

DENTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2004

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FOR THE YEAR ENDED JUNE 30, 2004

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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, 2004, at a meeting of the Board of Trustees of such school district on the ____ day of November, 2004.

Signature of Board Secretary

Signature of Board President

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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, 2004, 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, 2004, 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, 80 and 81 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 1, 2004, 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. 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.

"Authorized signatures available on the reports filed with TEA"

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

October 1, 2004

**DENTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004
(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, 2004. The District has implemented Government Accounting Standards Board Statement 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". 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 \$60,551,531 (net assets). Of this amount, \$38,175,571 (unrestricted net assets) 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 increased by \$4,045,333.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$157,880,092. Over 69% of this total amount (\$109,533,486) 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 \$27,465,366 or 27% 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 34) 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.

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-five 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 forty-two 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 33. 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 increased from \$54,695,620 to \$58,743,904. 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 \$38,175,571 at June 30, 2004. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources. This increase in governmental net assets was the result of two factors. First, while the District's expenditures exceeded revenues by \$76,174,955, included in the expenditures are bond and other long-term debt payments in the amount of \$10,088,940 and capital asset acquisitions in the amount of \$77,343,348. Second, the District recorded depreciation, accrued interest, and other expenses not recognized in the fund financial statements in the amounts of \$11,367,589.

In 2004, net assets of our business-type activities decreased by \$2,951, less than 1 percent. This decrease is relatively insignificant to the overall operations of the District, but it represents significant services to the community through the Child Nutrition program.

**Table I
NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Current and other assets	174,825,252	194,495,177	760,895	976,210	175,586,147	195,471,387
Capital assets	213,668,980	284,618,701	1,237,899	1,052,655	214,906,879	285,671,356
Total assets	388,494,232	479,113,878	1,998,794	2,028,865	390,493,026	481,142,743
Long-term liabilities	303,352,907	382,942,672	-	-	303,352,907	382,942,672
Other liabilities	30,445,705	37,427,302	188,216	221,238	30,633,921	37,648,540
Total liabilities	333,798,612	420,369,974	188,216	221,238	333,986,828	420,591,212
Net Assets:						
Invested in capital assets net of related debt	11,582,482	7,618,292	1,237,899	1,052,655	12,820,381	8,670,947
Restricted	12,241,675	12,950,041	572,679	754,972	12,814,354	13,705,013
Unrestricted	30,871,463	38,175,571	-	-	30,871,463	38,175,571
Total net assets	54,695,620	58,743,904	1,810,578	1,807,627	56,506,198	60,551,531

Table II
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Revenues:						
Program Revenues:						
Charges for Services	1,072,957	1,365,871	2,067,978	2,161,127	3,140,935	3,526,998
Operating grants and contributions	20,721,782	18,297,591	2,263,220	2,425,306	22,985,002	20,722,897
General Revenues:						
Maintenance and operations taxes	73,347,254	81,827,520	-	-	73,347,254	81,827,520
Debt service taxes	17,791,026	19,850,164	-	-	17,791,026	19,850,164
State aid - formula grants	16,761,577	14,844,397	-	-	16,761,577	14,844,397
Grants and Contributions not restricted to specific programs	962,941	1,122,053	-	-	962,941	1,122,053
Investment Earnings	1,638,816	1,359,175	6,813	8,011	1,645,629	1,367,186
Miscellaneous	177,356	181,407	-	-	177,356	181,407
Total Revenue	<u>132,473,709</u>	<u>138,848,178</u>	<u>4,338,011</u>	<u>4,594,444</u>	<u>136,811,720</u>	<u>143,442,622</u>
Expenses:						
Instruction, curriculum and media services	73,947,976	75,980,223	-	-	73,947,976	75,980,223
Instructional and school leadership	8,274,047	8,071,868	-	-	8,274,047	8,071,868
Student support services	10,108,972	9,673,447	-	-	10,108,972	9,673,447
Child nutrition	214,281	177,471	4,436,891	4,597,395	4,651,172	4,774,866
Cocurricular activities	2,355,707	2,467,002	-	-	2,355,707	2,467,002
General administration	2,991,775	3,280,110	-	-	2,991,775	3,280,110
Plant maintenance, security & data processing	16,553,431	15,941,507	-	-	16,553,431	15,941,507
Community services	418,610	279,944	-	-	418,610	279,944
Debt services	12,650,180	15,207,471	-	-	12,650,180	15,207,471
Facilities acquisition, construction	7,377,050	3,628,911	-	-	7,377,050	3,628,911
Intergovernmental charges	108,352	129,745	-	-	108,352	129,745
Total Expenses	<u>135,000,381</u>	<u>134,837,699</u>	<u>4,436,891</u>	<u>4,597,395</u>	<u>139,437,272</u>	<u>139,435,094</u>
Increase (decrease) in net assets before transfers and special items	(2,526,672)	4,010,479	(98,880)	(2,951)	(2,625,552)	4,007,528
Transfers	-	-	-	-	-	-
Special Items	20,054	37,805	-	-	20,054	37,805
Net Assets at 7/1/03	<u>57,202,238</u>	<u>54,695,620</u>	<u>1,909,458</u>	<u>1,810,578</u>	<u>59,111,696</u>	<u>56,506,198</u>
Net Assets at 6/30/04	<u>54,695,620</u>	<u>58,743,904</u>	<u>1,810,578</u>	<u>1,807,627</u>	<u>56,506,198</u>	<u>60,551,531</u>

The District took actions this year to compensate for some increases in cost and decreases in state revenue.

- The District continued the maintenance and operations property tax rate of \$1.50 for fiscal year 2003-04. The debt service rate was set at \$.364. These rates and the increase in total assessed valuation raised the District's tax revenues by \$9,951,443.
- The Board of Trustees approved \$2,832,478 for growth positions and the opening of Pecan Creek Elementary School. A commitment to competitive salaries for the employees of the District is supported by the increase of \$2,230,407 to the budget for salary increases. This was the third year of a three-year plan to improve salary schedules.
- The District experienced an increase in property values of 11.14% or \$538,935,783.
- The Board approved \$300,000 for seven positions previously paid by Title I funds.
- The Board approved a two-mile busing plan, which enabled the District to save an estimated \$481,160 in support positions and \$79,340 in non-salary costs.
- The District budgeted \$110,250 for the purchase of new band uniforms for Ryan High School.
- The District decreased the budget by \$613,387 for bus leases that were paid in full in 2002-2003.
- The Natatorium opened in May 2003. It is being operated under an interlocal agreement with the City of Denton. The District's share of the operating cost for the first year was \$74,023.

The cost of all governmental activities for the current fiscal period was \$134,837,699. 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 \$101,677,684 because some of the costs were paid by those who directly benefited from the programs (\$1,365,871) or by other governments and organizations that subsidized certain programs with grants and contributions (\$18,297,591) or by State equalization funding (\$14,844,397).

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 \$157,880,092 an increase of \$10,437,193. Approximately 17.6 percent of this total amount (\$27,754,908) 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 (\$216,321), 2) to pay debt service (\$12,671,372), 3) to liquidate purchase orders of the prior period (\$34,828,745), 4) for capital projects (\$81,422,855), and 5) for other miscellaneous designations (\$985,891).

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 \$27,465,366, while the total fund balance was \$28,622,182. 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 26.9 percent of the total general fund expenditures, while the total fund balance represents 28.0 percent of that same amount.

The fund balance of the District's general fund increased by \$3,464,783 during the current fiscal year. Key factors related to this change are as follows:

- An increase in the District's taxable value generated an increase in tax revenues of \$8,734,050. However, the District realized a decrease in general fund interest income of \$279,685 and a decrease in the state foundation and per capita funding of \$1,845,148. The net total revenue for the general fund increased by \$7,097,112.

The debt service fund has a total fund balance of \$12,671,372, 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 \$674,966. Following are factors contributing to this change:

- The increase in the District's taxable value generated an increase of \$2,125,163 in tax revenues in the debt service fund. However, there was a decrease in the state existing debt allotment of \$1,309,788.
- The District early-retired \$4,200,000 of bond principal from its Series 2000 bond series during the year ended June 30, 2004.

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, 2003). 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 \$28,622,182 reported on page 23 differs from the General Fund's budgetary fund balance of \$24,771,736 reported in the budgetary comparison schedule on page 29. This is principally due to cost savings and added revenues.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2004, the District had \$285,671,356 (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 \$70,764,477, or 32.9 percent, above last year.

This fiscal year's major additions included:

Continuing construction costs on a new high school, paid for with proceeds of general obligation bonds issued in a prior year.	\$31,506,376
Continuing construction costs on a new athletic complex, paid for with proceeds of general obligation bonds issued in a prior year.	19,775,349
Continuing construction costs on a new elementary school, paid for with proceeds of general obligation bonds issued in a prior year.	10,262,745
Continuing costs on the renovation of an existing elementary school, paid for with proceeds of general obligation bonds issued in a prior year.	6,187,376
Initial costs on other renovation projects ongoing at fiscal year-end, paid for with proceeds of general obligation bonds issued in a prior year.	1,694,537
Purchase of middle school fitness equipment, paid for with proceeds from a capital lease.	875,605
Purchase of land for a future school site, paid for with proceeds of general obligation bonds issued in a prior year.	599,922
Totaling	70,901,910

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 \$387,671,184 in bonds outstanding (including accreted interest on bonds) versus \$308,195,847 last year—an increase of 25.7 percent. The new debt incurred during the fiscal period included the issuance of \$85,817,457 of Series 2004 building and refunding bonds, and the capital lease financing of fitness equipment. 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 \$537,351,534, 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 District continued the maintenance and operations property tax rate of \$1.50 for fiscal year 2004-05. This is the maximum allowed by law. The debt service rate was set at \$.364. Based on these rates and increases in the total assessed valuation, total property tax revenues are budgeted to increase by \$13,671,981 for 2004-05. State funding is expected to decline by \$ 1,945,219.

- The District experienced an increase in property values of 10.82% or \$549,738,108.
- The Board of Trustees approved \$3,522,423 for growth positions and the opening of Providence Elementary School. A commitment to competitive salaries for the employees of the District is supported by the increase of \$2,916,340 to the budget for salary increases.
- In addition, \$600,000 was approved for reading positions previously paid by grants.
- Guyer High School is under construction and expected to open in August 2005.
- Lee Elementary School is being rebuilt while students remain on campus. The new two-story classroom building opened in August 2004. The cafeteria, library and administrative areas will open in August 2005.
- Hawk Elementary School is under construction and expected to open in August 2005.
- Providence Elementary School was completed in the summer of 2004 and opened in August 2004.
- The C. H. Collins Athletic Stadium opened in September 2004.
- The District's after school program was expanded to all elementary campuses.
- The voters approved a \$152,330,000 bond election on September 11, 2004. The approval rate was 76.24%. The bond package includes four new elementary schools, two middle schools, an early childhood center, phase II of Guyer High School, renovations at two elementaries and Ryan High School, technology upgrades and additional funds for land acquisition.

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, 2004

Data	1	2	3
Control	Primary Government		
Codes	Governmental	Business	Total
	Activities	Type Activities	
ASSETS			
1110 Cash and Cash Equivalents	\$ 183,670,488	\$ 935,604	\$ 184,606,092
1220 Property Taxes Receivable (Delinquent)	4,694,469	-	4,694,469
1230 Allowance for Uncollectible Taxes	(462,008)	-	(462,008)
1240 Due from Other Governments	4,887,373	-	4,887,373
1260 Internal Balances	6,152	(6,152)	-
1290 Other Receivables (net)	104,992	-	104,992
1300 Inventories	220,463	46,758	267,221
1410 Deferred Expenses	668,092	-	668,092
1420 Capital Bond & Other Debt Issuance Costs	2,002,460	-	2,002,460
1430 Premium & Discount on Issuance of Bonds	(1,297,304)	-	(1,297,304)
Capital Assets:			
1510 Land	10,473,626	-	10,473,626
1520 Buildings, net	193,209,607	-	193,209,607
1530 Furniture and Equipment, net	6,387,324	1,052,655	7,439,979
1580 Construction in Progress	74,548,144	-	74,548,144
1000 Total Assets	<u>479,113,878</u>	<u>2,028,865</u>	<u>481,142,743</u>
LIABILITIES			
2110 Accounts Payable	12,723,485	5,372	12,728,857
2150 Payroll Deductions & Withholdings	622,876	4,974	627,850
2160 Accrued Wages Payable	10,571,911	184,531	10,756,442
2180 Due to Other Governments	104,150	-	104,150
2200 Accrued Expenses	6,818,325	-	6,818,325
2300 Deferred Revenues	141,523	26,361	167,884
Noncurrent Liabilities			
2501 Due Within One Year	6,445,032	-	6,445,032
2502 Due in More Than One Year	382,942,672	-	382,942,672
2000 Total Liabilities	<u>420,369,974</u>	<u>221,238</u>	<u>420,591,212</u>
NET ASSETS			
3200 Invested in Capital Assets, Net of Related Debt	7,618,292	1,052,655	8,670,947
3840 Restricted for Food Service	-	754,972	754,972
3850 Restricted for Debt Service	12,671,372	-	12,671,372
3870 Restricted for Campus Activities	278,669	-	278,669
3900 Unrestricted Net Assets	38,175,571	-	38,175,571
3000 Total Net Assets	<u>\$ 58,743,904</u>	<u>\$ 1,807,627</u>	<u>\$ 60,551,531</u>

The accompanying notes are an integral part of this statement.

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 71,693,555	\$ 943,461	\$ 11,296,771
12 Instructional Resources & Media Services	2,099,228	-	119,452
13 Curriculum and Staff Development	2,187,440	-	1,395,564
21 Instructional Leadership	1,872,706	-	256,489
23 School Leadership	6,199,162	-	555,506
31 Guidance, Counseling & Evaluation Services	4,713,545	-	887,188
32 Social Work Services	472,721	-	218,695
33 Health Services	1,179,869	-	101,856
34 Student (Pupil) Transportation	3,307,312	-	1,576,323
35 Food Services	177,471	-	156,005
36 Cocurricular/Extracurricular Activities	2,467,002	358,132	158,452
41 General Administration	3,280,110	-	99,641
51 Plant Maintenance and Operations	13,161,799	64,278	642,974
52 Security and Monitoring Services	318,513	-	-
53 Data Processing Services	2,461,195	-	104,274
61 Community Services	279,944	-	243,065
72 Debt Service - Interest on Long Term Debt	15,001,530	-	485,336
73 Debt Service - Bond Issuance Cost & Fees	205,941	-	-
81 Facilities Acquisition and Construction	3,628,911	-	-
93 Payments to Fiscal Agent/Member Districts of SSA	117,500	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	12,245	-	-
[TG] Total Governmental Activities:	<u>134,837,699</u>	<u>1,365,871</u>	<u>18,297,591</u>
BUSINESS-TYPE ACTIVITIES:			
35 Enterprise Fund - National School Breakfast&Lunch	4,597,395	2,161,127	2,425,306
[TB] Total Business-Type Activities:	<u>4,597,395</u>	<u>2,161,127</u>	<u>2,425,306</u>
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 139,435,094</u>	<u>\$ 3,526,998</u>	<u>\$ 20,722,897</u>
Data	General Revenues:		
Control	Taxes:		
Codes			
MT	Property Taxes, Levied for General Purposes		
DT	Property Taxes, Levied for Debt Service		
SF	State Aid - Formula Grants		
GC	Grants & Contributions not Restricted		
IE	Investment Earnings		
MI	Miscellaneous Local and Intermediate Revenue		
S1	Special Item - Lease of Mineral Rights		
FR	Special Item - Gain on Sale of Capital Asset		
TR	Total General Revenues, Special Items, and Transfers		
CN	Change in Net Assets		
NB	Net Assets--Beginning		
NE	Net Assets--Ending		

The accompanying notes 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
\$ (59,453,323)	\$ -	\$ (59,453,323)
(1,979,776)	-	(1,979,776)
(791,876)	-	(791,876)
(1,616,217)	-	(1,616,217)
(5,643,656)	-	(5,643,656)
(3,826,357)	-	(3,826,357)
(254,026)	-	(254,026)
(1,078,013)	-	(1,078,013)
(1,730,989)	-	(1,730,989)
(21,466)	-	(21,466)
(1,950,418)	-	(1,950,418)
(3,180,469)	-	(3,180,469)
(12,454,547)	-	(12,454,547)
(318,513)	-	(318,513)
(2,356,921)	-	(2,356,921)
(36,879)	-	(36,879)
(14,516,194)	-	(14,516,194)
(205,941)	-	(205,941)
(3,628,911)	-	(3,628,911)
(117,500)	-	(117,500)
(12,245)	-	(12,245)
<u>(115,174,237)</u>	<u>-</u>	<u>(115,174,237)</u>
-	(10,962)	(10,962)
-	(10,962)	(10,962)
<u>(115,174,237)</u>	<u>(10,962)</u>	<u>(115,185,199)</u>
81,827,520	-	81,827,520
19,850,164	-	19,850,164
14,844,397	-	14,844,397
1,122,053	-	1,122,053
1,359,175	8,011	1,367,186
181,407	-	181,407
3,112	-	3,112
34,693	-	34,693
<u>119,222,521</u>	<u>8,011</u>	<u>119,230,532</u>
4,048,284	(2,951)	4,045,333
54,695,620	1,810,578	56,506,198
<u>\$ 58,743,904</u>	<u>\$ 1,807,627</u>	<u>\$ 60,551,531</u>

DENTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 37,182,155	\$ 12,669,822	\$ 127,760,370
1220 Property Taxes - Delinquent	3,780,909	913,560	-
1230 Allowance for Uncollectible Taxes (credit)	(372,089)	(89,919)	-
1240 Due from Other Governments	1,368,132	222	-
1260 Due from Other Funds	151,663	-	-
1290 Other Receivables	42,769	-	45,000
1300 Inventories	216,321	-	-
1410 Deferred Expenditures	629,168	7,508	-
1000 Total Assets	<u>\$ 42,999,028</u>	<u>\$ 13,501,193</u>	<u>\$ 127,805,370</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 703,037	\$ 6,180	\$ 11,575,811
2150 Payroll Deductions and Withholdings Payable	622,876	-	-
2160 Accrued Wages Payable	9,464,336	-	-
2170 Due to Other Funds	72,347	-	-
2180 Due to Other Governments	74,551	-	-
2300 Deferred Revenues	3,439,699	823,641	-
2000 Total Liabilities	<u>\$ 14,376,846</u>	<u>\$ 829,821</u>	<u>\$ 11,575,811</u>
Fund Balances:			
Reserved For:			
3410 Investments in Inventory	\$ 216,321	\$ -	\$ -
3420 Retirement of Long-Term Debt	-	12,671,372	-
3430 Prepaid Items	629,168	-	-
3440 Outstanding Encumbrances	22,041	-	34,806,704
3490 Other Purposes	-	-	-
Unreserved Designated For:			
3510 Construction	-	-	81,422,855
3590 Other Purposes	289,286	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	27,465,366	-	-
3610 Reported in Special Revenue Funds	-	-	-
3630 Reported in Permanent Funds	-	-	-
3000 Total Fund Balances	<u>\$ 28,622,182</u>	<u>\$ 12,671,372</u>	<u>\$ 116,229,559</u>
4000 Total Liabilities and Fund Balances	<u>\$ 42,999,028</u>	<u>\$ 13,501,193</u>	<u>\$ 127,805,370</u>

The accompanying notes are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ (1,653,726)	\$ 175,958,621
-	4,694,469
-	(462,008)
3,519,019	4,887,373
-	151,663
2,395	90,164
-	216,321
<u>31,191</u>	<u>667,867</u>
<u>\$ 1,898,879</u>	<u>\$ 186,204,470</u>
\$ 148,923	\$ 12,433,951
-	622,876
1,107,223	10,571,559
145,511	217,858
29,599	104,150
<u>110,644</u>	<u>4,373,984</u>
<u>\$ 1,541,900</u>	<u>\$ 28,324,378</u>
\$ -	\$ 216,321
-	12,671,372
-	629,168
-	34,828,745
1,000	1,000
-	81,422,855
66,437	355,723
-	27,465,366
278,669	278,669
<u>10,873</u>	<u>10,873</u>
<u>\$ 356,979</u>	<u>\$ 157,880,092</u>
<u>\$ 1,898,879</u>	<u>\$ 186,204,470</u>

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DENTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2004

Total Fund Balances - Governmental Funds	\$	157,880,092
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.		5,242,618
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 \$257,768,725 and the accumulated depreciation was \$44,099,745 resulting in a net addition of \$213,668,980. 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 \$309,506,360. 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.		(95,837,380)
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 2004 capital outlays and debt principal payments is to increase net assets.		88,657,796
4 The 2004 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(6,393,627)
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.		(90,805,595)
19 Net Assets of Governmental Activities	<u>\$</u>	<u>58,743,904</u>

The accompanying notes 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, 2004

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 84,409,013	\$ 19,978,572	\$ 1,135,778
5800 State Program Revenues	19,737,398	485,336	-
5900 Federal Program Revenues	576,368	-	-
5020 Total Revenues	<u>104,722,779</u>	<u>20,463,908</u>	<u>1,135,778</u>
EXPENDITURES:			
Current:			
0011 Instruction	62,273,923	-	-
0012 Instructional Resources & Media Services	1,935,084	-	-
0013 Curriculum & Instructional Staff Development	805,325	-	-
0021 Instructional Leadership	1,587,763	-	-
0023 School Leadership	5,788,077	-	-
0031 Guidance, Counseling & Evaluation Services	3,963,705	-	-
0032 Social Work Services	255,997	-	-
0033 Health Services	1,053,567	-	-
0034 Student (Pupil) Transportation	2,859,370	-	-
0035 Food Services	97,902	-	-
0036 Cocurricular/Extracurricular Activities	2,311,382	-	-
0041 General Administration	3,149,013	-	-
0051 Plant Maintenance and Operations	12,557,534	-	-
0052 Security and Monitoring Services	318,513	-	-
0053 Data Processing Services	2,309,806	-	-
0061 Community Services	45,431	-	-
Debt Service:			
0071 Debt Service - Principal on long-term debt	234,090	9,854,850	-
0072 Debt Service - Interest on long-term debt	22,478	10,274,147	-
0073 Debt Service - Bond Issuance Cost and Fees	-	128,421	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	472,701	-	80,128,133
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	117,500	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	12,245	-	-
6030 Total Expenditures	<u>102,171,406</u>	<u>20,257,418</u>	<u>80,128,133</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,551,373	206,490	(78,992,355)
OTHER FINANCING SOURCES (USES):			
7911 Capital-related Debt Issued (Regular Bonds)	-	1,494,692	86,439,717
7912 Sale of Real and Personal Property	34,693	-	-
7913 Capital Leases	875,605	-	-
8940 Other (Uses)	-	(1,026,216)	-
8949 Other (Uses)	-	-	(1,209,455)
7080 Total Other Financing Sources (Uses)	<u>910,298</u>	<u>468,476</u>	<u>85,230,262</u>
SPECIAL ITEMS:			
7918 Special Item - Mineral Lease	3,112	-	-
1200 Net Change in Fund Balances	3,464,783	674,966	6,237,907
0100 Fund Balance - July 1 (Beginning)	<u>25,157,399</u>	<u>11,996,406</u>	<u>109,991,652</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 28,622,182</u>	<u>\$ 12,671,372</u>	<u>\$ 116,229,559</u>

The accompanying notes are an integral part of this statement.

Other Funds	Total Governmental Funds
\$ 1,397,085	\$ 106,920,448
2,588,803	22,811,537
8,357,180	8,933,548
12,343,068	138,665,533
8,564,028	70,837,951
50,706	1,985,790
1,340,019	2,145,344
193,314	1,781,077
307,227	6,095,304
679,314	4,643,019
200,473	456,470
58,314	1,111,881
51,045	2,910,415
79,569	177,471
70,718	2,382,100
18,037	3,167,050
405,161	12,962,695
-	318,513
32,831	2,342,637
232,775	278,206
-	10,088,940
-	10,296,625
-	128,421
-	80,600,834
-	117,500
-	12,245
12,283,531	214,840,488
59,537	(76,174,955)
-	87,934,409
-	34,693
-	875,605
-	(1,026,216)
-	(1,209,455)
-	86,609,036
-	3,112
59,537	10,437,193
297,442	147,442,899
\$ 356,979	\$ 157,880,092

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, 2004

Total Net Change in Fund Balances - Governmental Funds	\$	10,437,193
<p>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 of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.</p>		
		3,882,470
<p>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 2004 capital outlays and debt principal payments is to increase net assets.</p>		
		88,657,796
<p>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.</p>		
		(6,393,627)
<p>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.</p>		
		(92,535,548)
Change in Net Assets of Governmental Activities	\$	4,048,284

The accompanying notes 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, 2004

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	\$ 80,518,606	\$ 84,104,981	\$ 84,409,013	\$ 304,032
5800	State Program Revenues	16,417,431	18,064,776	19,737,398	1,672,622
5900	Federal Program Revenues	282,000	363,524	576,368	212,844
5020	Total Revenues	97,218,037	102,533,281	104,722,779	2,189,498
EXPENDITURES:					
Current:					
0011	Instruction	58,981,683	62,594,221	62,273,923	320,298
0012	Instructional Resources & Media Services	1,950,475	1,958,976	1,935,084	23,892
0013	Curriculum & Instructional Staff Development	624,089	834,723	805,325	29,398
0021	Instructional Leadership	1,719,758	1,642,376	1,587,763	54,613
0023	School Leadership	5,523,758	5,773,978	5,788,077	(14,099)
0031	Guidance, Counseling & Evaluation Services	3,742,319	3,949,028	3,963,705	(14,677)
0032	Social Work Services	269,280	265,456	255,997	9,459
0033	Health Services	995,912	1,062,532	1,053,567	8,965
0034	Student (Pupil) Transportation	2,654,711	2,949,281	2,859,370	89,911
0035	Food Services	62,896	98,201	97,902	299
0036	Cocurricular/Extracurricular Activities	2,008,346	2,371,584	2,311,382	60,202
0041	General Administration	3,075,991	3,193,030	3,149,013	44,017
0051	Plant Maintenance and Operations	13,227,437	13,601,499	12,557,534	1,043,965
0052	Security and Monitoring Services	237,281	308,925	318,513	(9,588)
0053	Data Processing Services	2,204,264	2,302,791	2,309,806	(7,015)
0061	Community Services	54,566	46,605	45,431	1,174
0071	Debt Service - Principal on long-term debt	-	211,909	234,090	(22,181)
0072	Debt Service - Interest on long-term debt	-	19,000	22,478	(3,478)
0081	Facilities Acquisition and Construction	459,284	473,730	472,701	1,029
0093	Payments to Fiscal Agent/Member Districts of SSA	108,300	117,500	117,500	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	30,000	30,000	12,245	17,755
6030	Total Expenditures	97,930,350	103,805,345	102,171,406	1,633,939
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(712,313)	(1,272,064)	2,551,373	3,823,437
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	500	10,796	34,693	23,897
7913	Capital Leases	-	875,605	875,605	-
7080	Total Other Financing Sources (Uses)	500	886,401	910,298	23,897
SPECIAL ITEMS:					
7918	Special Item - Mineral Lease	-	-	3,112	3,112
1200	Net Change in Fund Balances	(711,813)	(385,663)	3,464,783	3,850,446
0100	Fund Balance - July 1 (Beginning)	25,157,399	25,157,399	25,157,399	-
3000	Fund Balance - June 30 (Ending)	\$ 24,445,586	\$ 24,771,736	\$ 28,622,182	\$ 3,850,446

The accompanying notes are an integral part of this statement.

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2004

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 935,604	\$ 7,711,867
Due from Other Funds	3,218	72,347
Other Receivables	-	14,828
Inventories	46,758	4,142
Deferred Expenses	-	225
Total Current Assets	985,580	7,803,409
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	3,166,337	37,520
Depreciation on Furniture and Equipment	(2,113,682)	(31,494)
Total Noncurrent Assets	1,052,655	6,026
Total Assets	2,038,235	7,809,435
LIABILITIES		
Current Liabilities:		
Accounts Payable	5,372	289,534
Payroll Deductions and Withholdings Payable	4,974	-
Accrued Wages Payable	184,531	352
Due to Other Funds	9,370	-
Accrued Expenses	-	2,270,905
Deferred Revenues	26,361	-
Total Liabilities	230,608	2,560,791
NET ASSETS		
Invested in Capital Assets, Net of Debt	1,052,655	6,026
Unrestricted Net Assets	754,972	5,242,618
Total Net Assets	\$ 1,807,627	\$ 5,248,644

The accompanying notes 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, 2004

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 2,118,742	\$ 13,058,674
State Program Revenues	<u>42,385</u>	<u>-</u>
Total Operating Revenues	<u>2,161,127</u>	<u>13,058,674</u>
OPERATING EXPENSES:		
Payroll Costs	1,963,712	256,014
Professional and Contracted Services	172,422	968,329
Supplies and Materials	2,234,031	73,621
Other Operating Costs	<u>227,230</u>	<u>7,925,547</u>
Total Operating Expenses	<u>4,597,395</u>	<u>9,223,511</u>
Operating Income (Loss)	<u>(2,436,268)</u>	<u>3,835,163</u>
NONOPERATING REVENUES (EXPENSES):		
National School Breakfast Program	407,979	-
National School Lunch Program	1,911,832	-
Donated Commodities (USDA)	105,495	-
Earnings from Temporary Deposits & Investments	<u>8,011</u>	<u>43,880</u>
Total Nonoperating Revenue (Expenses)	<u>2,433,317</u>	<u>43,880</u>
Change in Net Assets	(2,951)	3,879,043
Total Net Assets - July 1 (Beginning)	<u>1,810,578</u>	<u>1,369,601</u>
Total Net Assets - June 30 (Ending)	<u>\$ 1,807,627</u>	<u>\$ 5,248,644</u>

The accompanying notes are an integral part of this statement.

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total	Total
	Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities:		
Cash Received from District	\$ -	\$ 8,974,078
Cash Received from Charges and Fees	2,206,688	301,713
Cash Received from Employees	-	4,734,631
Cash Payments for Payroll Costs	(1,949,854)	(255,662)
Cash Payments for Purchased Services	(172,422)	(968,329)
Cash Payments for Supplies and Materials	(2,263,100)	(77,033)
Cash Payments for Other Expenses	(15,789)	(1,080,773)
Cash Payments for Claims	-	(7,329,262)
Net Cash Provided by (Used for) Operating Activities	<u>(2,194,477)</u>	<u>4,299,363</u>
Cash Flows from Non-Capital Financing Activities:		
Cash Received from Federal Programs	<u>2,425,306</u>	<u>-</u>
Cash Flows from Capital & Related Financing Activities:		
Acquisition of Capital Assets	<u>(26,197)</u>	<u>-</u>
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	<u>8,011</u>	<u>43,880</u>
Net Increase in Cash and Cash Equivalents	212,643	4,343,243
Cash and Cash Equivalents at Beginning of the Year:	<u>722,961</u>	<u>3,368,624</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 935,604</u>	<u>\$ 7,711,867</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss):	\$ (2,436,268)	\$ 3,835,163
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	211,441	3,427
Effect of Increases and Decreases in Current Assets and Liabilities:		
(Increase) decrease in Due from State Agencies	19,200	-
(Increase) decrease in Other Receivables	-	969,037
(Increase) decrease in Inventories	(28,024)	(2,072)
(Increase) decrease in Deferred Expenditures	-	637
(Increase) decrease in Due from Other Funds	(3,218)	(17,289)
Increase (decrease) in Accounts Payable	(1,045)	(251,294)
Increase (decrease) in Accrued Wages Payable	2,732	-
Increase (decrease) in Due to Other Funds	9,370	-
Increase (decrease) in Accrued Expenses	4,974	(238,246)
Increase (decrease) in Deferred Revenues	<u>26,361</u>	<u>-</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ (2,194,477)</u>	<u>\$ 4,299,363</u>

The accompanying notes are an integral part of this statement.

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 433,937
Total Assets	<u>\$ 433,937</u>
LIABILITIES	
Due to Student Groups	\$ 433,937
Total Liabilities	<u>\$ 433,937</u>

The accompanying notes are an integral part of this statement.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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, 2004

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.
2. **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 an enterprise fund 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, because the food service program is self-supporting and does 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, 2004

4. **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 fund 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.

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.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004

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, 2004 <u>Fund Balance</u>
Appropriated Budget Funds	\$ -0-
Nonappropriated Budget Funds	<u>345,106</u>
All Special Revenue Funds	<u>\$345,106</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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, 2004

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, 2004

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 2004, 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, 2004

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 \$88,657,796 adjustment are as follows:

Current year capital outlay	\$77,343,348
Bond principal payments	9,854,850
Lease principal payments	234,090
Other long-term debt principal payments	235,508
Bonds refunded	<u>990,000</u>
Net adjustment	<u>\$88,657,796</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 \$(90,805,595) adjustment are as follows:

Deferred tax revenue recognized as revenue	\$ 4,232,461
Capital lease proceeds	(875,605)
Accrued interest payable on bonds and leases	(4,547,421)
Change in accreted interest on bonds	(4,502,730)
Capitalization of net bond issuance costs/ premiums	705,157
Bond sale proceeds	<u>(85,817,457)</u>
Net adjustment	<u>\$ (90,805,595)</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.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004

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 \$(92,535,548) adjustment are as follows:

Current year change in deferred tax revenue	\$ (188,780)
Capital lease proceeds	(875,605)
Current year change in accrued interest payable on bonds and leases	(670,651)
Change in accreted interest on bonds	(4,502,730)
Capitalization of net bond issuance costs/premium on current year bond issuance	(440,809)
Amortization of bond issuance costs/premiums	(39,516)
Bond sale proceeds	<u>(85,817,457)</u>
Net adjustment	<u>\$ (92,535,548)</u>

NOTE 3. DEPOSITS AND INVESTMENTS

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At June 30, 2004, the carrying amount of the District's cash, savings, and time deposits was \$7,490,400. The bank balance was \$8,310,336. During 2003-04, the District's combined deposits were the required 110% insured at all times by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent, except on the day of highest cash balance detailed below. The TEA maintains copies of all safekeeping receipts in the name of the District.

In addition the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Name of bank Texas Bank, Denton, Texas
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$17,809,623.
- c. Largest cash, savings and time deposit combined account balance amounted to \$16,534,127 and occurred on March 11, 2004.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$200,000.

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of the State of Texas or its agencies; 3) other obligations guaranteed by the U.S. or the State of Texas or their agencies and instrumentalities; 4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 5) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; and 6) fully collateralized repurchase agreements. Temporary investments are reported at cost which approximates market and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations of items 1-4 above at 110 % of the investment's market value.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

The aforementioned investments which are held at financial institutions can be categorized according to three levels of custodial credit risk. These three levels of custodial credit risk are as follows:

- Category 1 - Insured or registered, or securities held by the District or its agent in the District's name
- Category 2 - Uninsured and unregistered, with securities held by the financial institution's trust department or agent in the District's name
- Category 3 - Uninsured and unregistered, with securities held by the financial institution, its trust department or agent, but not in the District's name

The District's investments at June 30, 2004 consist entirely of \$177,543,658 in State investment pools, which are not categorized in regard to credit risk. The investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in State investment pools is the same as the value of the pool's shares.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2004, was as follows:

	Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirement/ <u>Adjustments</u>	Balance <u>June 30</u>
Governmental Activities:				
Land	\$ 8,620,218	\$ 1,853,408	\$ -	\$ 10,473,626
Construction in Progress	15,796,066	70,563,755	11,811,677	74,548,144
Buildings and Improvements	219,929,483	16,035,581	-	235,965,064
Furniture and Equipment	<u>13,422,958</u>	<u>702,281</u>	<u>676,441</u>	<u>13,448,798</u>
Totals at historic cost	<u>257,768,725</u>	<u>89,155,025</u>	<u>12,488,118</u>	<u>334,435,632</u>
Less accumulated depreciation for:				
Buildings and Improvements	(37,112,044)	(5,643,413)	-	(42,755,457)
Furniture and Equipment	<u>(6,987,701)</u>	<u>(750,214)</u>	<u>(676,441)</u>	<u>(7,061,474)</u>
Total accumulated depreciation	<u>(44,099,745)</u>	<u>(6,393,627)</u>	<u>(676,441)</u>	<u>(49,816,931)</u>
Governmental activities capital assets, net	<u>\$213,668,980</u>	<u>\$ 82,761,398</u>	<u>\$ 11,811,677</u>	<u>\$284,618,701</u>
Business-type activities:				
Furniture and Equipment	\$ 3,140,140	\$ 26,197	-	\$ 3,166,337
Totals at historic cost	<u>3,140,140</u>	<u>26,197</u>	<u>-</u>	<u>3,166,337</u>
Less accumulated depreciation for:				
Furniture and Equipment	<u>(1,902,241)</u>	<u>(211,441)</u>	<u>-</u>	<u>(2,113,682)</u>
Total accumulated depreciation	<u>(1,902,241)</u>	<u>(211,441)</u>	<u>-</u>	<u>(2,113,682)</u>
Business-type activities capital assets net	<u>\$ 1,237,899</u>	<u>\$ (185,244)</u>	<u>\$ -</u>	<u>\$ 1,052,655</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004

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

Governmental activities:	
Instruction	\$ 4,066,771
Instructional Resources & Media Services	113,438
Curriculum & Instructional Staff Development	42,096
Instructional Leadership	91,629
School Leadership	387,097
Guidance, Counseling & Evaluation Services	262,870
Social Work Services	16,251
Health Services	67,988
Student (Pupil) Transportation	521,233
Cocurricular/Extracurricular Activities	84,902
General Administration	116,487
Plant Maintenance and Operations	502,569
Data Processing Services	118,558
Community Services	<u>1,738</u>
Total depreciation expense-Governmental activities	<u>\$ 6,393,627</u>
Business-type activities:	
Food Services	<u>\$ 211,441</u>
Total depreciation expense Business-type activities	<u>\$ 211,441</u>

NOTE 5. LONG-TERM DEBT

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, capital leases, compensated absences, 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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2004:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 7/1/03</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 6/30/04</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
1992 School Bldg.	6.75-8.70%	\$ 1,105,000	\$ --	\$ 340,000	\$ 765,000	\$ 365,000
1992 Refunding	2.90-6.25%	4,630,000	--	725,000	3,905,000	770,000
1993 School Bldg.	5.10-7.00%	260,000	--	260,000	--	--
1993 Refunding	2.60-5.00%	11,195,000	--	955,000	10,240,000	1,000,000
1994 School Bldg.	5.25-7.25%	280,000	--	280,000	--	--
1995 School Bldg.	5.00-7.00%	4,320,000	--	535,000	3,785,000	--
1996A School Bldg.	5.00-7.00%	855,000	--	235,000	620,000	170,000
1996B School Bldg.	1.55%	19,400,000	--	--	19,400,000	--
1998 Bldg/Refunding	4.20-5.50%	28,900,000	--	545,000	28,355,000	445,000
1998 Bldg/Ref CAB	4.10-4.40%	144,850	--	144,850	--	--
1999 Bldg/Refunding	3.50-5.38%	33,780,000	--	1,270,000	32,510,000	1,285,000
1999 Bldg/Ref CAB	4.60-5.20%	4,860,562	--	--	4,860,562	466,602
2000 School Bldg.	3.45%	17,600,000	--	4,200,000	13,400,000	--
2001 Bldg/Refunding	3.64-4.40%	60,920,000	--	1,355,000	59,565,000	1,305,000
2001 Bldg/Ref CAB	4.37-4.59%	3,036,903	--	--	3,036,903	--
2002 Bldg/Refunding	5.00%	40,235,000	--	--	40,235,000	--
2002 Bldg/Ref CAB	3.58-5.88%	69,195,676	--	--	69,195,676	--
2004 Bldg/Refunding	2.58-5.00%	--	84,070,000	--	84,070,000	--
2004 Bldg/Ref CAB	2.60-3.04%	--	1,747,457	--	1,747,457	--
Total Bonded Indebtedness		<u>300,717,991</u>	<u>85,817,457</u>	<u>10,844,850</u>	<u>375,690,598</u>	<u>5,806,602</u>
Accreted Interest	4.10-5.20%	7,477,856	4,537,880	35,150	11,980,586	118,398
Capital Leases		--	875,605	234,090	641,515	265,495
Accrued Vacation Benefits		557,865	210,541	142,162	626,244	--
Special Termination Benefits		--	752,648	185,025	488,912	448,761
Total Other Obligations		<u>8,788,369</u>	<u>5,809,051</u>	<u>900,314</u>	<u>13,697,106</u>	<u>638,430</u>
Total Obligations of District		<u>\$309,506,360</u>	<u>\$ 91,626,508</u>	<u>\$11,745,164</u>	<u>\$389,387,704</u>	<u>\$6,445,032</u>

The 1999, 2001, 2002 and 2004 bond series include outstanding capital appreciation bonds in the principal amount of \$78,840,598. The bonds mature variously beginning in 2004 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 \$11,980,586 is accounted for in the General Long-Term Debt Account Group 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, 2004.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

Presented below is a summary of general obligation bond requirements to maturity:

Year Ended June 30,	<u>General Obligation</u>		<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	
2005	\$ 5,806,602	\$ 13,291,985	\$ 19,098,587
2006	7,252,115	13,900,321	21,152,436
2007	8,827,021	13,430,343	22,257,364
2008	10,356,213	13,725,682	24,081,895
2009	11,800,962	13,527,714	25,328,676
2010-2014	63,853,332	62,200,738	126,054,070
2015-2019	68,993,024	58,773,790	127,766,814
2020-2024	67,170,293	63,364,321	130,534,614
2025-2029	53,269,411	78,218,464	131,487,875
2030-2034	<u>78,361,625</u>	<u>52,580,499</u>	<u>130,942,124</u>
	<u>\$375,690,598</u>	<u>\$383,013,857</u>	<u>\$758,704,455</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, 2004, \$22,415,000 of bonds outstanding are considered defeased.

NOTE 8. CAPITAL LEASES

A summary of changes in capital leases payable for the year ended June 30, 2004 is as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding 7-1-03</u>	<u>Issued Current Year</u>	<u>Retired Current Year</u>	<u>Amount Outstanding 6-30-04</u>	<u>Due Within One Year</u>
Fitness Equipment	3.30%	\$ --	\$ 875,605	\$ 234,090	\$ 641,515	\$ 265,495
Total		<u>\$ --</u>	<u>\$ 875,605</u>	<u>\$ 234,090</u>	<u>\$ 641,515</u>	<u>\$ 265,495</u>

NOTE 9. 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.

DENTON INDEPENDENT SCHOOL DISTRICT
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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 that will phase out the program.

During the year ended August 31, 1999, 27 employees elected to participate in the program, during the year ended August 31, 2000, 26 employees elected participation, during the year ended August 31, 2001, 15 employees elected participation, during the ten months ended June 30, 2002, 4 employees elected participation, during the year ended June 30, 2003, 8 employees elected participation and during the year ended June 30, 2004, 7 employees elected participation. The District's liability for these special termination benefits is considered a long-term liability and is recorded in the General Long-Term Debt Account Group at the present value at June 30, 2004 of all future periodic payments to be made to the 35 former employees currently in the program.

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

Year Ended <u>June 30</u>	Total <u>Payments</u>
2005	\$ 254,537
2006	114,683
2007	79,845
2008	<u>40,248</u>
Total	<u>\$ 489,313</u>
Present Value	<u>\$ 448,761</u>

NOTE 10. 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 General Long-Term Debt Account Group as other long-term debt payable.

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

Balance, July 1, 2003	\$ 557,865
Additions – New Entrants and Salary Increments	210,541
Deductions – Payments to Participants	<u>(142,162)</u>
Balance, June 30, 2004	<u>\$ 626,244</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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

NOTE 11. PROPERTY TAXES

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 2003-04 fiscal year was based was \$5,373,515,343. 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, 2004, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.50 and \$0.364 per \$100 valuation, respectively, for a total of \$1.864 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2004 were 97.43% 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, 2004, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,408,820 and \$823,641 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 12. 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.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004

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 6.0% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.0% 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, 2002, 2003, and 2004 were \$3,610,405, \$4,718,740 and \$5,012,718, 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, 2002, 2003, and 2004 were \$551,659, \$851,751 and \$977,323, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended June 30, 2002, 2003, and 2004 were \$2,952,745, \$3,736,685 and \$4,056,522, 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.

NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2004, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund	\$142,293	\$ -
Internal Service Fund	--	72,347
Enterprise Fund	9,370	--
Special Revenue Fund:		
General Fund	--	142,293
Enterprise Fund	--	3,218
Internal Service Fund:		
General Fund	72,347	--
Enterprise Fund:		
General Fund	--	9,370
Special Revenue Fund	<u>3,218</u>	<u>--</u>
 TOTAL	 <u>\$227,228</u>	 <u>\$227,228</u>

There were no interfund transfers for the year ended June 30, 2004.

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 \$240 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, 2004, to \$150,000 for any individual participant and for aggregate loss of \$10,468,246.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Estimates of claims payable and of claims incurred, but not reported at June 30, 2004, 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 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 2004 and 2003 are as follows:

	Year Ended <u>June 30, 2003</u>	Year Ended <u>June 30, 2004</u>
Unpaid claims, beginning of year	\$ 926,985	\$1,130,298
Incurred claims (including IBNR'S)	7,714,072	4,247,468
Claim payments	<u>7,510,759</u>	<u>5,001,111</u>
Unpaid claims, end of fiscal year	<u>\$1,130,298</u>	<u>\$ 376,655</u>

NOTE 15. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2004, 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	\$3,780,909	\$1,368,132	\$151,663	\$ 42,769	\$ 5,343,473
Debt Service Fund	913,560	222	-	-	913,782
Capital Projects Fund	-	-	-	45,000	45,000
Special Revenue Fund	-	<u>3,519,019</u>	-	<u>2,395</u>	<u>3,521,414</u>
Total - Governmental Activities	<u>\$4,694,469</u>	<u>\$4,887,373</u>	<u>\$151,663</u>	<u>\$ 90,164</u>	<u>\$ 9,823,669</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 462,008</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 462,008</u>
Business-type Activities:					
Enterprise Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,218</u>	<u>\$ -</u>	<u>\$ 3,218</u>
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,218</u>	<u>\$ -</u>	<u>\$ 3,218</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Payables at June 30, 2004, were as follows:

	<u>Accounts</u>	<u>Loans, Leases</u> <u>and Bonds</u>	<u>Salaries</u>	<u>Due To</u>	<u>Due To</u>		<u>Total</u>
		<u>Payable -</u>	<u>and</u>	<u>Other</u>	<u>Other</u>		<u>Payables</u>
		<u>Current Year</u>	<u>Benefits</u>	<u>Funds</u>	<u>Governments</u>	<u>Other</u>	
Governmental Activities:							
General Fund	\$ 703,037	\$ -	\$10,087,212	\$ 72,347	\$ 74,551	\$ -	\$10,937,147
Debt Service Fund	6,180	-	-	-	-	-	6,180
Capital Projects Fund	11,575,811	-	-	-	-	-	11,575,811
Special Revenue Funds	<u>148,923</u>	<u>-</u>	<u>1,107,223</u>	<u>145,511</u>	<u>29,599</u>	<u>-</u>	<u>1,431,256</u>
Total-Governmental Activities	<u>\$12,433,951</u>	<u>\$ -</u>	<u>\$11,194,435</u>	<u>\$217,858</u>	<u>\$104,150</u>	<u>\$ -</u>	<u>\$23,950,394</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:							
Enterprise Fund	<u>\$ 5,372</u>	<u>\$ -</u>	<u>\$ 189,505</u>	<u>\$ 9,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,247</u>
Total Business-type Activities	<u>\$ 5,372</u>	<u>\$ -</u>	<u>\$ 189,505</u>	<u>\$ 9,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,247</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 \$1,894,250 as of June 30, 2004. Claims administration is provided by TASB.

The accrued liability for Workers' Compensation self-insurance of \$1,894,250 includes incurred but not reported claims. This liability reported in the fund at June 30, 2004, 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 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. 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 2004 was \$1,000,000.

Changes in the workers' compensation claims liability amounts in fiscal 2004 and 2003 are represented below:

	<u>Year Ended</u> <u>June 30, 2003</u>	<u>Year Ended</u> <u>June 30, 2004</u>
Unpaid claims, beginning of year	\$ 525,910	\$1,379,205
Incurred claims (including IBNR'S)	1,480,340	1,170,373
Claim payments	<u>627,045</u>	<u>655,328</u>
Unpaid claims, end of fiscal year	<u>\$1,379,205</u>	<u>\$1,894,250</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

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, 2004, 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>	State Entitlements	Federal Grants	Local Governments	Total
General	\$1,156,863	\$ 73,349	\$137,920	\$1,368,132
Special Revenue	316,652	3,202,367	--	3,519,019
Debt Service	<u>222</u>	<u>--</u>	<u>--</u>	<u>222</u>
Total	<u>\$1,473,737</u>	<u>\$3,275,716</u>	<u>\$137,920</u>	<u>\$4,887,373</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, will not be known until as long as five years from the bond issuance date. However, at June 30, 2004 the estimated rebate liability was \$974,744.

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.

The District participates in numerous state and Federal grant programs which 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, 2004 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision 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, 2004

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	\$81,007,346	\$ --	\$19,659,408	\$ --	\$100,666,754
Investment Income	346,236	48	87,161	925,778	1,359,223
Penalties, interest and other tax related income	945,423	--	232,003	--	1,177,426
Co-curricular student activities	358,132	757,349	--	--	1,115,481
Tuition and fees	538,967	1,500	--	--	540,467
Gifts and bequests	540,628	124,143	--	210,000	874,771
Other	<u>672,281</u>	<u>513,863</u>	<u>--</u>	<u>--</u>	<u>1,186,144</u>
Total	<u>\$84,409,013</u>	<u>\$1,396,903</u>	<u>\$19,978,572</u>	<u>\$1,135,778</u>	<u>\$106,920,266</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	\$3,408,820	\$ --	\$823,641	\$ --	\$4,232,461
After-School Program	30,879	--	--	--	30,879
Lunchroom receipts	--	--	--	26,361	26,361
Pregnancy, Educating and Parenting	--	22,746	--	--	22,746
Accelerated Reading	--	350	--	--	350
Advanced Placement Incentives	--	21,206	--	--	21,206
Summer Feeding Program	--	817	--	--	817
Technology Grant	--	32,646	--	--	32,646
Deaf Ed Mgmt Board	--	32,879	--	--	32,879
	<u>\$3,439,699</u>	<u>\$110,644</u>	<u>\$823,641</u>	<u>\$ 26,361</u>	<u>\$4,400,345</u>

NOTE 22. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2004, as follows:

Year Ending <u>June 30,</u>	
2005	\$204,981
2006	109,533
2007	98,168
2008	<u>9,143</u>
Total Minimum Rentals	<u>\$ 421,825</u>
Rental Expenditures in Fiscal Year 2004	<u>\$ 248,309</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2004

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	\$196,909	\$196,909
Junior ROTC	N/A	112,840	112,840
Impact Aid	84.041	61,979	61,979
Indirect Costs	N/A	<u>204,640</u>	<u>204,640</u>
Total for General Fund		<u>\$576,368</u>	<u>\$576,368</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 in the General Fund, and one functional category in the Child Nutrition Fund for the year ended June 30, 2004. During the coming fiscal year, the District will continue to closely monitor its budget vs actual status and institute cutbacks or budget amendments as needed.

NOTE 25. SUBSEQUENT EVENT

On September 11, 2004, voters in the District approved a \$152,330,000 bond election. Proceeds from future sales of these bonds will be used for 4 new elementary schools, two new middle schools, high school expansion, a new early childhood center and technology needs.

COMBINING SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	
ASSETS					
1110	Cash and Cash Equivalents	\$ (14,895)	\$ (312,567)	\$ (613,500)	\$ (25,438)
1240	Due from Other Governments	14,895	478,554	1,008,049	46,013
1290	Other Receivables	-	-	40	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 165,987</u>	<u>\$ 394,589</u>	<u>\$ 20,575</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 2,033	\$ 33,249	\$ 531
2160	Accrued Wages Payable	-	136,718	313,278	18,326
2170	Due to Other Funds	-	27,236	48,062	1,718
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>165,987</u>	<u>394,589</u>	<u>20,575</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>\$ -</u>	<u>\$ 165,987</u>	<u>\$ 394,589</u>	<u>\$ 20,575</u>

EXHIBIT H-1 (Cont'd)

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	237 ESEA Title IV Safe & Drug Free Schools	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	256 ESEA, I, F Improving Teaching	262 Enhancing Education - Technology
\$ (379,923)	\$ (6,051)	\$ (98,670)	\$ -	\$ (1,168)	\$ (93,750)	\$ (231,747)	\$ (9,684)
660,545	20,425	98,670	-	23,845	168,495	330,288	16,163
100	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 280,722</u>	<u>\$ 14,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,677</u>	<u>\$ 74,745</u>	<u>\$ 98,541</u>	<u>\$ 6,479</u>
\$ 26,182	\$ 3,194	\$ -	\$ -	\$ 17,064	\$ -	\$ -	\$ 1,658
218,143	9,332	-	-	1,578	64,393	85,975	4,400
36,397	1,848	-	-	3,218	10,352	12,566	421
-	-	-	-	-	-	-	-
-	-	-	-	817	-	-	-
<u>280,722</u>	<u>14,374</u>	<u>-</u>	<u>-</u>	<u>22,677</u>	<u>74,745</u>	<u>98,541</u>	<u>6,479</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 280,722</u>	<u>\$ 14,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,677</u>	<u>\$ 74,745</u>	<u>\$ 98,541</u>	<u>\$ 6,479</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

Data Control Codes	263 English Language Acquisition	269 Title V, Pt.A Innovative Programs	287 HIPPY Grant	309 SSA Adult Education	
ASSETS					
1110	Cash and Cash Equivalents	\$ (71,546)	\$ (24,387)	\$ -	\$ (84,265)
1240	Due from Other Governments	95,862	29,650	-	91,092
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ 24,316</u>	<u>\$ 5,263</u>	<u>\$ -</u>	<u>\$ 6,827</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 14,944	\$ -	\$ -	\$ 952
2160	Accrued Wages Payable	8,126	4,646	-	5,875
2170	Due to Other Funds	1,246	617	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>24,316</u>	<u>5,263</u>	<u>-</u>	<u>6,827</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>\$ 24,316</u>	<u>\$ 5,263</u>	<u>\$ -</u>	<u>\$ 6,827</u>

EXHIBIT H-1 (Cont'd)

312 SSA - TANF Family Assistance	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	393 Texas Successful Schools Prog.
\$ (5,229)	\$ (3,650)	\$ (18,825)	\$ -	\$ (64,519)	\$ -	\$ -	\$ -
6,231	3,650	22,246	-	87,694	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,002</u>	<u>-</u>	<u>3,421</u>	<u>-</u>	<u>23,175</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	\$ 2,299	\$ -	\$ 12,975	\$ -	\$ -	\$ -
1,002	-	1,023	-	8,469	-	-	-
-	-	99	-	1,731	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,002</u>	<u>-</u>	<u>3,421</u>	<u>-</u>	<u>23,175</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,002</u>	<u>-</u>	<u>3,421</u>	<u>-</u>	<u>23,175</u>	<u>-</u>	<u>-</u>	<u>-</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

Data Control Codes	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Accelerated Reading	
ASSETS					
1110	Cash and Cash Equivalents	\$ 26,012	\$ 20,576	\$ (5,647)	\$ (67,987)
1240	Due from Other Governments	-	-	53,541	122,026
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	815	-	290
1000	Total Assets	<u>\$ 26,012</u>	<u>\$ 21,391</u>	<u>\$ 47,894</u>	<u>\$ 54,329</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 81	\$ 5,477
2160	Accrued Wages Payable	3,266	185	47,813	48,852
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	22,746	21,206	-	-
2000	Total Liabilities	<u>26,012</u>	<u>21,391</u>	<u>47,894</u>	<u>54,329</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>\$ 26,012</u>	<u>\$ 21,391</u>	<u>\$ 47,894</u>	<u>\$ 54,329</u>

EXHIBIT H-1 (Cont'd)

409 Ninth Grade Success	411 Technology Allotment	413 Telecom Infrastruct. Fund	416 State Head Start	418 Employee Health Insurance	429 Accelerated Reading	431 SSA - State Adult Basic Education	435 SSA Regional Day School - Deaf
\$ -	\$ 24,585	\$ -	\$ (64,014)	\$ (631)	\$ 350	\$ (9,034)	\$ (11,402)
-	-	-	70,380	631	-	9,113	60,961
-	-	-	-	-	-	-	-
-	29,835	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 54,420</u>	<u>\$ -</u>	<u>\$ 6,366</u>	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ 79</u>	<u>\$ 49,559</u>
\$ -	\$ 21,774	\$ -	\$ 34	\$ -	\$ -	\$ 79	\$ -
-	-	-	6,332	-	-	-	49,559
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	32,646	-	-	-	350	-	-
<u>-</u>	<u>54,420</u>	<u>-</u>	<u>6,366</u>	<u>-</u>	<u>350</u>	<u>79</u>	<u>49,559</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 54,420</u>	<u>\$ -</u>	<u>\$ 6,366</u>	<u>\$ -</u>	<u>\$ 350</u>	<u>\$ 79</u>	<u>\$ 49,559</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2004

Data Control Codes	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests	Total Nonmajor Special Revenue Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ 93,504	\$ 322,006	\$ 65,897	\$ (1,665,599)
1240	Due from Other Governments	-	-	-	3,519,019
1290	Other Receivables	-	1,715	540	2,395
1410	Deferred Expenditures	-	251	-	31,191
1000	Total Assets	<u>\$ 93,504</u>	<u>\$ 323,972</u>	<u>\$ 66,437</u>	<u>\$ 1,887,006</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 236	\$ 6,161	\$ -	\$ 148,923
2160	Accrued Wages Payable	60,389	9,543	-	1,107,223
2170	Due to Other Funds	-	-	-	145,511
2180	Due to Other Governments	-	29,599	-	29,599
2300	Deferred Revenues	32,879	-	-	110,644
2000	Total Liabilities	<u>93,504</u>	<u>45,303</u>	<u>-</u>	<u>1,541,900</u>
Fund Balances:					
Reserved For:					
3490	Other Purposes	-	-	-	-
Unreserved Designated For:					
3590	Other Purposes	-	-	66,437	66,437
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	278,669	-	278,669
3630	Reported in Permanent Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>278,669</u>	<u>66,437</u>	<u>345,106</u>
4000	Total Liabilities and Fund Balances	<u>\$ 93,504</u>	<u>\$ 323,972</u>	<u>\$ 66,437</u>	<u>\$ 1,887,006</u>

479 Permanent Fund	Total Nonmajor Governmental Funds
\$ 11,873	\$ (1,653,726)
-	3,519,019
-	2,395
-	31,191
<u>\$ 11,873</u>	<u>\$ 1,898,879</u>

\$ -	\$ 148,923
-	1,107,223
-	145,511
-	29,599
-	110,644
<u>-</u>	<u>1,541,900</u>

1,000	1,000
-	66,437
-	278,669
<u>10,873</u>	<u>10,873</u>
<u>11,873</u>	<u>356,979</u>
<u>\$ 11,873</u>	<u>\$ 1,898,879</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>78,350</u>	<u>1,134,124</u>	<u>2,520,424</u>	<u>97,191</u>
5020 Total Revenues	<u>78,350</u>	<u>1,134,124</u>	<u>2,520,424</u>	<u>97,191</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	812,113	2,095,218	46,469
0012 Instructional Resources & Media Services	-	-	11,169	-
0013 Curriculum & Instructional Staff Development	-	6,717	58,883	394
0021 Instructional Leadership	-	32,030	78,416	50,328
0023 School Leadership	-	124,075	87,557	-
0031 Guidance, Counseling & Evaluation Services	78,350	7,470	393	-
0032 Social Work Services	-	111,900	-	-
0033 Health Services	-	39,819	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Plant Maintenance and Operations	-	-	1,666	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	<u>187,122</u>	-
6030 Total Expenditures	<u>78,350</u>	<u>1,134,124</u>	<u>2,520,424</u>	<u>97,191</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>

224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	237 ESEA Title IV Safe & Drug Free Schools	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	256 ESEA, I, F Improving Teaching	262 Enhancing Education - Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>2,205,115</u>	<u>86,115</u>	<u>98,670</u>	<u>777</u>	<u>23,028</u>	<u>649,820</u>	<u>578,365</u>	<u>41,366</u>
<u>2,205,115</u>	<u>86,115</u>	<u>98,670</u>	<u>777</u>	<u>23,028</u>	<u>649,820</u>	<u>578,365</u>	<u>41,366</u>
1,707,713	85,982	98,670	-	-	-	401,103	13,215
-	-	-	-	-	-	-	-
48,116	109	-	-	-	646,281	177,262	28,151
-	-	-	-	-	3,459	-	-
-	-	-	-	-	80	-	-
449,286	24	-	777	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	23,028	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,205,115</u>	<u>86,115</u>	<u>98,670</u>	<u>777</u>	<u>23,028</u>	<u>649,820</u>	<u>578,365</u>	<u>41,366</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, 2004

Data Control Codes	263 English Language Acquisition	269 Title V, Pt.A Innovative Programs	287 HIPPY Grant	309 SSA Adult Education
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>224,245</u>	<u>89,282</u>	<u>5,241</u>	<u>277,188</u>
5020 Total Revenues	<u>224,245</u>	<u>89,282</u>	<u>5,241</u>	<u>277,188</u>
EXPENDITURES:				
Current:				
0011 Instruction	179,813	5,362	-	255,537
0012 Instructional Resources & Media Services	1,674	1,330	-	-
0013 Curriculum & Instructional Staff Development	14,704	82,590	-	3,878
0021 Instructional Leadership	360	-	-	5,270
0023 School Leadership	420	-	-	-
0031 Guidance, Counseling & Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Plant Maintenance and Operations	-	-	-	6,106
0053 Data Processing Services	-	-	-	-
0061 Community Services	<u>27,274</u>	<u>-</u>	<u>5,241</u>	<u>6,397</u>
6030 Total Expenditures	<u>224,245</u>	<u>89,282</u>	<u>5,241</u>	<u>277,188</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>

312 SSA - TANF Family Assistance	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	393 Texas Successful Schools Prog.
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48
-	-	-	-	-	-	23,950	4,754
<u>9,175</u>	<u>27,761</u>	<u>33,027</u>	<u>3,316</u>	<u>172,888</u>	<u>1,712</u>	-	-
<u>9,175</u>	<u>27,761</u>	<u>33,027</u>	<u>3,316</u>	<u>172,888</u>	<u>1,712</u>	<u>23,950</u>	<u>4,802</u>
9,175	24,111	33,027	3,316	126,737	1,712	23,950	4,802
-	-	-	-	-	-	-	-
-	3,525	-	-	9,237	-	-	-
-	-	-	-	166	-	-	-
-	-	-	-	-	-	-	-
-	125	-	-	36,748	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>9,175</u>	<u>27,761</u>	<u>33,027</u>	<u>3,316</u>	<u>172,888</u>	<u>1,712</u>	<u>23,950</u>	<u>4,802</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, 2004

Data Control Codes	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Accelerated Reading
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	85,056	11,779	56,038	216,261
5900 Federal Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5020 Total Revenues	<u>85,056</u>	<u>11,779</u>	<u>56,038</u>	<u>216,261</u>
EXPENDITURES:				
Current:				
0011 Instruction	166	10,190	33,930	133,700
0012 Instructional Resources & Media Services	-	-	-	-
0013 Curriculum & Instructional Staff Development	-	1,589	-	82,161
0021 Instructional Leadership	-	-	-	400
0023 School Leadership	-	-	13,596	-
0031 Guidance, Counseling & Evaluation Services	1,650	-	2,469	-
0032 Social Work Services	83,240	-	-	-
0033 Health Services	-	-	5,912	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Plant Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	<u>-</u>	<u>-</u>	<u>131</u>	<u>-</u>
6030 Total Expenditures	<u>85,056</u>	<u>11,779</u>	<u>56,038</u>	<u>216,261</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>

409 Ninth Grade Success	411 Technology Allotment	413 Telecom Infrastruct. Fund	416 State Head Start	418 Employee Health Insurance	429 Accelerated Reading	431 SSA - State Adult Basic Education	435 SSA Regional Day School - Deaf
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,252	424,885	12,755	118,342	1,227,673	-	66,095	337,963
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>3,252</u>	<u>424,885</u>	<u>12,755</u>	<u>118,342</u>	<u>1,227,673</u>	<u>-</u>	<u>66,095</u>	<u>337,963</u>
3,220	104,426	-	18,675	802,284	-	37,951	290,059
-	-	-	-	23,501	-	-	-
32	43,022	-	91,678	13,573	-	13,904	1,828
-	-	-	-	12,767	-	9,993	-
-	-	-	7,989	49,507	-	-	-
-	-	-	-	39,793	-	3,356	46,076
-	-	-	-	5,333	-	-	-
-	-	-	-	12,334	-	-	-
-	-	-	-	50,901	-	-	-
-	-	-	-	56,541	-	-	-
-	-	-	-	1,688	-	-	-
-	-	-	-	16,782	-	-	-
-	277,437	-	-	118,584	-	891	-
-	-	12,755	-	20,043	-	-	-
-	-	-	-	4,042	-	-	-
<u>3,252</u>	<u>424,885</u>	<u>12,755</u>	<u>118,342</u>	<u>1,227,673</u>	<u>-</u>	<u>66,095</u>	<u>337,963</u>
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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, 2004

Data Control Codes	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests	Total Nonmajor Special Revenue Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 500,368	\$ 825,262	\$ 71,225	\$ 1,396,903
5800	State Program Revenues	-	-	-	2,588,803
5900	Federal Program Revenues	-	-	-	8,357,180
5020	Total Revenues	<u>500,368</u>	<u>825,262</u>	<u>71,225</u>	<u>12,342,886</u>
EXPENDITURES:					
Current:					
0011	Instruction	498,260	674,744	28,398	8,564,028
0012	Instructional Resources & Media Services	-	11,188	1,844	50,706
0013	Curriculum & Instructional Staff Development	1,083	10,480	822	1,340,019
0021	Instructional Leadership	-	125	-	193,314
0023	School Leadership	-	24,003	-	307,227
0031	Guidance, Counseling & Evaluation Services	1,025	134	11,638	679,314
0032	Social Work Services	-	-	-	200,473
0033	Health Services	-	249	-	58,314
0034	Student (Pupil) Transportation	-	144	-	51,045
0035	Food Services	-	-	-	79,569
0036	Cocurricular/Extracurricular Activities	-	69,030	-	70,718
0041	General Administration	-	1,255	-	18,037
0051	Plant Maintenance and Operations	-	477	-	405,161
0053	Data Processing Services	-	33	-	32,831
0061	Community Services	-	-	2,568	232,775
6030	Total Expenditures	<u>500,368</u>	<u>791,862</u>	<u>45,270</u>	<u>12,283,531</u>
1200	Net Change in Fund Balance	-	33,400	25,955	59,355
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>245,269</u>	<u>40,482</u>	<u>285,751</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ 278,669</u>	<u>\$ 66,437</u>	<u>\$ 345,106</u>

479 Permanent Fund	Total Nonmajor Governmental Funds
\$ 182	\$ 1,397,085
-	2,588,803
-	<u>8,357,180</u>
<u>182</u>	<u>12,343,068</u>
-	8,564,028
-	50,706
-	1,340,019
-	193,314
-	307,227
-	679,314
-	200,473
-	58,314
-	51,045
-	79,569
-	70,718
-	18,037
-	405,161
-	32,831
-	<u>232,775</u>
-	<u>12,283,531</u>
182	59,537
<u>11,691</u>	<u>297,442</u>
<u>\$ 11,873</u>	<u>\$ 356,979</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2004

	752	753	771	
	Print Shop	Workers Compensation	Health Insurance	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 124,540	\$ 2,349,868	\$ 5,237,459	\$ 7,711,867
Due from Other Funds	-	7,304	65,043	72,347
Other Receivables	-	14,828	-	14,828
Inventories	4,142	-	-	4,142
Deferred Expenses	-	-	225	225
Total Current Assets	<u>128,682</u>	<u>2,372,000</u>	<u>5,302,727</u>	<u>7,803,409</u>
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	23,359	3,448	10,713	37,520
Depreciation on Furniture and Equipment	<u>(18,318)</u>	<u>(2,463)</u>	<u>(10,713)</u>	<u>(31,494)</u>
Total Noncurrent Assets	<u>5,041</u>	<u>985</u>	<u>-</u>	<u>6,026</u>
Total Assets	<u>133,723</u>	<u>2,372,985</u>	<u>5,302,727</u>	<u>7,809,435</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	3,083	19,421	267,030	289,534
Accrued Wages Payable	352	-	-	352
Accrued Expenses	-	1,894,250	376,655	2,270,905
Total Liabilities	<u>3,435</u>	<u>1,913,671</u>	<u>643,685</u>	<u>2,560,791</u>
NET ASSETS				
Invested in Capital Assets, Net of Debt	5,041	985	-	6,026
Unrestricted Net Assets	<u>125,247</u>	<u>458,329</u>	<u>4,659,042</u>	<u>5,242,618</u>
Total Net Assets	<u>\$ 130,288</u>	<u>\$ 459,314</u>	<u>\$ 4,659,042</u>	<u>\$ 5,248,644</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

	752 Print Shop	753 Workers Compensation	771 Health Insurance	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	<u>\$ 301,141</u>	<u>\$ 1,265,820</u>	<u>\$ 11,491,713</u>	<u>\$ 13,058,674</u>
Total Operating Revenues	<u>301,141</u>	<u>1,265,820</u>	<u>11,491,713</u>	<u>13,058,674</u>
OPERATING EXPENSES:				
Payroll Costs	68,694	51,706	135,614	256,014
Professional and Contracted Services	115,244	33,635	819,450	968,329
Supplies and Materials	70,125	-	3,496	73,621
Other Operating Costs	<u>2,729</u>	<u>1,228,432</u>	<u>6,694,386</u>	<u>7,925,547</u>
Total Operating Expenses	<u>256,792</u>	<u>1,313,773</u>	<u>7,652,946</u>	<u>9,223,511</u>
Operating Income (Loss)	<u>44,349</u>	<u>(47,953)</u>	<u>3,838,767</u>	<u>3,835,163</u>
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	<u>-</u>	<u>16,621</u>	<u>27,259</u>	<u>43,880</u>
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>16,621</u>	<u>27,259</u>	<u>43,880</u>
Change in Net Assets	44,349	(31,332)	3,866,026	3,879,043
Total Net Assets - July 1 (Beginning)	<u>85,939</u>	<u>490,646</u>	<u>793,016</u>	<u>1,369,601</u>
Total Net Assets - June 30 (Ending)	<u>\$ 130,288</u>	<u>\$ 459,314</u>	<u>\$ 4,659,042</u>	<u>\$ 5,248,644</u>

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	752	753	771	Total
	Print Shop	Workers Compensation	Health Insurance	Internal Service Funds
Cash Flows from Operating Activities:				
Cash Received from District	\$ -	\$ 1,249,153	\$ 7,724,925	\$ 8,974,078
Cash Received from Charges and Fees	301,713	-	-	301,713
Cash Received from Employees	-	-	4,734,631	4,734,631
Cash Payments for Payroll Costs	(68,342)	(51,706)	(135,614)	(255,662)
Cash Payments for Purchased Services	(115,244)	(33,635)	(819,450)	(968,329)
Cash Payments for Supplies and Materials	(73,537)	-	(3,496)	(77,033)
Cash Payments for Other Expenses	-	(57,567)	(1,023,206)	(1,080,773)
Cash Payments for Claims	-	(651,556)	(6,677,706)	(7,329,262)
Net Cash Provided by Operating Activities	<u>44,590</u>	<u>454,689</u>	<u>3,800,084</u>	<u>4,299,363</u>
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	-	16,621	27,259	43,880
Net Increase in Cash and Cash Equivalents	44,590	471,310	3,827,343	4,343,243
Cash and Cash Equivalents at Beginning of the Year:	<u>79,950</u>	<u>1,878,558</u>	<u>1,410,116</u>	<u>3,368,624</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 124,540</u>	<u>\$ 2,349,868</u>	<u>\$ 5,237,459</u>	<u>\$ 7,711,867</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities:				
Operating Income (Loss):	\$ 44,349	\$ (47,953)	\$ 3,838,767	\$ 3,835,163
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	2,729	493	205	3,427
Effect of Increases and Decreases in Current Assets and Liabilities:				
(Increase) decrease in Other Receivables	572	(14,828)	983,293	969,037
(Increase) decrease in Inventories	(2,072)	-	-	(2,072)
(Increase) decrease in Deferred Expenditures	862	-	(225)	637
(Increase) decrease in Due from Other Funds	-	(1,839)	(15,450)	(17,289)
Increase (decrease) in Accounts Payable	(2,202)	3,771	(252,863)	(251,294)
Increase (decrease) in Accrued Expenses	352	515,045	(753,643)	(238,246)
Net Cash Provided by Operating Activities	<u>\$ 44,590</u>	<u>\$ 454,689</u>	<u>\$ 3,800,084</u>	<u>\$ 4,299,363</u>

REQUIRED T.E.A. SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2004

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1995 and prior years	Various	Various	\$ 2,319,494,221
1996	1.26615	0.28580	2,429,839,170
1997	1.29490	0.36580	2,614,531,222
1998	1.38500	0.39000	2,720,037,296
1999	1.48000	0.37000	2,919,034,703
2000	1.36600	0.33400	3,316,850,647
2001	1.48000	0.36400	3,926,506,291
2002	1.50000	0.35400	4,381,351,996
2003	1.50000	0.36400	4,834,579,560
2004 (School year under audit)	1.50000	0.36400	5,373,515,343
1000 TOTALS			

	(10) Beginning Balance 7/1/2003	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2004
\$	156,905	\$ -	\$ 20,066	\$ 5,812	\$ 12,412	118,615
	42,254	-	7,867	1,776	(620)	33,231
	59,878	-	25,623	7,238	(10,688)	37,705
	107,338	-	36,076	10,159	(12,092)	73,195
	86,527	-	85,323	21,331	(81,215)	61,088
	304,272	-	130,688	31,954	63,448	78,182
	584,082	-	238,415	58,637	(45,886)	332,916
	1,016,216	-	488,465	115,278	(140,748)	553,221
	2,479,375	-	1,443,199	350,216	(146,661)	832,621
	-	100,162,326	78,531,624	19,057,007	-	2,573,695
\$	<u>4,836,847</u>	<u>\$ 100,162,326</u>	<u>\$ 81,007,346</u>	<u>\$ 19,659,408</u>	<u>\$ (362,050)</u>	<u>\$ 4,694,469</u>

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2005-2006
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

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	\$ -	\$ -	\$ 243,936	\$ 1,531,456	\$ -	\$ 130,129	\$ 1,905,521
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	488,912	-	-	488,912
6211	Legal Services	-	-	172,759	-	-	-	172,759
6212	Audit Services	-	-	-	26,750	-	-	26,750
6213	Tax Appraisal and Collection	-	852,536	-	-	-	-	852,536
621X	Other Professional Services	15,967	-	591	11,780	-	-	28,338
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	2,141	-	2,141
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	2,660	9,673	-	-	12,333
6290	Miscellaneous Contr.	-	-	6,047	54,645	-	30,178	90,870
6320	Textbooks and Reading	373	-	1,041	4,670	-	-	6,084
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	95	-	3,163	81,689	-	4,941	89,888
6410	Travel, Subsistence, Stipends	24,585	-	10,748	50,060	-	-	85,393
6420	Ins. and Bonding Costs	-	-	-	1,331	-	-	1,331
6430	Election Costs	12,334	-	-	-	-	-	12,334
6490	Miscellaneous Operating	7,473	-	17,753	54,489	-	2,143	81,858
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	33,178	33,178
6000	TOTAL	\$ 60,827	\$ 852,536	\$ 458,698	\$ 2,315,455	\$ 2,141	\$ 200,569	\$ 3,890,226

Total expenditures/expenses for General and Special Revenue Funds: and Enterprise (9) \$ 119,052,332
LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,858,197
Total Debt & Lease(6500)	(11)	256,568
Plant Maintenance (Function 51, 6100-6400)	(12)	13,012,054
Food (Function 35, 6341 and 6499)	(13)	2,001,954
Stipends (6413)	(14)	3,075
Column 4 (above) - Total Indirect Cost		2,315,455

SubTotal:

19,447,302

Net Allowed Direct Cost

\$ 99,605,030

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 235,965,064
Historical Cost of Building over 50 years old	(16)	\$ 75,000
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ -
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 4,404,531
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 1,397,546

(8) NOTE A: \$234,264 in Function 53 expenditures 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, 2004

UNAUDITED

1	Total General Fund Balance as of 6/30/04 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 28,622,182
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 867,530	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	289,286	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	24,173,595	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/04-5/31/05).	8,907,262	
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>34,237,673</u>	
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	<u>\$ (5,615,491)</u>	

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2004

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	\$ 2,328,987	\$ 2,328,987	\$ 2,118,742	\$ (210,245)
5800	State Program Revenues	41,764	41,764	42,385	621
5020	Total Revenues	2,370,751	2,370,751	2,161,127	(209,624)
EXPENDITURES:					
0035	Food Services	4,347,216	4,399,815	4,484,957	(85,142)
0051	Plant Maintenance and Operations	113,000	112,640	112,438	202
6030	Total Expenditures	4,460,216	4,512,455	4,597,395	(84,940)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,089,465)	(2,141,704)	(2,436,268)	(294,564)
OTHER FINANCING SOURCES (USES):					
8940	National School Breakfast Program	376,479	376,479	407,979	31,500
7953	National School Lunch Program	1,706,986	1,706,986	1,911,832	204,846
7954	Donated Commodities (USDA)	-	98,466	105,495	7,029
7989	Earnings from Temporary Deposits	6,000	6,000	8,011	2,011
7080	Total Other Financing Sources (Uses)	2,089,465	2,187,931	2,433,317	245,386
1200	Change in Net Assets	-	46,227	(2,951)	(49,178)
0100	Total Net Assets - July 1 (Beginning)	1,810,578	1,810,578	1,810,578	-
3000	Total Net Assets - June 30 (Ending)	\$ 1,810,578	\$ 1,856,805	\$ 1,807,627	\$ (49,178)

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2004

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	\$ 19,309,090	\$ 19,884,731	\$ 19,978,572	\$ 93,841
5800	State Program Revenues	1,300,370	1,126,494	485,336	(641,158)
5020	Total Revenues	20,609,460	21,011,225	20,463,908	(547,317)
EXPENDITURES:					
0071	Debt Service - Principal on long-term debt	9,854,850	9,854,850	9,854,850	-
0072	Debt Service - Interest on long-term debt	10,274,147	10,274,147	10,274,147	-
0073	Debt Service - Bond Issuance Cost and Fees	456,380	156,380	128,421	27,959
6030	Total Expenditures	20,585,377	20,285,377	20,257,418	27,959
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	24,083	725,848	206,490	(519,358)
OTHER FINANCING SOURCES (USES):					
7911	Capital-related Debt Issued (Regular Bonds)	-	1,494,692	1,494,692	-
8940	Other (Uses)	-	(1,026,216)	(1,026,216)	-
7080	Total Other Financing Sources (Uses)	-	468,476	468,476	-
1200	Net Change in Fund Balances	24,083	1,194,324	674,966	(519,358)
0100	Fund Balance - July 1 (Beginning)	11,996,406	11,996,406	11,996,406	-
3000	Fund Balance - June 30 (Ending)	\$ 12,020,489	\$ 13,190,730	\$ 12,671,372	\$ (519,358)

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FEDERAL AWARDS SECTION

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Denton Independent School District
Denton, Texas

Members of the Board of Trustees:

We have audited the financial statements of Denton Independent School District (the "District") as of and for the year ended June 30, 2004, and have issued our report thereon dated October 1, 2004. 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.

Compliance

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 grants, 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of management, the Texas Education Agency, and appropriate federal agencies and is not intended to be used and should not be used by anyone other than these specified parties.

"Authorized signatures available on the reports filed with TEA"

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

October 1, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133

Board of Trustees
Denton Independent School District
Denton, Texas

Members of the Board of Trustees:

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, 2004. 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, 2004.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be a material weakness.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

“Authorized signatures available on the reports filed with TEA”

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

October 1, 2004

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

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:

93.600	Head Start
10.553, 10.555, 10.559	Child Nutrition Cluster
8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
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, 2004

Finding 2003-1	Competitive bidding violation
Criteria	The District is required to obtain competitive bids for purchases of tangible personal property in excess of \$25,000.00.
Condition Found	During the year ended June 30, 2003, the District purchased playground equipment for an elementary school from a vendor in excess of \$25,000, without complying with the competitive bid requirements.
Status	The District continued to emphasize to employees involved in the purchasing process that the competitive bid regulations are to be followed at all times when required. We noted no competitive bids violations during the year ended June 30, 2004.

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF DEFENSE</u>			
<u>Direct Programs</u>			
ROTC	12.000	01-061901	\$ 112,840
Total Direct Programs			112,840
TOTAL DEPARTMENT OF DEFENSE			112,840
 <u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	01-061901	61,979
Total Direct Programs			61,979
<u>Passed Through State Department of Education</u>			
SSA - Adult Basic Education	84.002A	441000132111013	277,151
SSA - Adult Basic Education, Section 223	84.002A	441000332111013	37
Total CFDA Number 84.002A			277,188
ESEA Title I Part A - Improving Basic Programs	84.010A	4610101061901	2,464,701
ESEA Title I Part D Subpart 2	84.010A	4610103061901	55,723
Total CFDA Number 84.010A			2,520,424
ESEA Title I Part C - Migratory Summer School	84.011	3615001061901	18,022
ESEA Title I Part C - Migratory Summer School	84.011	4615001061901	79,169
Total CFDA Number 84.011			97,191
IDEA - Part B, Formula	84.027	466000106190144	2,159,747
SSA - IDEA - Part B, Formula-Cap. Bldg. & Improv.	84.027	466000406190144	45,368
SSA - IDEA - Part B, Formula, Deaf	84.027	466000106190144	32,303
SSA - IDEA - Part B, Cap. Bldg. & Improv, Deaf	84.027	466000406190144	724
IDEA - Part B, Discretionary, Rider 60	84.027	01-061901	98,670
SSA - IDEA - Part B, Discretionary, Deaf	84.027	366000206190133	27,761
Total CFDA Number 84.027			2,364,573
SSA - Vocational Education - Basic Grant	84.048A	442000606190111	172,888
SSA - IDEA - Part B, Preschool	84.173	466100106190144	82,787
IDEA - Part B, Preschool, LRE	84.173	01-061901	3,328
SSA - IDEA - Part B, Preschool Deaf	84.173	466100106190144	3,316
Total CFDA Number 84.173			89,431
SSA - IDEA, Part C - Deaf	84.181	439110106190144	1,712
ESEA Title IV - Safe and Drug-Free Schools	84.186A	4691001061901	78,350
ESEA Title VI-Innovative Education Strategies	84.298	4685001061901	89,282
Enhancing Education Through Technology	84.318X	463001061901	41,366
Title I - Comprehensive School Reform Demo Program	84.332A	461601061901105	148,448
Title I - Comprehensive School Reform Demo Program	84.332A	361601061901108	2,889

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2004

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Title I - Comprehensive School Reform Demo Program	84.332A	461601061901108	\$ 145,380
Title I - Comprehensive School Reform Demo Program	84.332A	361601061901111	694
Title I - Comprehensive School Reform Demo Program	84.332A	461601061901111	144,867
Title I - Comprehensive School Reform Demo Program	84.332A	361601061901112	1,764
Title I - Comprehensive School Reform Demo Program	84.332A	461601061901112	134,323
Total CFDA Number 84.332A			578,365
English Lang Acquisitions and Lang. Enhancement	84.365	3671001061901	24,703
English Lang Acquisitions and Lang. Enhancement	84.365	4671001061901	183,475
English Lang Acquisitions and Lang. Enhancement	84.365	4671101061901	16,067
Total CFDA Number 84.365			224,245
ESEA Title II, Part A, Teacher & Principal Training	84.367A	4694501061901	649,820
Total Passed Through State Department of Education			7,184,835
TOTAL DEPARTMENT OF EDUCATION			7,246,814
 <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<u>Direct Programs</u>			
Head Start	93.600	H5416/38	1,134,124
Total Direct Programs			1,134,124
<u>Passed Through State of Texas</u>			
HIPPY Grant	93.645	23261004	5,241
Total Passed Through State of Texas			5,241
<u>Passed Through State Department of Education</u>			
SSA - Temporary Assistance for Needy Families	93.558	336250113	1,252
SSA - Temporary Assistance for Needy Families	93.558	4362501711013	7,923
Total CFDA Number 93.558			9,175
Total Passed Through State Department of Education			9,175
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,148,540
 <u>U.S. DEPARTMENT OF JUSTICE</u>			
<u>Passed Through State Department of Education</u>			
Student Assistance Councilors	16.729	ED02J211505904	777
Total Passed Through State Department of Education			777
TOTAL U.S. DEPARTMENT OF JUSTICE			777

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2004

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through State Department of Education</u>			
National School Breakfast & Lunch Program*	10.555	61901	\$ 2,319,811
Commodities	10.565	61901	105,495
Summer Feeding Program	10.559	61901	<u>23,028</u>
Total Passed Through State Department of Education			<u>2,448,334</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>2,448,334</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 10,957,305</u>

*Clustered Programs as required by Compliance Supplement March, 2003

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2004

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, 2004, 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.

SCHOOLS FIRST QUESTIONNAIRE

Denton Independent School District

Fiscal Year 2004

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No