,676</u>	<u>83,489</u>	<u>7</u>	<u>332</u>	<u>80,608</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 830</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 304,676</u>	<u>\$ 83,489</u>	<u>\$ 7</u>	<u>\$ 332</u>	<u>\$ 80,608</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2008

Data Control Codes	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests	495 Clean Buses for Kids	
ASSETS					
1110	Cash and Cash Equivalents	\$ 173,042	\$ 412,929	\$ 272,936	\$ -
1240	Due from Other Governments	-	-	-	-
1290	Other Receivables	-	44,886	-	-
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 173,042</u>	<u>\$ 457,815</u>	<u>\$ 272,936</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 6,033	\$ 59,149	\$ 5,016	\$ -
2160	Accrued Wages Payable	86,039	-	-	-
2170	Due to Other Funds	20,260	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	60,710	-	-	-
2000	Total Liabilities	<u>173,042</u>	<u>59,149</u>	<u>5,016</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3490	Other Purposes	-	-	-	-
Unreserved Designated For:					
3590	Other Purposes	-	-	267,920	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	398,666	-	-
3630	Reported in Permanent Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>398,666</u>	<u>267,920</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 173,042</u>	<u>\$ 457,815</u>	<u>\$ 272,936</u>	<u>\$ -</u>

Total Nonmajor Special Revenue Funds	479 Permanent Fund	Total Nonmajor Governmental Funds
\$ (3,156,330)	\$ -	\$ (3,156,330)
6,052,956	-	6,052,956
45,609	-	45,609
1,701	-	1,701
4,177	-	4,177
-	13,353	13,353
<u>\$ 2,948,113</u>	<u>\$ 13,353</u>	<u>\$ 2,961,466</u>
\$ 490,476	\$ -	\$ 490,476
1,353,081	-	1,353,081
173,733	-	173,733
471	-	471
263,766	-	263,766
<u>2,281,527</u>	<u>-</u>	<u>2,281,527</u>
-	1,000	1,000
267,920	-	267,920
398,666	-	398,666
-	12,353	12,353
<u>666,586</u>	<u>13,353</u>	<u>679,939</u>
<u>\$ 2,948,113</u>	<u>\$ 13,353</u>	<u>\$ 2,961,466</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	74,168	1,167,086	2,838,895	3,184,785
5020 Total Revenues	<u>74,168</u>	<u>1,167,086</u>	<u>2,838,895</u>	<u>3,184,785</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	942,662	2,343,883	2,432,811
0012 Instructional Resources and Media Services	-	-	26,968	-
0013 Curriculum and Instructional Staff Development	-	336	261,868	114,215
0021 Instructional Leadership	-	-	77,917	5,981
0023 School Leadership	-	3,292	36,368	-
0031 Guidance, Counseling and Evaluation Services	74,168	1,876	60,314	631,778
0032 Social Work Services	-	188,783	4,568	-
0033 Health Services	-	1,516	1,868	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	28,621	25,141	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>74,168</u>	<u>1,167,086</u>	<u>2,838,895</u>	<u>3,184,785</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	272 Medicaid Admin. Claim MAC
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
108,413	2,056	65,382	583,821	25,555	343,084	26,463	49,727
<u>108,413</u>	<u>2,056</u>	<u>65,382</u>	<u>583,821</u>	<u>25,555</u>	<u>343,084</u>	<u>26,463</u>	<u>49,727</u>
108,413	2,056	-	-	-	270,072	-	-
-	-	-	-	-	-	-	-
-	-	-	577,610	15,372	40,969	26,463	-
-	-	-	-	1,604	1,882	-	-
-	-	-	6,211	8,579	4,815	-	-
-	-	-	-	-	-	-	49,727
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	65,382	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	25,346	-	-
-	-	-	-	-	-	-	-
<u>108,413</u>	<u>2,056</u>	<u>65,382</u>	<u>583,821</u>	<u>25,555</u>	<u>343,084</u>	<u>26,463</u>	<u>49,727</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	288 Summer School LEP	289 Teaching American History	309 SSA Adult Education	312 SSA - TANF Family Assistance
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	12,713	286,962	296,668	4,730
5020 Total Revenues	<u>12,713</u>	<u>286,962</u>	<u>296,668</u>	<u>4,730</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	-	262,340	4,730
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	286,962	9,586	-
0021 Instructional Leadership	-	-	8,103	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	12,713	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	8,755	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	7,884	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>12,713</u>	<u>286,962</u>	<u>296,668</u>	<u>4,730</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	331 SSA Vocational Ed Basic Grant	340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	9,396	60,615	60,760
34,642	25,798	3,357	235,544	2,485	-	-	-
<u>34,642</u>	<u>25,798</u>	<u>3,357</u>	<u>235,544</u>	<u>2,485</u>	<u>9,396</u>	<u>60,615</u>	<u>60,760</u>
34,642	23,816	3,357	127,166	2,485	9,396	-	59,662
-	-	-	-	-	-	-	-
-	1,878	-	26,874	-	-	-	1,098
-	-	-	3,926	-	-	-	-
-	-	-	-	-	-	-	-
-	104	-	77,578	-	-	-	-
-	-	-	-	-	-	52,108	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,507	-
-	-	-	-	-	-	-	-
<u>34,642</u>	<u>25,798</u>	<u>3,357</u>	<u>235,544</u>	<u>2,485</u>	<u>9,396</u>	<u>60,615</u>	<u>60,760</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	399 Investment Capital Funds	404 Student Success Initiative	409 Texas High School Completion	411 Technology Allotment
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	36,932	440,383	21,736	519,859
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>36,932</u>	<u>440,383</u>	<u>21,736</u>	<u>519,859</u>
EXPENDITURES:				
Current:				
0011 Instruction	21,618	377,459	21,736	321,123
0012 Instructional Resources and Media Services	-	-	-	35,000
0013 Curriculum and Instructional Staff Development	15,110	51,977	-	37,339
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	204	10,947	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	126,397
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>36,932</u>	<u>440,383</u>	<u>21,736</u>	<u>519,859</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

425 Read to Succeed	426 Automatic Defibrillator	427 Tx Educ Excellence Award Prog.	428 High School Allotment	429 Tx Educ Excellence Grant	431 SSA - Adult Basic Education	432 SSA - TANF Temporary Assistance	435 SSA Regional Day School - Deaf
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	2,950	2,493	1,426,161	83,489	60,883	9,388	477,804
-	-	-	-	-	-	-	-
-	2,950	2,493	1,426,161	83,489	60,883	9,388	477,804
-	-	2,493	1,374,477	66,674	47,599	8,636	428,510
-	-	-	-	1,345	-	-	-
-	-	-	51,684	-	8,714	-	3,146
-	-	-	-	-	3,673	752	-
-	-	-	-	8,810	-	-	-
-	-	-	-	1,526	-	-	46,148
-	-	-	-	-	-	-	-
-	2,950	-	-	1,527	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,261	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	285	-	-
-	-	-	-	1,346	-	-	-
-	-	-	-	-	612	-	-
-	-	-	-	-	-	-	-
-	2,950	2,493	1,426,161	83,489	60,883	9,388	477,804
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests	495 Clean Buses for Kids
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 812,230	\$ 935,903	\$ 367,943	\$ 123,008
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>812,230</u>	<u>935,903</u>	<u>367,943</u>	<u>123,008</u>
EXPENDITURES:				
Current:				
0011 Instruction	768,707	653,830	157,792	-
0012 Instructional Resources and Media Services	-	25,034	4,312	-
0013 Curriculum and Instructional Staff Development	-	28,983	42,257	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	88,074	6,437	-
0031 Guidance, Counseling and Evaluation Services	43,523	1,180	-	-
0032 Social Work Services	-	-	47	-
0033 Health Services	-	250	-	-
0034 Student (Pupil) Transportation	-	-	-	123,008
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	81,325	-	-
0041 General Administration	-	6,873	4,160	-
0051 Facilities Maintenance and Operations	-	3,386	5,820	-
0053 Data Processing Services	-	224	-	-
0061 Community Services	-	-	2,734	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	680	28,000	-
6030 Total Expenditures	<u>812,230</u>	<u>889,839</u>	<u>251,559</u>	<u>123,008</u>
1200 Net Change in Fund Balance	-	46,064	116,384	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>352,602</u>	<u>151,536</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 398,666</u>	<u>\$ 267,920</u>	<u>\$ -</u>

Total Nonmajor Special Revenue Funds	479 Permanent Fund	Total Nonmajor Governmental Funds
\$ 2,239,084	\$ 414	\$ 2,239,498
3,212,849	-	3,212,849
9,372,334	-	9,372,334
<u>14,824,267</u>	<u>414</u>	<u>14,824,681</u>
10,878,145	-	10,878,145
92,659	-	92,659
1,602,441	-	1,602,441
103,838	-	103,838
173,737	-	173,737
987,922	-	987,922
245,506	-	245,506
8,111	-	8,111
135,721	-	135,721
67,643	-	67,643
81,325	-	81,325
11,033	-	11,033
144,643	-	144,643
1,570	-	1,570
98,845	-	98,845
28,680	-	28,680
<u>14,661,819</u>	<u>-</u>	<u>14,661,819</u>
162,448	414	162,862
504,138	12,939	517,077
<u>\$ 666,586</u>	<u>\$ 13,353</u>	<u>\$ 679,939</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2008

EXHIBIT H-3

	752	753	771	
	Print Shop	Workers Compensation	Health Insurance	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 322,524	\$ 4,110,520	\$ 9,276,704	\$ 13,709,748
Due from Other Funds	-	-	3,453	3,453
Other Receivables	-	3,187	299,224	302,411
Inventories	4,354	-	-	4,354
Total Current Assets	<u>326,878</u>	<u>4,113,707</u>	<u>9,579,381</u>	<u>14,019,966</u>
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	51,813	3,448	-	55,261
Depreciation on Furniture and Equipment	(20,359)	(3,448)	-	(23,807)
Total Noncurrent Assets	<u>31,454</u>	<u>-</u>	<u>-</u>	<u>31,454</u>
Total Assets	<u>358,332</u>	<u>4,113,707</u>	<u>9,579,381</u>	<u>14,051,420</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	7,942	9,453	80,838	98,233
Accrued Wages Payable	485	-	1,227	1,712
Due to Other Funds	-	-	1,511	1,511
Accrued Expenses	-	1,459,279	719,909	2,179,188
Total Liabilities	<u>8,427</u>	<u>1,468,732</u>	<u>803,485</u>	<u>2,280,644</u>
NET ASSETS				
Investments in Capital Assets, Net of Debt	31,454	-	-	31,454
Unrestricted Net Assets	318,451	2,644,975	8,775,896	11,739,322
Total Net Assets	<u>\$ 349,905</u>	<u>\$ 2,644,975</u>	<u>\$ 8,775,896</u>	<u>\$ 11,770,776</u>

EXHIBIT H-4

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	752 Print Shop	753 Workers Compensation	771 Health Insurance	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 357,732	\$ 1,724,986	\$ 15,358,925	\$ 17,441,643
Total Operating Revenues	<u>357,732</u>	<u>1,724,986</u>	<u>15,358,925</u>	<u>17,441,643</u>
OPERATING EXPENSES:				
Payroll Costs	83,770	58,407	165,900	308,077
Professional and Contracted Services	124,693	39,440	1,183,400	1,347,533
Supplies and Materials	81,577	-	10,417	91,994
Other Operating Costs	2,896	642,846	12,606,300	13,252,042
Total Operating Expenses	<u>292,936</u>	<u>740,693</u>	<u>13,966,017</u>	<u>14,999,646</u>
Operating Income	<u>64,796</u>	<u>984,293</u>	<u>1,392,908</u>	<u>2,441,997</u>
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	100,047	289,843	389,890
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>100,047</u>	<u>289,843</u>	<u>389,890</u>
Income Before Transfers	64,796	1,084,340	1,682,751	2,831,887
Transfers Out	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>(500,000)</u>
Change in Net Assets	64,796	584,340	1,682,751	2,331,887
Total Net Assets - July 1 (Beginning)	<u>285,109</u>	<u>2,060,635</u>	<u>7,093,145</u>	<u>9,438,889</u>
Total Net Assets - June 30 (Ending)	<u>\$ 349,905</u>	<u>\$ 2,644,975</u>	<u>\$ 8,775,896</u>	<u>\$ 11,770,776</u>

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	752	753	771	Total
	Print Shop	Workers Compensation	Health Insurance	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from District	\$ -	\$ 1,700,378	\$ 9,642,120	\$ 11,342,498
Cash Received from Charges and Fees	357,745	-	-	357,745
Cash Received from Employees	-	-	5,909,685	5,909,685
Cash Payments for Payroll Costs	(83,879)	(58,538)	(166,562)	(308,979)
Cash Payments for Purchased Services	(121,879)	(39,440)	(1,183,400)	(1,344,719)
Cash Payments for Supplies and Materials	(81,577)	-	(10,417)	(91,994)
Cash Payments for Other Expenses	-	(51,959)	(3,971,251)	(4,023,210)
Cash Payments for Claims	-	(505,486)	(8,262,657)	(8,768,143)
Net Cash Provided by Operating Activities	<u>70,410</u>	<u>1,044,955</u>	<u>1,957,518</u>	<u>3,072,883</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer Out	-	(500,000)	-	(500,000)
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Acquisition of Capital Assets	(27,499)	-	-	(27,499)
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	-	100,047	289,843	389,890
Net Increase in Cash and Cash Equivalents	42,911	645,002	2,247,361	2,935,274
Cash and Cash Equivalents at Beginning of the Year:	279,613	3,465,518	7,029,343	10,774,474
Cash and Cash Equivalents at the End of the Year:	<u>\$ 322,524</u>	<u>\$ 4,110,520</u>	<u>\$ 9,276,704</u>	<u>\$ 13,709,748</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>				
Operating Income:	\$ 64,796	\$ 984,293	\$ 1,392,908	\$ 2,441,997
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	2,896	-	-	2,896
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Other Receivables	13	(3,187)	767,505	764,331
Decrease (increase) in Due from Other Funds	-	-	(3,453)	(3,453)
Increase (decrease) in Accounts Payable	2,814	(26,591)	(114,614)	(138,391)
Increase (decrease) in Accrued Wages Payable	(109)	(131)	(662)	(902)
Increase (decrease) in Due to Other Funds	-	-	1,511	1,511
Increase (decrease) in Accrued Expenses	-	90,571	(85,677)	4,894
Net Cash Provided by Operating Activities	<u>\$ 70,410</u>	<u>\$ 1,044,955</u>	<u>\$ 1,957,518</u>	<u>\$ 3,072,883</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2008

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,393,278	\$ 84,523	\$ 1,477,801
Inventories	133,574	-	133,574
Total Current Assets	<u>1,526,852</u>	<u>84,523</u>	<u>1,611,375</u>
Noncurrent Assets:			
Capital Assets:			
Furniture and Equipment	3,078,205	55,368	3,133,573
Depreciation on Furniture and Equipment	<u>(2,681,328)</u>	<u>(30,471)</u>	<u>(2,711,799)</u>
Total Noncurrent Assets	<u>396,877</u>	<u>24,897</u>	<u>421,774</u>
Total Assets	<u>1,923,729</u>	<u>109,420</u>	<u>2,033,149</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	16,212	-	16,212
Accrued Wages Payable	24,069	-	24,069
Due to Other Funds	693	-	693
Deferred Revenues	<u>140,077</u>	<u>-</u>	<u>140,077</u>
Total Liabilities	<u>181,051</u>	<u>-</u>	<u>181,051</u>
NET ASSETS			
Investments in Capital Assets, Net of Debt	396,877	24,897	421,774
Unrestricted Net Assets	<u>1,345,801</u>	<u>84,523</u>	<u>1,430,324</u>
Total Net Assets	<u>\$ 1,742,678</u>	<u>\$ 109,420</u>	<u>\$ 1,852,098</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 3,377,962	\$ 92,338	\$ 3,470,300
State Program Revenues	50,176	-	50,176
Total Operating Revenues	<u>3,428,138</u>	<u>92,338</u>	<u>3,520,476</u>
OPERATING EXPENSES:			
Payroll Costs	2,901,902	27,922	2,929,824
Professional and Contracted Services	221,168	5,250	226,418
Supplies and Materials	4,051,105	35,375	4,086,480
Other Operating Costs	184,382	7,909	192,291
Total Operating Expenses	<u>7,358,557</u>	<u>76,456</u>	<u>7,435,013</u>
Operating Income (Loss)	<u>(3,930,419)</u>	<u>15,882</u>	<u>(3,914,537)</u>
NONOPERATING REVENUES (EXPENSES):			
National School Breakfast Program	717,342	-	717,342
National School Lunch Program	2,869,475	-	2,869,475
Donated Commodities (USDA)	294,548	-	294,548
Earnings from Temporary Deposits & Investments	50,039	-	50,039
Total Nonoperating Revenues (Expenses)	<u>3,931,404</u>	<u>-</u>	<u>3,931,404</u>
Change in Net Assets	985	15,882	16,867
Total Net Assets - July 1 (Beginning)	<u>1,741,693</u>	<u>93,538</u>	<u>1,835,231</u>
Total Net Assets - June 30 (Ending)	<u>\$ 1,742,678</u>	<u>\$ 109,420</u>	<u>\$ 1,852,098</u>

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Charges and Fees	\$ 3,428,138	\$ 92,338	\$ 3,520,476
Cash Payments for Payroll Costs	(2,883,215)	(27,922)	(2,911,137)
Cash Payments for Purchased Services	(221,168)	(5,250)	(226,418)
Cash Payments for Supplies and Materials	(3,977,901)	(35,375)	(4,013,276)
Cash Payments for Other Expenses	(14,144)	-	(14,144)
Net Cash Provided by (Used for) Operating Activities	<u>(3,668,290)</u>	<u>23,791</u>	<u>(3,644,499)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Cash Received from Federal Programs	3,881,365	-	3,881,365
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	(14,907)	-	(14,907)
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	50,039	-	50,039
Net Increase in Cash and Cash Equivalents	248,207	23,791	271,998
Cash and Cash Equivalents at Beginning of the Year:	<u>1,145,071</u>	<u>60,732</u>	<u>1,205,803</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 1,393,278</u>	<u>\$ 84,523</u>	<u>\$ 1,477,801</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss):	\$ (3,930,419)	\$ 15,882	\$ (3,914,537)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	170,238	7,909	178,147
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Due from Other Gov.	38,590	-	38,590
Decrease (increase) in Inventories	(54,411)	-	(54,411)
Decrease (increase) in Due from Other Funds	9,070	-	9,070
Increase (decrease) in Accounts Payable	(1,821)	-	(1,821)
Increase (decrease) in Accrued Wages Payable	17,994	-	17,994
Increase (decrease) in Due to Other Funds	693	-	693
Increase (decrease) in Deferred Revenues	81,776	-	81,776
Net Cash Provided by (Used for) Operating Activities	<u>\$ (3,668,290)</u>	<u>\$ 23,791</u>	<u>\$ (3,644,499)</u>

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REQUIRED T.E.A. SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2008

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1999 and prior years	Various	Various	\$ 2,919,034,703
2000	1.366000	0.334000	3,316,850,647
2001	1.480000	0.364000	3,926,506,291
2002	1.500000	0.354000	4,381,351,996
2003	1.500000	0.364000	4,834,579,560
2004	1.500000	0.364000	5,373,515,343
2005	1.500000	0.364000	5,963,219,528
2006	1.500000	0.364000	6,665,199,839
2007	1.370000	0.394000	7,692,488,889
2008 (School year under audit)	1.040000	0.394000	8,777,025,035
100 TOTALS			

(10) Beginning Balance 7/1/2007	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2008
\$ 230,821	\$ -	\$ 27,197	\$ 7,126	\$ 18,176	\$ 214,674
79,796	-	11,327	2,769	(3,162)	62,538
151,212	-	42,139	10,364	(23,561)	75,148
250,533	-	135,369	31,947	58,710	141,927
237,099	-	369,515	89,669	346,682	124,597
483,699	-	384,135	93,217	165,067	171,414
586,948	-	311,577	75,609	181,462	381,224
770,312	-	447,469	108,586	227,607	441,864
3,010,075	-	2,018,244	580,430	205,421	616,822
-	125,862,539	89,424,819	33,878,248	-	2,559,472
<u>\$ 5,800,495</u>	<u>\$ 125,862,539</u>	<u>\$ 93,171,791</u>	<u>\$ 34,877,965</u>	<u>\$ 1,176,402</u>	<u>\$ 4,789,680</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2009-2010
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2008

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 324,039	\$ 2,369,944	\$ -	\$ -	\$ 2,693,983
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	500	-	169,923	-	-	-	170,423
6212	Audit Services	-	-	-	35,150	-	-	35,150
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,251,268	-	-	-	-	1,251,268
621X	Other Professional Services	3,931	-	915	20,745	-	-	25,591
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	76,376	-	76,376
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	2,736	12,988	-	-	15,724
6290	Miscellaneous Contr.	1,745	-	6,964	132,523	-	-	141,232
6320	Textbooks and Reading	-	-	1,533	2,614	-	-	4,147
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,661	-	11,691	162,557	-	-	175,909
6410	Travel, Subsistence, Stipends	24,565	-	7,373	67,613	-	-	99,551
6420	Ins. and Bonding Costs	-	-	71	46,679	-	-	46,750
6430	Election Costs	21,064	-	-	-	-	-	21,064
6490	Miscellaneous Operating	27,408	-	32,925	71,559	-	-	131,892
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	9,273	9,273
6000	TOTAL	\$ 80,874	\$ 1,251,268	\$ 558,170	\$ 2,922,372	\$ 76,376	\$ 9,273	\$ 4,898,333

Total expenditures/expenses for General and Special Revenue Funds: and Enterprise Fund (9) \$ 186,333,999

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 959,162
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	18,760,442
Food (Function 35, 6341 and 6499)	(13)	3,371,025
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		2,922,372

SubTotal:

26,013,000

Net Allowed Direct Cost

\$ 160,320,999

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 457,957,159
Historical Cost of Building over 50 years old	(16)	\$ -
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 22,734,285
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$310,290 in Function 53 expenditures are included in this report on administrative costs.
 \$0 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

DENTON INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED JUNE 30, 2008

UNAUDITED

1	Total General Fund Balance as of 6/30/08 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 55,358,656
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 645,907	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	2,710,078	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	37,301,196	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/08-5/31/09).	14,900,113	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	-	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>55,557,294</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (198,638)</u>

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,614,388	\$ 3,614,388	\$ 3,377,962	\$ (236,426)
5800	State Program Revenues	47,505	47,505	50,176	2,671
5020	Total Revenues	3,661,893	3,661,893	3,428,138	(233,755)
EXPENDITURES:					
0035	Food Services	6,976,860	6,816,410	7,192,589	(376,179)
0051	Plant Maintenance and Operations	-	199,041	165,968	33,073
6030	Total Expenditures	6,976,860	7,015,451	7,358,557	(343,106)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,314,967)	(3,353,558)	(3,930,419)	(576,861)
OTHER FINANCING SOURCES (USES):					
7952	National School Breakfast Program	575,373	575,373	717,342	141,969
7953	National School Lunch Program	2,682,144	2,682,144	2,869,475	187,331
7954	Donated Commodities (USDA)	-	-	294,548	294,548
7955	Earnings from Temporary Deposits	57,450	57,450	50,039	(7,411)
7080	Total Other Financing Sources (Uses)	3,314,967	3,314,967	3,931,404	616,437
1200	Change in Net Assets	-	(38,591)	985	39,576
0100	Total Net Assets - July 1 (Beginning)	1,741,693	1,741,693	1,741,693	-
3000	Total Net Assets - June 30 (Ending)	\$ 1,741,693	\$ 1,703,102	\$ 1,742,678	\$ 39,576

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2008

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 35,429,108	\$ 35,973,081	\$ 36,151,683	\$ 178,602
5020	Total Revenues	35,429,108	35,973,081	36,151,683	178,602
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	13,250,000	13,250,000	9,886,213	3,363,787
0072	Debt Service - Interest on Long Term Debt	21,797,838	21,797,838	19,599,292	2,198,546
0073	Debt Service - Bond Issuance Cost and Fees	380,000	380,000	432,193	(52,193)
6030	Total Expenditures	35,427,838	35,427,838	29,917,698	5,510,140
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,270	545,243	6,233,985	5,688,742
OTHER FINANCING SOURCES (USES):					
7916	Premium or Discount on Issuance of Bonds	-	1,090,858	1,090,858	-
7080	Total Other Financing Sources (Uses)	-	1,090,858	1,090,858	-
1200	Net Change in Fund Balances	1,270	1,636,101	7,324,843	5,688,742
0100	Fund Balance - July 1 (Beginning)	24,503,593	24,503,593	24,503,593	-
3000	Fund Balance - June 30 (Ending)	\$ 24,504,863	\$ 26,139,694	\$ 31,828,436	\$ 5,688,742

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FEDERAL AWARDS SECTION

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

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Denton Independent School District
Denton, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denton Independent School District (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we did note other matters involving internal control that we have reported to the District in a separate letter dated October 28, 2008.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, and appropriate federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

October 28, 2008

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133

Board of Trustees
Denton Independent School District
Denton, Texas

Compliance

We have audited the compliance of Denton Independent School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the District, the Texas Education Agency, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Hankins, Eastup, Deaton, Tonn & Seay
A Professional Corporation
Certified Public Accountants

October 28, 2008

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No internal control findings required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unqualified.
6. Did the audit disclose findings which are required to be reported under Sec. 5 I O (a): No
7. Major programs include:

84.027, 84.173	IDEA, Part B Cluster
84.367	Title II, Part A TPTR
8. Dollar threshold used to distinguish between Type A and Type B programs: \$405,440.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

DENTON INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2008

NONE

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
ROTC	12.000	01-061901	\$ 163,642
Total Direct Programs			\$ 163,642
TOTAL DEPARTMENT OF DEFENSE			\$ 163,642
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	01-061901	\$ 147,069
Total Direct Programs			\$ 147,069
<u>Passed Through State Department of Education</u>			
SSA - Adult Education, Section 231	84.002A	8410001711093	\$ 296,668
ESEA, Title I, Part A	84.010	8610101061901	2,772,025
ESEA, Title I, Part D Subpart 2	84.010A	8610103061901	66,870
IDEA - Part B, Formula	84.027	86600010619016600	3,184,785
IDEA - Part B, Discretionary	84.027	01-061901	2,056
SSA - IDEA - Part B, Discretionary, Deaf	84.027	86600020619016673	34,642
SSA - IDEA - Part B, Formula, Deaf	84.027	86600010619016601	25,798
Total CFDA Number 84.027			3,247,281
SSA - Vocational Education - Basic Grant	84.048	8420006061901	235,544
IDEA - Part B, Preschool	84.173	86610010619016610	108,413
SSA - IDEA - Part B, Preschool Deaf	84.173	86610010619016611	3,357
Total CFDA Number 84.173			111,770
SSA - IDEA, Part C - Deaf	84.181A	83911010619013911	2,485
ESEA Title IV - Safe and Drug-Free Schools	84.186A	8691001061901	74,168
Teaching American History Grants	84.215X	U215X040306	286,962
ESEA Title VI - Innovative Education Strategies	84.298A	8685001061901	26,463
Enhancing Education Through Technology	84.318X	8630001061901	25,555
ESEA Title III, Part A - LEP	84.365A	8671001061901	343,084
ESEA Title II, Part A, Teacher & Principal Training	84.367A	8694501061901	583,821
Title VI, Part A - Summer School LEP	84.369A	01-061901	12,713
Total Passed Through State Department of Education			\$ 8,085,409
TOTAL DEPARTMENT OF EDUCATION			\$ 8,232,478
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start (net of \$10,000 indirect costs)	93.600	H5416/42	\$ 1,167,086
Total Direct Programs			\$ 1,167,086
<u>Passed Through State Department of Education</u>			
SSA - Temporary Assistance for Needy Families	93.558	83625017110179	\$ 4,730
Total Passed Through State Department of Education			\$ 4,730
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 1,171,816

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2008

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555	61901	\$ 3,586,817
Commodities	10.550	61901	294,548
Summer Feeding Program	10.559	61901	65,382
Total Passed Through the State Department of Agriculture			\$ 3,946,747
TOTAL DEPARTMENT OF AGRICULTURE			\$ 3,946,747
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 13,514,683

*Clustered Programs as required by Compliance Supplement March, 2008

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

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

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

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

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2008, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.