# DENTON INDEPENDENT SCHOOL DISTRICT

## ANNUAL FINANCIAL REPORT FOR THE

## YEAR ENDED JUNE 30, 2016

DENTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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CERTIFICATE OF BOARD

| Denton Independent School District | Denton | 061-901 |
|---|---|---|
| Name of School District | County | Co. - Dist. Number |

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) __X____ approved _____ disapproved for the year ended June 30, 2016, at a meeting of the Board of Trustees of such school district on the __15__ day of November, 2016.

| Jim R. Alexander | Barbara K. Burns |
|---|---|
| Signature of Board Secretary | Signature of Board President |

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

HANKINS, EASTUP, DEATON, TONN & SEAY
A PROFESSIONAL CORPORATION
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# Independent Auditor's Report

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

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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denton Independent School District as of June 30, 2016, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 14 and the Teacher Retirement System schedules on pages 64 and 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denton Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

## Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2016 on our consideration of Denton Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denton Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 15, 2016

# DENTON INDEPENDENT SCHOOL DISTRICT
# MANAGEMENT'S DISCUSSION AND ANALYSIS
# FOR THE YEAR ENDED JUNE 30, 2016
# (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, 2016. 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 17.

## FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Denton Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $65,198,626 (net position). Included in the total is $38,981,395 of unrestricted net position that may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund designation and fiscal policies.

- The District's total net position increased by $44,743,536 during the fiscal year from the results of current year operations.

- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of $383,400,218. Over 16% of this total amount ($62,986,235) is unassigned and available for use within the District's commitments and policies.

- At the end of the current fiscal period, the unassigned fund balance of the general fund of $62,986,235 was 28.03% 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 Position and the Statement of Activities (on pages 17 through 19). 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 20) 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 33) 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 Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. 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 Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources 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 position and changes in them. The District's net position provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position 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 Position and the Statement of Activities, we divide the District into two kinds of activities:

- Governmental activities–Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

- Business-type activities–The District charges a fee to "customers" to help it cover all or most of the cost of services it provides in the child nutrition program and in its athletic stadium concessions activities.

## Reporting the District's Most Significant Funds

### Fund Financial Statements

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

The fund financial statements begin on page 20 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 thirty 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 twenty-seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 20 through 25 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 Position 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 position that can be found on page 32. 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 position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

Net position of the District's governmental activities increased from $18,575,777 to $63,608,640. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was $38,247,595 at June 30, 2016. The increase in governmental activities net position from current operations was $45,032,863. This increase was the result of several factors. First, the District's revenues exceeded expenditures by $65,841,001 (as adjusted for the effects of capital outlay and debt service principal payments.) However, the District recorded depreciation expense, which is a non-cash expense that reduces the carrying value of District assets, in the amount of $22,572,063. Also, various adjustments totaling $1,763,925 were posted to revenues and expenses to account for prepaid expenses, interest accruals and tax revenues earned during the period under the full accrual method of accounting.

In 2016, net position of our business-type activities decreased by $289,327 or 15.4 percent from the results of current year operations. This increase is relatively insignificant to the overall operations of the District, but it represents significant services to the community through the Child Nutrition program and the athletic stadium concession activities.

**Table I**
**NET POSITION**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Current and other assets | $ 325,054,594 | $ 433,476,718 | $ 2,725,429 | $ 2,922,841 | $327,780,023 | $ 436,399,559 |
| Capital assets | 603,189,771 | 674,499,498 | 1,211,823 | 856,186 | 604,401,594 | 675,355,684 |
| Total assets | 928,244,365 | 1,107,976,216 | 3,937,252 | 3,779,027 | 932,181,617 | 1,111,755,243 |
| Deferred outflows of resources | 31,068,679 | 102,149,015 | 331,875 | 1,598,217 | 31,400,554 | 103,747,232 |
| Total assets and deferred outflows of resources | 959,313,044 | 1,210,125,231 | 4,269,127 | 5,377,244 | 963,582,171 | 1,215,502,475 |
| Long-term liabilities | 886,000,419 | 1,081,933,955 | 1,524,853 | 2,838,997 | 887,525,272 | 1,084,772,952 |
| Other liabilities | 45,793,325 | 53,626,318 | 398,509 | 402,245 | 46,191,834 | 54,028,563 |
| Total liabilities | 931,793,744 | 1,135,560,273 | 1,923,362 | 3,241,242 | 933,717,106 | 1,138,801,515 |
| Deferred inflows of resources | 8,943,523 | 10,956,318 | 466,452 | 546,016 | 9,409,975 | 11,502,334 |
| Total liabilities and deferred inflows of resources | 940,737,267 | 1,146,516,591 | 2,389,814 | 3,787,258 | 943,127,081 | 1,150,303,849 |
| Net Position: | | | | | | |
| Net investments in capital assets | (47,396,513) | (43,470,538) | 1,211,823 | 856,186 | (46,184,690) | (42,614,352) |
| Restricted | 60,691,059 | 68,831,583 | - | - | 60,691,059 | 68,831,583 |
| Unrestricted | 5,281,231 | 38,247,595 | 667,490 | 733,800 | 5,948,721 | 38,981,395 |
| Total Net Position | $ 18,575,777 | $ 63,608,640 | $ 1,879,313 | $ 1,589,986 | $ 20,455,090 | $ 65,198,626 |

**Table II**
**CHANGES IN NET POSITION**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 |
| Revenues: | | | | | | |
| Program Revenues: | | | | | | |
| Charges for services | $ 3,455,288 | $ 3,809,526 | $3,556,737 | $3,622,571 | $ 7,012,025 | $ 7,432,097 |
| Operating grants and contributions | 29,843,843 | 41,233,445 | 6,127,097 | 6,651,997 | 35,970,940 | 47,885,442 |
| General Revenues: | | | | | | |
| Maintenance and operations taxes | 124,715,983 | 132,703,343 | - | - | 124,715,983 | 132,703,343 |
| Debt service taxes | 59,784,930 | 63,686,766 | - | - | 59,784,930 | 63,686,766 |
| State aid - formula grants | 73,253,961 | 71,913,273 | - | - | 73,253,961 | 71,913,273 |
| Grants and contributions | 319,157 | 790,934 | - | - | 319,157 | 790,934 |
| Interest earnings | 151,411 | 961,891 | 847 | 2,096 | 152,258 | 963,987 |
| Miscellaneous | 253,021 | 182,389 | - | - | 253,021 | 182,389 |
| Total Revenue | 291,777,594 | 315,281,567 | 9,684,681 | 10,276,664 | 301,462,275 | 325,558,231 |
| Expenses: | | | | | | |
| Instruction, curriculum and media services | 169,580,077 | 185,460,142 | - | - | 169,580,077 | 185,460,142 |
| Instructional and school leadership | 15,816,833 | 17,396,386 | - | - | 15,816,833 | 17,396,386 |
| Student support services | 20,654,594 | 23,580,972 | - | - | 20,654,594 | 23,580,972 |
| Food services | 229,921 | 273,787 | 9,315,767 | 10,493,682 | 9,545,688 | 10,767,469 |
| Cocurricular activities | 5,959,471 | 6,951,874 | 65,823 | 72,309 | 6,025,294 | 7,024,183 |
| General administration | 5,258,341 | 6,666,153 | - | - | 5,258,341 | 6,666,153 |
| Plant maintenance, security and data processing | 29,761,071 | 30,887,092 | - | - | 29,761,071 | 30,887,092 |
| Community services | 903,044 | 2,243,724 | - | - | 903,044 | 2,243,724 |
| Debt services | 24,834,487 | (4,817,555) | - | - | 24,834,487 | (4,817,555) |
| Intergovernmental charges | 1,558,747 | 1,625,227 | - | - | 1,558,747 | 1,625,227 |
| Total Expenses | 274,556,586 | 270,267,802 | 9,381,590 | 10,565,991 | 283,938,176 | 280,833,793 |
| Increase (Decrease) in Net Position before transfers and special items | 17,221,008 | 45,013,765 | 303,091 | (289,327) | 17,524,099 | 44,724,438 |
| Transfers in | 32,462 | 19,098 | - | - | 32,462 | 19,098 |
| Increase (Decrease) in Net Position | 17,253,470 | 45,032,863 | 303,091 | (289,327) | 17,556,561 | 44,743,536 |
| Net Position - beginning of year | 34,872,307 | 18,575,777 | 3,326,033 | 1,879,313 | 38,198,340 | 20,455,090 |
| Prior period adjustment | (33,550,000) | - | (1,749,811) | - | (35,299,811) | - |
| Net Position - end of year | $ 18,575,777 | $ 63,608,640 | $1,879,313 | $1,589,986 | $ 20,455,090 | $65,198,626 |

- The Board of Trustees maintained the maintenance and operation property tax rate of $1.04 for the fiscal year 2015-2016. This is the maximum rate allowed by law without a rollback election. The debt service rate was set at $0.50. The total tax rate necessary to fund the 2015-2016 budget was $1.54.

- The District continues to experience an increase in property values over the prior year. The actual increase in certified and under review values for 2015 was $866,128,019 or 8.08%.

- The District has worked with Texas Association of School Boards (TASB) over the past few years to examine pay equity for employees and to determine if pay practices were internally fair and externally competitive. Several adjustments were implemented during the 2013-2014, 2014-2015, and 2015-2016 school years. The 2015-2016 Salary Compensation Plan included $4,031,895 for pay adjustments. The district also increased the Teacher Retirement System (TRS) insurance contribution by $25 per month per eligible employee. There were additional staffing costs related to the startup of Braswell High School.

The cost of all governmental activities for the current fiscal period was $270,267,802. However, as shown in the Statement of Activities on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through District taxes was only $196,390,109 because some of the costs were paid by those who directly benefited from the programs ($3,809,526) or by other governments and organizations that subsidized certain programs with grants and contributions ($41,233,445) or by State equalization funding ($71,913,273).

## 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 $383,400,218 an increase of $105,550,796. Approximately 23 percent of this total amount ($88,654,265) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service ($67,642,629), or for capital projects ($226,754,135), or already spent on prepaid items ($171,065), inventories ($177,124) or endowment principal ($1,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $62,986,235, while the total fund balance was $81,740,303. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 28.03 percent of the total general fund expenditures, while the total fund balance represents 36.37 percent of that same amount.

The fund balance of the District's general fund decreased by $55,027 during the current fiscal year, compared to a $5,135,467 increase in the previous year. Key factors related to this change are as follows:

- A $8,285,673 increase in property tax revenues combined with a $2,667,830 increase in the state Medicaid reimbursements (SHARS) contributed to a $10,817,812 overall increase in total revenues. Expenditures increased $12,501,937 or 5.89% with increases in most functional categories.

- $4,864,647 of general fund monies were transferred to the capital projects fund to set aside for future capital replacement needs, compared to $347,029 transferred in the previous year.

The debt service fund has a total fund balance of $67,642,629, 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 $8,089,749, compared to a $3,386,356 increase in the previous year. Tax revenues were $4,072,454 higher than the previous year, but debt service expenditures were $1,664,166 higher as well.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by $97,465,292 due primarily to $187,745,000 proceeds from the issuance of bonds offset by $96,922,031 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 5 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2015). 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 $81,740,303 reported on page 20 differs from the General Fund's budgetary fund balance of $68,496,738 reported in the budgetary comparison schedule on page 28. This is principally due to cost savings in all functional expenditure categories.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had $674,499,498 (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 $71,309,727, or 11.82 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. | $62,325,636 |
| Continuing construction costs on a new elementary school, paid for with proceeds of general obligation bonds issued in a prior year. | 17,662,028 |
| Initial construction costs on a new middle school, paid for with proceeds of general obligation bonds | 3,215,276 |
| Totaling | $83,202,940 |

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 $888,335,192 in bonds outstanding (including accreted interest on bonds) versus $801,922,265 last year–an increase of 10.78 percent. New debt was incurred during the fiscal period through the issuance of two refunding bond series and one building bond series. 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 $1,271,209,071, which is significantly in excess of the District's outstanding general obligation debt.

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees of the Denton Independent School District adopted a total tax rate of $1.54 per $100 of assessed value for 2016-2017. The M & O tax rate will remain at $1.04. The debt service tax rate will remain at $0.50 for a total rate of $1.54. The district's certified values increased $1,166,061,761 or 10.06% for 2016.

State funding for 2016-2017 is projected to be $74,615,842 or 32.88% of the total budget compared to $79,113,114 or 35.77% for 2015-2016.

During the 2012-2013 school year the District worked with TASB to examine pay equity for employees and to determine if pay practices were internally fair and externally competitive. Several adjustments were implemented during the 2013-2014, 2014-2015, and the 2015-2016 school years. The 2016-2017 compensation plan includes a 2% salary increase for all employees which is an increase of $4,141,154. Budgeted salaries for Bell Elementary School of $2,488,678, Braswell High School of $4,032,869, and preliminary staffing for the startup of Dr. Rudy and Rosemary Rodriguez Middle School are also included in the compensation plan.

The main focus for the 2016-2017 budget was the projected increase in student enrollment of 1.27% while maintaining current programs. Denton ISD will receive approximately $5,997,272 less in state funding for 2016-2017 than in the prior year's adopted budget. Property tax collections are expected to increase by $8,813,949.

## 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.

BASIC FINANCIAL STATEMENTS

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DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

EXHIBIT A-1

| Data Control Codes | | 1 | 2 | 3 |
|---|---|---|---|---|
| | | Primary Government | | |
| | | Governmental Activities | Business Type Activities | Total |
| **ASSETS** | | | | |
| 1110 | Cash and Cash Equivalents | $ 413,093,724 | $ 2,796,328 | $ 415,890,052 |
| 1220 | Property Taxes Receivable (Delinquent) | 3,899,927 | - | 3,899,927 |
| 1230 | Allowance for Uncollectible Taxes | (183,796) | - | (183,796) |
| 1240 | Due from Other Governments | 15,917,589 | 6,036 | 15,923,625 |
| 1260 | Internal Balances | 159,938 | (159,938) | - |
| 1290 | Other Receivables, net | 76,468 | 3,759 | 80,227 |
| 1300 | Inventories | 206,935 | 273,881 | 480,816 |
| 1410 | Prepayments | 291,718 | 2,775 | 294,493 |
| | Capital Assets: | | | |
| 1510 | Land | 46,728,399 | - | 46,728,399 |
| 1520 | Buildings, Net | 478,934,369 | - | 478,934,369 |
| 1530 | Furniture and Equipment, Net | 8,707,417 | 856,186 | 9,563,603 |
| 1580 | Construction in Progress | 140,129,313 | - | 140,129,313 |
| 1990 | Other Assets | 14,215 | - | 14,215 |
| 1000 | Total Assets | 1,107,976,216 | 3,779,027 | 1,111,755,243 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | | | |
| 1701 | Deferred Charge for Refunding | 70,079,304 | - | 70,079,304 |
| 1705 | Deferred Outflow Related to TRS | 32,069,711 | 1,598,217 | 33,667,928 |
| 1700 | Total Deferred Outflows of Resources | 102,149,015 | 1,598,217 | 103,747,232 |
| **LIABILITIES** | | | | |
| 2110 | Accounts Payable | 15,769,257 | 32,142 | 15,801,399 |
| 2150 | Payroll Deductions & Withholdings | 272,744 | - | 272,744 |
| 2160 | Accrued Wages Payable | 23,548,851 | 50,078 | 23,598,929 |
| 2200 | Accrued Expenses | 13,604,432 | - | 13,604,432 |
| 2300 | Unearned Revenue | 431,034 | 320,025 | 751,059 |
| | Noncurrent Liabilities | | | |
| 2501 | Due Within One Year | 34,811,293 | - | 34,811,293 |
| 2502 | Due in More Than One Year | 990,155,529 | - | 990,155,529 |
| 2540 | Net Pension Liability (District's Share) | 56,967,133 | 2,838,997 | 59,806,130 |
| 2000 | Total Liabilities | 1,135,560,273 | 3,241,242 | 1,138,801,515 |
| **DEFERRED INFLOWS OF RESOURCES** | | | | |
| 2605 | Deferred Inflow Related to TRS | 10,956,318 | 546,016 | 11,502,334 |
| 2600 | Total Deferred Inflows of Resources | 10,956,318 | 546,016 | 11,502,334 |
| **NET POSITION** | | | | |
| 3200 | Net Investment in Capital Assets | (43,470,538) | 856,186 | (42,614,352) |
| | Restricted: | | | |
| 3850 | Restricted for Debt Service | 67,642,629 | - | 67,642,629 |
| 3870 | Restricted for Campus Activities | 1,188,954 | - | 1,188,954 |
| 3900 | Unrestricted | 38,247,595 | 733,800 | 38,981,395 |
| 3000 | Total Net Position | $ 63,608,640 | $ 1,589,986 | $ 65,198,626 |

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

| Data Control Codes | | 1 Expenses | Program Revenues 3 Charges for Services | Program Revenues 4 Operating Grants and Contributions |
|---|---|---|---|---|
| **Primary Government:** | | | | |
| | GOVERNMENTAL ACTIVITIES: | | | |
| 11 | Instruction | $ 175,831,272 | $ 524,263 | $ 24,499,565 |
| 12 | Instructional Resources and Media Services | 4,482,448 | - | 297,457 |
| 13 | Curriculum and Staff Development | 5,146,422 | - | 1,631,772 |
| 21 | Instructional Leadership | 2,835,801 | - | 246,267 |
| 23 | School Leadership | 14,560,585 | - | 759,980 |
| 31 | Guidance, Counseling and Evaluation Services | 13,388,580 | - | 2,645,047 |
| 32 | Social Work Services | 817,002 | - | 193,767 |
| 33 | Health Services | 2,659,754 | - | 5,321,436 |
| 34 | Student (Pupil) Transportation | 6,715,636 | - | 2,663,322 |
| 35 | Food Services | 273,787 | - | 273,787 |
| 36 | Extracurricular Activities | 6,951,874 | 504,716 | 734,475 |
| 41 | General Administration | 6,666,153 | - | 1,449,585 |
| 51 | Facilities Maintenance and Operations | 23,207,030 | 698,846 | 204,674 |
| 52 | Security and Monitoring Services | 844,732 | - | 7,225 |
| 53 | Data Processing Services | 4,395,718 | - | 102,043 |
| 61 | Community Services | 2,243,724 | 2,081,701 | 184,142 |
| 72 | Debt Service - Interest on Long Term Debt | (9,781,214) | - | - |
| 73 | Debt Service - Bond Issuance Cost and Fees | 4,963,659 | - | - |
| 81 | Capital Outlay | 2,439,612 | - | 18,901 |
| 93 | Payments related to Shared Services Arrangements | 358,000 | - | - |
| 95 | Payments to Juvenile Justice Alternative Ed. Prg. | 10,057 | - | - |
| 99 | Other Intergovernmental Charges | 1,257,170 | - | - |
| | [TG] Total Governmental Activities: | 270,267,802 | 3,809,526 | 41,233,445 |
| | BUSINESS-TYPE ACTIVITIES: | | | |
| 35 | National School Breakfast&Lunch | 10,493,682 | 3,551,081 | 6,651,997 |
| 01 | Stadium Concessions | 72,309 | 71,490 | - |
| | [TB] Total Business-Type Activities: | 10,565,991 | 3,622,571 | 6,651,997 |
| | [TP] TOTAL PRIMARY GOVERNMENT: | $ 280,833,793 | $ 7,432,097 | $ 47,885,442 |

| Data Control Codes | |
|---|---|
| | General Revenues: |
| | Taxes: |
| MT | Property Taxes, Levied for General Purposes |
| DT | Property Taxes, Levied for Debt Service |
| SF | State Aid - Formula Grants |
| GC | Grants and Contributions not Restricted |
| IE | Investment Earnings |
| MI | Miscellaneous Local and Intermediate Revenue |
| FR | Transfers In (Out) |
| TR | Total General Revenues & Transfers |
| CN | Change in Net Position |
| NB | Net Position - Beginning |
| NE | Net Position--Ending |

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

| Net (Expense) Revenue and Changes in Net Position | | |
|---|---|---|
| 6 | 7 | 8 |
| | Primary Government | |
| Governmental Activities | Business Type Activities | Total |
| $ (150,807,444) | $ - | $ (150,807,444) |
| (4,184,991) | - | (4,184,991) |
| (3,514,650) | - | (3,514,650) |
| (2,589,534) | - | (2,589,534) |
| (13,800,605) | - | (13,800,605) |
| (10,743,533) | - | (10,743,533) |
| (623,235) | - | (623,235) |
| 2,661,682 | - | 2,661,682 |
| (4,052,314) | - | (4,052,314) |
| - | - | - |
| (5,712,683) | - | (5,712,683) |
| (5,216,568) | - | (5,216,568) |
| (22,303,510) | - | (22,303,510) |
| (837,507) | - | (837,507) |
| (4,293,675) | - | (4,293,675) |
| 22,119 | - | 22,119 |
| 9,781,214 | - | 9,781,214 |
| (4,963,659) | - | (4,963,659) |
| (2,420,711) | - | (2,420,711) |
| (358,000) | - | (358,000) |
| (10,057) | - | (10,057) |
| (1,257,170) | - | (1,257,170) |
| (225,224,831) | - | (225,224,831) |
| - | (290,604) | (290,604) |
| - | (819) | (819) |
| - | (291,423) | (291,423) |
| (225,224,831) | (291,423) | (225,516,254) |
| 132,703,343 | - | 132,703,343 |
| 63,686,766 | - | 63,686,766 |
| 71,913,273 | - | 71,913,273 |
| 790,934 | - | 790,934 |
| 961,891 | 2,096 | 963,987 |
| 182,389 | - | 182,389 |
| 19,098 | - | 19,098 |
| 270,257,694 | 2,096 | 270,259,790 |
| 45,032,863 | (289,327) | 44,743,536 |
| 18,575,777 | 1,879,313 | 20,455,090 |
| $ 63,608,640 | $ 1,589,986 | $ 65,198,626 |

DENTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|---|---|---|---|---|
| | ASSETS | | | |
| 1110 | Cash and Cash Equivalents | $ 91,824,641 | $ 67,308,591 | $ 246,472,609 |
| 1220 | Property Taxes - Delinquent | 2,662,885 | 1,237,042 | - |
| 1230 | Allowance for Uncollectible Taxes (Credit) | (124,674) | (59,122) | - |
| 1240 | Receivables from Other Governments | 13,081,453 | 118,776 | - |
| 1260 | Due from Other Funds | 385,236 | - | 3,606 |
| 1290 | Other Receivables | 75,091 | - | - |
| 1300 | Inventories | 177,124 | - | - |
| 1410 | Prepayments | 171,065 | 8,802 | 34,073 |
| 1900 | Other Assets | - | - | - |
| 1000 | Total Assets | $ 108,252,821 | $ 68,614,089 | $ 246,510,288 |
| | LIABILITIES | | | |
| 2110 | Accounts Payable | $ 1,936,098 | $ 30,230 | $ 13,593,369 |
| 2150 | Payroll Deductions and Withholdings Payable | 272,744 | - | - |
| 2160 | Accrued Wages Payable | 22,252,303 | - | - |
| 2170 | Due to Other Funds | 10,500 | - | - |
| 2300 | Unearned Revenues | 790 | - | 102,802 |
| 2000 | Total Liabilities | 24,472,435 | 30,230 | 13,696,171 |
| | DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 | Unavailable Revenue - Property Taxes | 2,040,083 | 941,230 | - |
| 2600 | Total Deferred Inflows of Resources | 2,040,083 | 941,230 | - |
| | FUND BALANCES | | | |
| | Nonspendable Fund Balance: | | | |
| 3410 | Inventories | 177,124 | - | - |
| 3425 | Endowment Principal | - | - | - |
| 3430 | Prepaid Items | 171,065 | - | - |
| | Restricted Fund Balance: | | | |
| 3470 | Capital Acquisition and Contractural Obligation | - | - | 226,754,135 |
| 3480 | Retirement of Long-Term Debt | - | 67,642,629 | - |
| | Committed Fund Balance: | | | |
| 3545 | Other Committed Fund Balance | - | - | - |
| | Assigned Fund Balance: | | | |
| 3590 | Other Assigned Fund Balance | 18,405,879 | - | 6,059,982 |
| 3600 | Unassigned Fund Balance | 62,986,235 | - | - |
| 3000 | Total Fund Balances | 81,740,303 | 67,642,629 | 232,814,117 |
| 4000 | Total Liabilities, Deferred Inflows & Fund Balances | $ 108,252,821 | $ 68,614,089 | $ 246,510,288 |

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

| Other Funds | Total Governmental Funds |
|---|---|
| $ 332,958 | $ 405,938,799 |
| - | 3,899,927 |
| - | (183,796) |
| 2,717,360 | 15,917,589 |
| - | 388,842 |
| 549 | 75,640 |
| 24,018 | 201,142 |
| 75,563 | 289,503 |
| 14,215 | 14,215 |
| $ 3,164,663 | $ 426,541,861 |
| | |
| $ 173,945 | $ 15,733,642 |
| - | 272,744 |
| 1,296,314 | 23,548,617 |
| 163,793 | 174,293 |
| 327,442 | 431,034 |
| 1,961,494 | 40,160,330 |
| | |
| - | 2,981,313 |
| - | 2,981,313 |
| | |
| - | 177,124 |
| 1,000 | 1,000 |
| - | 171,065 |
| | |
| - | 226,754,135 |
| - | 67,642,629 |
| | |
| 1,188,954 | 1,188,954 |
| | |
| 13,215 | 24,479,076 |
| - | 62,986,235 |
| 1,203,169 | 383,400,218 |
| | |
| $ 3,164,663 | $ 426,541,861 |

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DENTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

| | | | |
|---|---|---|---|
| | **Total Fund Balances - Governmental Funds** | $ | 383,400,218 |
| 1 | Assets and liabilities of the internal service funds are not included in the fund financial statements. | | 5,849,626 |
| 2 | Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements. | | 952,626,831 |
| 3 | Accumulated depreciation is not reported in the fund financial statements. | | (278,127,333) |
| 4 | Bonds payable are not reported in the fund financial statements. | | (879,287,257) |
| 5 | Bond premiums and discounts are not recognized in the fund financial statements. | | (135,516,218) |
| 6 | Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. | | (12,380,757) |
| 7 | Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements. | | 2,981,313 |
| 8 | Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of $56,967,133, a Deferred Resource Inflow related to TRS in the amount of $10,956,318, and a Deferred Resource Outflow related to TRS in the amount of $32,069,711. This amounted to a decrease in Net Position in the amount of $35,853,740. | | (35,853,740) |
| 9 | Accrued vacation benefits and special termination benefits have not been recorded in the fund financial statements. | | (1,115,412) |
| 10 | Deferred charge on bond refundings is not recognized in the fund financial statements. | | 70,079,304 |
| 11 | Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements. | | (9,047,935) |
| 19 | **Net Position of Governmental Activities** | $ | 63,608,640 |

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| Data Control Codes | | 10 General Fund | 50 Debt Service Fund | 60 Capital Projects |
|---|---|---|---|---|
| | REVENUES: | | | |
| 5700 | Total Local and Intermediate Sources | $ 137,499,989 | $ 63,866,725 | $ 593,894 |
| 5800 | State Program Revenues | 83,288,151 | 1,464,387 | - |
| 5900 | Federal Program Revenues | 6,252,917 | - | - |
| 5020 | Total Revenues | 227,041,057 | 65,331,112 | 593,894 |
| | EXPENDITURES: | | | |
| | Current: | | | |
| 0011 | Instruction | 140,282,951 | - | 25,679 |
| 0012 | Instructional Resources and Media Services | 3,910,601 | - | - |
| 0013 | Curriculum and Instructional Staff Development | 3,136,886 | - | - |
| 0021 | Instructional Leadership | 2,391,771 | - | - |
| 0023 | School Leadership | 12,625,746 | - | - |
| 0031 | Guidance, Counseling and Evaluation Services | 9,653,719 | - | - |
| 0032 | Social Work Services | 575,019 | - | - |
| 0033 | Health Services | 2,333,080 | - | - |
| 0034 | Student (Pupil) Transportation | 5,929,632 | - | - |
| 0035 | Food Services | 177,788 | - | - |
| 0036 | Extracurricular Activities | 5,917,166 | - | 7,080 |
| 0041 | General Administration | 6,037,893 | - | - |
| 0051 | Facilities Maintenance and Operations | 22,594,599 | - | - |
| 0052 | Security and Monitoring Services | 840,593 | - | - |
| 0053 | Data Processing Services | 4,078,618 | - | 270 |
| 0061 | Community Services | 1,920,714 | - | - |
| | Debt Service: | | | |
| 0071 | Principal on Long Term Debt | - | 25,744,487 | - |
| 0072 | Interest on Long Term Debt | - | 31,383,641 | - |
| 0073 | Bond Issuance Cost and Fees | - | 1,879,333 | 1,267,780 |
| | Capital Outlay: | | | |
| 0081 | Facilities Acquisition and Construction | 681,279 | - | 95,621,222 |
| | Intergovernmental: | | | |
| 0093 | Payments to Fiscal Agent/Member Districts of SSA | 358,000 | - | - |
| 0095 | Payments to Juvenile Justice Alternative Ed. Prg. | 10,057 | - | - |
| 0099 | Other Intergovernmental Charges | 1,257,170 | - | - |
| 6030 | Total Expenditures | 224,713,282 | 59,007,461 | 96,922,031 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | 2,327,775 | 6,323,651 | (96,328,137) |
| | OTHER FINANCING SOURCES (USES): | | | |
| 7911 | Capital Related Debt Issued (Regular Bonds) | - | 153,109,104 | 164,580,000 |
| 7912 | Sale of Real and Personal Property | 1,915 | - | - |
| 7915 | Transfers In | 2,107,498 | - | 4,864,647 |
| 7916 | Premium or Discount on Issuance of Bonds | - | 63,698,396 | 24,432,782 |
| 8911 | Transfers Out (Use) | (4,864,647) | - | (84,000) |
| 8949 | Other (Uses) | (210) | (215,160,178) | - |
| 7080 | Total Other Financing Sources (Uses) | (2,755,444) | 1,647,322 | 193,793,429 |
| | EXTRAORDINARY ITEMS: | | | |
| 7919 | Extraordinary Item - Resource | 372,642 | 118,776 | - |
| 1200 | Net Change in Fund Balances | (55,027) | 8,089,749 | 97,465,292 |
| 0100 | Fund Balance - July 1 (Beginning) | 81,795,330 | 59,552,880 | 135,348,825 |
| 3000 | Fund Balance - June 30 (Ending) | $ 81,740,303 | $ 67,642,629 | $ 232,814,117 |

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

| Other Funds | Total Governmental Funds |
|---|---|
| $ 2,861,978 | $ 204,822,586 |
| 5,548,734 | 90,301,272 |
| 12,022,935 | 18,275,852 |
| 20,433,647 | 313,399,710 |
| | |
| 15,370,912 | 155,679,542 |
| 126,957 | 4,037,558 |
| 1,453,707 | 4,590,593 |
| 160,176 | 2,551,947 |
| 161,729 | 12,787,475 |
| 2,051,614 | 11,705,333 |
| 159,156 | 734,175 |
| 5,846 | 2,338,926 |
| 128,316 | 6,057,948 |
| 95,999 | 273,787 |
| 464,634 | 6,388,880 |
| 18,543 | 6,056,436 |
| 27,840 | 22,622,439 |
| 4,139 | 844,732 |
| 127 | 4,079,015 |
| 116,869 | 2,037,583 |
| - | 25,744,487 |
| - | 31,383,641 |
| - | 3,147,113 |
| 18,901 | 96,321,402 |
| - | 358,000 |
| - | 10,057 |
| - | 1,257,170 |
| 20,365,465 | 401,008,239 |
| 68,182 | (87,608,529) |
| - | 317,689,104 |
| - | 1,915 |
| 19,098 | 6,991,243 |
| - | 88,131,178 |
| (36,498) | (4,985,145) |
| - | (215,160,388) |
| (17,400) | 192,667,907 |
| - | 491,418 |
| 50,782 | 105,550,796 |
| 1,152,387 | 277,849,422 |
| $ 1,203,169 | $ 383,400,218 |

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, 2016

| | | |
|---|---|---|
| **Total Net Change in Fund Balances - Governmental Funds** | $ | 105,550,796 |
| Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position. | | 93,881,790 |
| 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 position in the government-wide financial statements. | | (22,572,063) |
| Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due. | | (2,741,626) |
| Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements. | | (210,181) |
| Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements. | | 6,226,354 |
| Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements. | | 37,561,351 |
| The net loss of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements. | | (2,009,858) |
| Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements. | | 25,744,487 |
| The premium on the current year issuances of bonds is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements. | | (88,131,178) |
| Current year net decreases in accrued vacation benefit obligations and special termination benefit obligations are shown as expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. | | 114,891 |
| Current year issuances of bonds are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements. | | (317,689,104) |

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

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, 2016

| | |
|---|---|
| Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements. | 215,160,178 |
| The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the ending net position to increase in the amount of $4,531,712. Contributions made before the measurement but during the 2016 FY were also de-expended and recorded as a reduction in the net pension liability for the District. This also caused an increase in the net position in the amount of $790,406. These contributions were replaced with the District's pension expense for the year of $9,358,546, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by $4,036,428. | (4,036,428) |
| Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements. | (1,816,546) |
| **Change in Net Position of Governmental Activities** | $ 45,032,863 |

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

DENTON INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 137,002,803 | $ 136,712,998 | $ 137,499,989 | $ 786,991 |
| 5800 | State Program Revenues | 79,113,114 | 83,958,548 | 83,288,151 | (670,397) |
| 5900 | Federal Program Revenues | 3,075,000 | 6,076,469 | 6,252,917 | 176,448 |
| 5020 | Total Revenues | 219,190,917 | 226,748,015 | 227,041,057 | 293,042 |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0011 | Instruction | 143,011,056 | 143,604,126 | 140,282,951 | 3,321,175 |
| 0012 | Instructional Resources and Media Services | 3,815,064 | 3,957,136 | 3,910,601 | 46,535 |
| 0013 | Curriculum and Instructional Staff Development | 2,912,421 | 3,419,669 | 3,136,886 | 282,783 |
| 0021 | Instructional Leadership | 2,604,316 | 2,481,247 | 2,391,771 | 89,476 |
| 0023 | School Leadership | 11,608,709 | 12,675,444 | 12,625,746 | 49,698 |
| 0031 | Guidance, Counseling and Evaluation Services | 9,669,036 | 10,303,651 | 9,653,719 | 649,932 |
| 0032 | Social Work Services | 584,316 | 597,608 | 575,019 | 22,589 |
| 0033 | Health Services | 2,298,226 | 2,362,775 | 2,333,080 | 29,695 |
| 0034 | Student (Pupil) Transportation | 5,658,969 | 5,832,193 | 5,929,632 | (97,439) |
| 0035 | Food Services | 149,100 | 182,845 | 177,788 | 5,057 |
| 0036 | Extracurricular Activities | 5,665,497 | 5,890,612 | 5,917,166 | (26,554) |
| 0041 | General Administration | 5,749,119 | 7,087,413 | 6,037,893 | 1,049,520 |
| 0051 | Facilities Maintenance and Operations | 22,908,110 | 24,960,828 | 22,594,599 | 2,366,229 |
| 0052 | Security and Monitoring Services | 789,918 | 875,813 | 840,593 | 35,220 |
| 0053 | Data Processing Services | 3,861,996 | 5,786,410 | 4,078,618 | 1,707,792 |
| 0061 | Community Services | 430,878 | 2,138,813 | 1,920,714 | 218,099 |
| | Capital Outlay: | | | | |
| 0081 | Facilities Acquisition and Construction | - | 1,364,952 | 681,279 | 683,673 |
| | Intergovernmental: | | | | |
| 0093 | Payments to Fiscal Agent/Member Districts of SSA | 264,500 | 358,000 | 358,000 | - |
| 0095 | Payments to Juvenile Justice Alternative Ed. Prg. | 28,500 | 12,950 | 10,057 | 2,893 |
| 0099 | Other Intergovernmental Charges | 1,288,974 | 1,288,974 | 1,257,170 | 31,804 |
| 6030 | Total Expenditures | 223,298,705 | 235,181,459 | 224,713,282 | 10,468,177 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (4,107,788) | (8,433,444) | 2,327,775 | 10,761,219 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7912 | Sale of Real and Personal Property | - | 1,915 | 1,915 | - |
| 7915 | Transfers In | 1,987,000 | 2,023,498 | 2,107,498 | 84,000 |
| 8911 | Transfers Out (Use) | - | (4,864,647) | (4,864,647) | - |
| 8949 | Other (Uses) | - | (500) | (210) | 290 |
| 7080 | Total Other Financing Sources (Uses) | 1,987,000 | (2,839,734) | (2,755,444) | 84,290 |
| | EXTRAORDINARY ITEMS: | | | | |
| 7919 | Extraordinary Item - Resource | - | 372,642 | 372,642 | - |
| 1200 | Net Change in Fund Balances | (2,120,788) | (10,900,536) | (55,027) | 10,845,509 |
| 0100 | Fund Balance - July 1 (Beginning) | 81,795,330 | 81,795,330 | 81,795,330 | - |
| 3000 | Fund Balance - June 30 (Ending) | $ 79,674,542 | $ 70,894,794 | $ 81,740,303 | $ 10,845,509 |

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

EXHIBIT D-1

# DENTON INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF NET POSITION
## PROPRIETARY FUNDS
## JUNE 30, 2016

| | Business-Type Activities - Total Enterprise Funds | Governmental Activities - Total Internal Service Funds |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ 2,796,328 | $ 7,154,925 |
| Due from Other Governments | 6,036 | - |
| Due from Other Funds | 6,893 | - |
| Other Receivables | 3,759 | 828 |
| Inventories | 273,881 | 5,793 |
| Prepayments | 2,775 | 2,215 |
| Total Current Assets | 3,089,672 | 7,163,761 |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Furniture and Equipment | 4,221,154 | 8,756 |
| Depreciation on Furniture and Equipment | (3,364,968) | (7,588) |
| Total Noncurrent Assets | 856,186 | 1,168 |
| Total Assets | 3,945,858 | 7,164,929 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Outflow Related to TRS | 1,598,217 | - |
| Total Deferred Outflows of Resources | 1,598,217 | - |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts Payable | 32,142 | 35,615 |
| Accrued Wages Payable | 50,078 | 234 |
| Due to Other Funds | 166,831 | 54,611 |
| Accrued Expenses | - | 1,223,675 |
| Unearned Revenues | 320,025 | - |
| Total Current Liabilities | 569,076 | 1,314,135 |
| Noncurrent Liabilities: | | |
| Net Pension Liability | 2,838,997 | - |
| Total Noncurrent Liabilities | 2,838,997 | - |
| Total Liabilities | 3,408,073 | 1,314,135 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Inflow Related to TRS | 546,016 | - |
| Total Deferred Inflows of Resources | 546,016 | - |
| **NET POSITION** | | |
| Net Investment in Capital Assets | 856,186 | 1,168 |
| Unrestricted Net Position | 733,800 | 5,849,626 |
| Total Net Position | $ 1,589,986 | $ 5,850,794 |

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

EXHIBIT D-2

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | Business-Type Activities - Total Enterprise Funds | Governmental Activities - Total Internal Service Funds |
|---|---|---|
| OPERATING REVENUES: | | |
| Local and Intermediate Sources | $ 3,564,134 | $ 1,577,516 |
| State Program Revenues | 58,437 | - |
| Total Operating Revenues | 3,622,571 | 1,577,516 |
| OPERATING EXPENSES: | | |
| Payroll Costs | 4,391,062 | 381,544 |
| Professional and Contracted Services | 109,270 | 234,985 |
| Supplies and Materials | 5,679,507 | 88,422 |
| Other Operating Costs | 30,515 | 907,242 |
| Depreciation Expense | 355,637 | 1,751 |
| Total Operating Expenses | 10,565,991 | 1,613,944 |
| Operating Income (Loss) | (6,943,420) | (36,428) |
| NONOPERATING REVENUES (EXPENSES): | | |
| National School Breakfast Program | 1,356,471 | - |
| National School Lunch Program | 4,571,800 | - |
| Donated Commodities (USDA) | 723,726 | - |
| Earnings from Temporary Deposits & Investments | 2,096 | 11,819 |
| Total Nonoperating Revenues (Expenses) | 6,654,093 | 11,819 |
| Income (Loss) Before Transfers | (289,327) | (24,609) |
| Transfers Out | - | (1,987,000) |
| Change in Net Position | (289,327) | (2,011,609) |
| Total Net Position - July 1 (Beginning) | 1,879,313 | 7,862,403 |
| Total Net Position - June 30 (Ending) | $ 1,589,986 | $ 5,850,794 |

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

EXHIBIT D-3

# DENTON INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF CASH FLOWS
## PROPRIETARY FUNDS
## FOR THE YEAR ENDED JUNE 30, 2016

| | Business-Type Activities<br>Total Enterprise Funds | Governmental Activities -<br>Total Internal Service Funds |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Cash Received from District | $ - | $ 1,248,094 |
| Cash Received from Charges and Fees | 3,634,252 | 300,266 |
| Cash Received from Employees | - | 30,275 |
| Cash Payments for Payroll Costs | (4,279,616) | (326,969) |
| Cash Payments for Purchased Services | (109,270) | (213,968) |
| Cash Payments for Supplies and Materials | (5,672,496) | (90,626) |
| Cash Payments for Other Expenses | (30,515) | (163,436) |
| Cash Payments for Claims | - | (558,983) |
| Net Cash Provided by (Used for) Operating Activities | (6,457,645) | 224,653 |
| Cash Flows from Non-Capital Financing Activities: | | |
| Cash Received from Federal Programs | 6,651,997 | - |
| Cash Flows from Capital & Related Financing Activities: | | |
| Change in Pension Liability Accounts | 127,366 | - |
| Transfers Out | - | (1,987,000) |
| Net Cash Provided by (Used for) Capital & Related Financing Activities | 127,366 | (1,987,000) |
| Cash Flows from Investing Activities: | | |
| Interest and Dividends on Investments | 2,096 | 11,819 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 323,814 | (1,750,528) |
| Cash and Cash Equivalents at Beginning of Year | 2,472,514 | 8,905,453 |
| Cash and Cash Equivalents at End of Year | $ 2,796,328 | $ 7,154,925 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | |
| Operating Income (Loss): | $ (6,943,420) | $ (36,428) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities: | | |
| Depreciation | 355,637 | 1,751 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | | |
| Decrease (increase) in Receivables | 9,109 | 1,119 |
| Decrease (increase) in Inv./Prepayments | 15,317 | (2,204) |
| Decrease (increase) in Due from Other Gov. | 105,180 | - |
| Increase (decrease) in Accounts Payable | (8,306) | 21,017 |
| Increase (decrease) in Accrued Wages Payable | 9,470 | (36) |
| Increase (decrease) in Accrued Expenses | - | 184,823 |
| Increase (decrease) in Due to/from Other Funds | (3,204) | 54,611 |
| Increase (decrease) in Unearned Revenues | 2,572 | - |
| Net Cash Provided by (Used for) Operating Activities | $ (6,457,645) | $ 224,653 |

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

# DENTON INDEPENDENT SCHOOL DISTRICT
## STATEMENT OF FIDUCIARY NET POSITION
## FIDUCIARY FUNDS
## JUNE 30, 2016

| | Agency Funds |
|---|---|
| ASSETS | |
| Cash and Cash Equivalents | $ 1,160,883 |
| Total Assets | $ 1,160,883 |
| LIABILITIES | |
| Accounts Payable | $ 429 |
| Due to Student Groups | 1,160,454 |
| Total Liabilities | $ 1,160,883 |

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

## 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, Denton Independent School District has no component units.

### B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) 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.

Fund Financial Statements:

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

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

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

2. **Enterprise Fund** - The District utilizes enterprise funds to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its food service operations and for its athletic stadium concessions, because these programs are self-supporting and do not require subsidies from the general fund.

3. **Internal Service Funds** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service funds for its health and workers compensation self-insurance plans, its print shop and iPad insurance.

4. **Permanent Fund** - The District utilizes a permanent fund to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes to support the District's programs. The District uses this fund to account for the Lewis Price Memorial Fund, the earnings on which are to be used for playground equipment.

5. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

The enterprise funds and internal service funds are proprietary fund types. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

## C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. 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 90 day 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 fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned 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 of 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, the Debt Service Fund and the Child Nutrition 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, 2016 Fund Balance |
|---|---|
| Appropriated Budget Funds | $ –0– |
| Nonappropriated Budget Funds | 1,188,954 |
| All Special Revenue Funds | $1,188,954 |

## E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. At June 30, 2016 the District had the following encumbrances as significant commitments for which resources had not already been restricted, committed or assigned.

| | |
|---|---|
| General Fund | $ 2,014,224 |
| Capital Projects Fund | 64,456,759 |
| Total | $66,470,983 |

## F. PREPAID ITEMS

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

## G. 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.

## H. 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".

## I. 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 | 5-10 Years |

## J. 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.

## 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 POSITION

Net position represents the difference between assets, deferred inflows, deferred outflows and liabilities. Net investment in capital assets 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 position is 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.

## 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 position. Bond premiums and discounts 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 expensed in the year incurred.

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

### N. 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 2016, 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.

### O. 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. FUND BALANCE

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash and has classified the Lewis Price Memorial Fund principal as being nonspendable as these funds are contractually required to remain intact.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2016 for campus activities.

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes but it has also delegated authority to assign fund balance to the Superintendent and the Assistant Superintendent of Administrative Services. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2016 for several purposes as detailed below.

- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

During the current fiscal period, the Board of Trustees adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 20 and 21) and are described below:

## General Fund

The General Fund has unassigned fund balance of $62,986,235 at June 30, 2016. Deferred expenditures (prepaid items) of $171,065 and inventories of $177,124 are considered nonspendable fund balance. The District has assigned general fund fund balance resources for the following purposes as of June 30, 2016:

| | |
|---|---|
| 2016-2017 deficit budget | $ 7,981,687 |
| Extended School Day program | 3,029,958 |
| Non-bond new campus startup | 232,618 |
| Staffing phase-in for new campuses | 1,500,000 |
| Per pupil campus allotment | 1,459,513 |
| Local grant funds | 859,551 |
| Career and Technology program | 12,733 |
| Bilingual program | 11,379 |
| Fine Arts program | 12,703 |
| Major maintenance projects | 1,558,956 |
| Technology | 1,715,154 |
| Athletics | 5,321 |
| Vehicles/buses/equipment | 26,306 |
| | $18,405,879 |

## Other Major Funds

The Debt Service Fund has restricted funds of $67,642,629 at June 30, 2016 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of $226,754,135 at June 30, 2016 consisting primarily of unspent bond funds and $6,059,982 of non-bond funds assigned for future capital replacement projects.

### Other Funds

The fund balance of $1,188,954 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The Lewis Trust Memorial Fund permanent endowment fund principal of $1,000 is shown as nonspendable at June 30, 2016, while the accumulated unspent earnings of $13,215 are shown as assigned fund balance.

## NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

   At June 30, 2016, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was $10,248,827 and the bank balance was $12,537,218. The District's cash deposits at June 30, 2016 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

   a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2016, the District's cash balances totaled $12,537,218. This entire amount was either secured by a letter of credit held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.

b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2016, the District held all of its investments in three public funds investment pools (TexPool, Lone Star and TexStar). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool and TexStar at year-end was AAAm (Standard & Poor's), and the credit quality rating for Lone Star was AAAf (Standard & Poor's).

d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, TexStar, and Lone Star investments is less than 60 days.

e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2016, the District was not exposed to foreign currency risk.

f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

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

The District's investments at June 30, 2016, are shown below:

| Name | Carrying Amount | Fair Value |
|---|---|---|
| TexPool | $125,501,188 | $125,501,188 |
| TexStar | 141,004,468 | 141,004,468 |
| Lone Star | 140,278,905 | 140,278,905 |
| Total | $406,784,561 | $406,784,561 |

**Fair Value Measurements**

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investment in Texpool, TexStar and Lone Star (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost.

## NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

| | Balance July 1 | Additions/ Completions | Retirement/ Adjustments | Balance June 30 |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 45,228,616 | $ 1,499,783 | $ - | $ 46,728,399 |
| Construction in Progress | 50,331,049 | 90,623,821 | (825,557) | 140,129,313 |
| Total capital assets, not being depreciated | 95,559,665 | 92,123,604 | (825,557) | 186,857,712 |
| Capital assets, being depreciated: | | | | |
| Buildings and Improvements | 719,917,253 | 1,469,381 | - | 721,386,634 |
| Furniture and Equipment | 43,457,635 | 1,114,362 | (189,512) | 44,382,485 |
| Total capital assets, being depreciated | 763,374,888 | 2,583,743 | (189,512) | 765,769,119 |
| Less accumulated depreciation for: | | | | |
| Buildings and Improvements | (221,770,298) | (20,681,967) | - | (242,452,265) |
| Furniture and Equipment | (33,974,484) | (1,890,096) | 189,512 | (35,675,068) |
| Total accumulated depreciation | (255,744,782) | (22,572,063) | 189,512 | (278,127,333) |
| Total capital assets being depreciated, net | 507,630,106 | (19,988,320) | - | 487,641,786 |
| Governmental activities capital assets, net | $ 603,189,771 | $ 72,135,284 | $ (825,557) | $ 674,499,498 |
| | | | | |
| Business-type activities: | | | | |
| Furniture and Equipment | $ 4,221,154 | $ - | $ - | $ 4,221,154 |
| Totals at historic cost | 4,221,154 | - | - | 4,221,154 |
| Less accumulated depreciation for: | | | | |
| Furniture and Equipment | (3,009,331) | (355,637) | - | (3,364,968) |
| Total accumulated depreciation | (3,009,331) | (355,637) | - | (3,364,968) |
| Business-type activities capital assets net | $ 1,211,823 | $ ( 355,637) | $ - | $ 856,186 |

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

| | |
|---|---|
| Governmental activities: | |
| Instruction | $16,065,751 |
| Instructional Resources & Media Services | 371,256 |
| Curriculum & Instructional Staff Development | 388,366 |
| Instructional Leadership | 218,905 |
| School Leadership | 1,386,186 |
| Guidance, Counseling & Evaluation Services | 1,265,503 |
| Social Work Services | 59,759 |
| Health Services | 255,525 |
| Student (Pupil) Transportation | 566,076 |
| Cocurricular/Extracurricular Activities | 432,757 |
| General Administration | 542,283 |
| Plant Maintenance and Operations | 544,451 |
| Data Processing Services | 295,986 |
| Community Services | 179,259 |
| Total depreciation expense-Governmental activities | $22,572,063 |
| Business-type activities: | |
| Food Services | $ 355,637 |
| Stadium Concessions | - |
| Total depreciation expense Business-type activities | $ 355,637 |

## NOTE 5. LONG-TERM DEBT

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

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

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2016:

| Description | Interest Rate Payable | Amount Original Issue | Amounts Outstanding 7/1/15 | Additions | Refunded/ Retired | Amounts Outstanding 6/30/16 | Due Within One Year |
|---|---|---|---|---|---|---|---|
| Bonded Indebtedness: | | | | | | | |
| 2001 Bldg/Refunding | 3.64-4.40% | 60,920,000 | $18,430,000 | $ - | $ - | $18,430,000 | $ 5,315,000 |
| 2002 Bldg/Ref CAB | 3.58-5.88% | 69,195,675 | 4,479,273 | - | 2,981,120 | 1,498,153 | 789,508 |
| 2005A Building | Variable | 46,500,000 | 46,500,000 | - | - | 46,500,000 | 1,760,000 |
| 2006 Refunding CAB | 4.81-5.22% | 62,670,339 | 62,670,339 | - | 62,670,339 | - | - |
| 2006A Building | 4.25-5.00% | 21,580,000 | 4,060,000 | - | 1,695,000 | 2,365,000 | 2,365,000 |
| 2006B Building | Variable | 30,000,000 | 30,000,000 | - | - | 30,000,000 | - |
| 2007 Building | 4.00-5.00% | 39,365,000 | 10,965,000 | - | 9,220,000 | 1,745,000 | 855,000 |
| 2008 Building | 3.375-5.0% | 158,215,000 | 47,040,000 | - | 42,750,000 | 4,290,000 | 2,110,000 |
| 2009 Refunding | 4.00-5.25% | 31,875,000 | 31,875,000 | - | 21,305,000 | 10,570,000 | - |
| 2011 Refunding | 2.00-5.00% | 24,325,000 | 19,130,000 | - | 2,200,000 | 16,930,000 | 2,555,000 |
| 2012A Building | Variable | 40,000,000 | 40,000,000 | 34,360,000 | 40,000,000 | 34,360,000 | - |
| 2012B Refunding | 2.00-5.00% | 57,210,000 | 56,280,000 | - | - | 56,280,000 | 345,000 |
| 2012B Refunding CAB | 0.85% | 3,658,367 | 3,658,367 | - | 3,658,367 | - | - |
| 2012C Refunding | 2.00-2.50% | 24,875,000 | 23,865,000 | - | 4,805,000 | 19,060,000 | 3,220,000 |
| 2012D Refunding | 2.00-5.00% | 40,030,000 | 39,205,000 | - | - | 39,205,000 | - |
| 2013 Building | 2.00% | 44,300,000 | 39,815,000 | - | - | 39,815,000 | - |
| 2014A Building | 1.25-5.00% | 75,055,000 | 75,055,000 | - | 830,000 | 74,225,000 | 2,355,000 |
| 2014B Building | 2.00% | 69,075,000 | 69,075,000 | - | - | 69,075,000 | - |
| 2014C Refunding | 2.00-5.00% | 14,435,000 | 14,435,000 | - | 305,000 | 14,130,000 | - |
| 2015 Refunding | 3.00-5.00% | 118,775,000 | 118,775,000 | - | 1,295,000 | 117,480,000 | - |
| 2015A Building | 2.00-5.00% | 164,580,000 | - | 164,580,000 | - | 164,580,000 | 1,200,000 |
| 2016 Refunding | 2.00-5.00% | 117,200,000 | - | 117,200,000 | - | 117,200,000 | 495,000 |
| 2016 Refunding CAB | 1.47-2.24% | 1,549,104 | - | 1,549,104 | - | 1,549,104 | - |
| Total Bonded Indebtedness | | | 755,312,979 | 317,689,104 | 193,714,826 | 879,287,257 | 23,364,508 |
| Accreted Interest | 4.10-5.20% | | 46,609,286 | 542,374 | 38,103,725 | 9,047,935 | 4,650,492 |
| Premiums on Bond Issuance | | | 53,611,394 | 88,131,178 | 6,226,354 | 135,516,218 | 6,777,354 |
| Accrued Vacation Benefits | | | 1,140,783 | 200,412 | 270,335 | 1,070,860 | - |
| Special Termination Benefits | | | 89,520 | 27,196 | 72,164 | 44,552 | 18,939 |
| Total Other Obligations | | | 104,450,983 | 88,901,160 | 44,672,578 | 145,679,565 | 11,446,785 |
| Total Obligations of District | | | $856,763,962 | $406,590,264 | $238,387,404 | $1,024,966,822 | $34,811,293 |

The 2002 and 2016 bond series include outstanding capital appreciation bonds in the principal amount of $3,047,267. The bonds mature variously beginning in 2016 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 $9,047,935 is accounted for in the Statement of Net Position 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, 2016.

Interest Rate Swap Agreements

*2005 Swap Agreements*

As a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on January 27, 2005 the District entered into an interest rate swap transaction pursuant to agreements (the "2005 Swap Agreements") with Bear Stearns Financial Products Inc. ("BSFP") and UBS AG ("UBS"), each in an original notional amount of $23,250,000, in order to synthetically fix the interest obligation on the District's $46,500,000 Variable Rate Unlimited Tax School Building Bonds, Series 2005-A (the "Series 2005-A Bonds"). Subsequent to entering into the 2005 Swap Agreements, JPMorgan Chase & Co. purchased and merged with BSFP and as result JPMorgan Chase Bank, N.A. ("JPMCB") has been substituted for BSFP as a swap counterparty for the 2005 Swap Agreements.

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

As of June 30, 2016, the debt service requirements of the Series 2005-A Bonds were as follows. As interest rates change in the future, the differences between the floating rates payable to the District under the 2005 Swap Agreements and the actual interest rates payable by the District on the Series 2005-A Bonds will vary.

| Year Ended June 30 | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2017 | $ 1,760,000 | $ 1,993,594 | $ 3,753,594 |
| 2018 | 1,840,000 | 1,914,934 | 3,754,934 |
| 2019 | 1,890,000 | 1,833,433 | 3,723,433 |
| 2020 | 1,950,000 | 1,749,530 | 3,699,530 |
| 2021 | 2,000,000 | 1,663,222 | 3,663,222 |
| 2022-2026 | 10,160,000 | 7,021,716 | 17,181,716 |
| 2027-2031 | 12,190,000 | 4,580,415 | 16,770,415 |
| 2032-2036 | 14,710,000 | 1,659,071 | 16,369,071 |
| Totals | $ 46,500,000 | $ 22,415,915 | $ 68,915,915 |

Note: Interest was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 3.420% pursuant to the 2005 Swap Agreements; (b) the estimated cost of the liquidity facility for the Series 2005-A Bonds (0.550%); (c) the estimated cost of remarketing the Series 2005-A Bonds (0.050%); and (d) 0.350% per year to offset the potential differences between the floating rates payable to the District under the 2005 Swap Agreements and the actual interest rates payable by the District on the Series 2005-A Bonds.

*2006 Swap Agreement*

As a means to reduce its borrowing cost in comparison to the issuance of traditional fixed rate bonds at the time of issuance, on June 29, 2006 the District entered into an interest rate swap transaction pursuant to an agreement (the "2006 Swap Agreement") with Bear Stearns Financial Products Inc. ("BSFP"), in an original notional amount of $30,000,000, in order to synthetically fix the interest obligation on the District's $30,000,000 Variable Rate Unlimited Tax School Building Bonds, Series 2006-B (the "Series 2006-B Bonds"). Subsequent to entering into the 2006 Swap Agreement, JPMorgan Chase & Co. purchased and merged with BSFP and as a result JPMorgan Chase Bank, N.A. ("JPMCB") has been substituted for BSFP as swap counterparty for the 2006 Swap Agreement.

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

As of June 30, 2016, the debt service requirements of the Series 2006-B Bonds were as follows. As interest rates change in the future, the differences between the floating rates payable to the District under the 2006 Swap Agreement and the actual interest rates payable by the District on the Series 2006-B Bonds will vary.

| Year Ended June 30 | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2017 | $ - | $ 1,571,100 | $ 1,571,100 |
| 2018 | - | 1,571,100 | 1,571,100 |
| 2019 | - | 1,571,100 | 1,571,100 |
| 2020 | - | 1,571,100 | 1,571,100 |
| 2021 | - | 1,571,100 | 1,571,100 |
| 2022-2026 | 2,815,000 | 7,641,699 | 10,456,699 |
| 2027-2031 | 5,655,000 | 6,402,363 | 12,057,363 |
| 2032-2036 | 21,530,000 | 4,000,283 | 25,530,283 |
| Totals | $ 30,000,000 | $ 25,899,845 | $ 55,899,845 |

Note: Interest was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 4.077% pursuant to the 2006 Swap Agreement; (b) the estimated cost of the liquidity facility for the Series 2006-B Bonds (0.250%); (c) the estimated cost of remarketing the Series 2006-B Bonds (0.060%); and (d) 0.700% per year to offset the potential differences between the floating rates payable to the District under the 2006 Swap Agreement and the actual interest rates payable by the District on the Series 2006-B Bonds.

*Other Information Common To Both The 2005 And 2006 Swap Agreements*

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

As of June 30, 2016, the District was not exposed to credit risk with JPMCB and UBS on the 2005 Swap Agreements as such agreements had a negative fair value of $11,875,973. The District was not exposed to credit risk with JPMCB on the 2006 Swap Agreement as such agreement had a negative fair value of $11,556,180. Collectively, as of June 30, 2016, the Swap Agreements had a net negative fair value of $23,432,153.

As of June 30, 2016, JPMCB was rated "Aa1," "AA-" and "AA-" by Moody's Investors Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch"), respectively, while UBS was rated "Aa3," "A+" and "A+" by Moody's, S&P and Fitch, respectively.

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

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

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

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

## NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

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

| Year Ended June 30 | Principal | Interest | Total Requirements |
|---|---|---|---|
| 2017 | $ 21,604,508 | $ 36,353,387 | $ 57,957,895 |
| 2018 | 19,753,645 | 37,434,434 | 57,188,079 |
| 2019 | 23,330,000 | 32,189,286 | 55,519,286 |
| 2020 | 24,340,000 | 32,254,096 | 56,594,096 |
| 2021 | 19,563,016 | 36,457,614 | 56,020,630 |
| 2022-2026 | 87,641,088 | 190,888,119 | 278,529,207 |
| 2027-2031 | 156,310,000 | 119,374,609 | 275,684,609 |
| 2032-2036 | 168,970,000 | 80,651,067 | 249,621,067 |
| 2037-2041 | 154,455,000 | 45,208,475 | 199,663,475 |
| 2042-2046 | 126,820,000 | 12,922,975 | 139,742,975 |
| | $802,787,257 | $623,734,062 | $1,426,521,319 |

## NOTE 7. DEFEASED BONDS OUTSTANDING

On May 19, 2016, the District issued $118,749,104 (par value) in unlimited tax refunding bonds (current interest bonds and $1,549,104 capital appreciation bonds) with interest rates ranging from 1.47% to 5.0% to advance refund $133,090,339 of unlimited tax school building and tax refunding bonds. The unlimited tax refunding bonds were issued at a net premium of $62,826,774, and, after paying issuance costs of $1,291,884, the net proceeds were $180,280,178. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bond matures. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by $51,970,247 which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $37,711,063.

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, 2016, $353,344,192 of bonds outstanding are considered defeased.

## NOTE 8. SPECIAL TERMINATION BENEFITS

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

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

From 1999 through 2015, 119 employees elected participation in the program. The District's liability for these special termination benefits is considered a long-term liability and is recorded in the Statement of Net Position at the present value at June 30, 2016 of all future periodic payments to be made to the 6 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 June 30 | Total Payments |
|---|---|
| 2017 | $ 18,939 |
| 2018 | 12,920 |
| 2019 | 6,799 |
| 2020 | 6,799 |
| Total | $ 45,457 |
| Present Value | $ 44,552 |

## NOTE 9. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

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

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

| | |
|---|---|
| Balance, July 1, 2015 | $1,140,783 |
| Additions – New Entrants and Salary Increments | 200,412 |
| Deductions – Payments to Participants | (270,335) |
| Balance, June 30, 2016 | $1,070,860 |

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

## NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District (DCAD) is responsible for the appraisal of property for all taxing units in Denton County, including the District. Under the terms of a contract for appraisal services, the District paid DCAD $1,257,170 in fiscal year 2016 for appraising property.

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2015-16 fiscal year was based was $12,712,090,714. 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, 2016, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $1.04 and $0.50 per $100 valuation, respectively, for a total of $1.54 per $ 100 valuation.

Current tax collections for the year ended June 30, 2016 were 99.08% 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, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled $2,538,211 and $1,177,920 for the General and Debt Service Funds, respectively.

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

## NOTE 11. DEFINED BENEFIT PENSION PLAN

***Plan Description***. Denton Independent School District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

***Pension Plan Fiduciary Net Position.*** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

| Net Pension Liability | Total |
|---|---|
| Total Pension Liability | $163,887,375,172 |
| Less: Plan Fiduciary Net Position | (128,538,706,212) |
| Net Pension Liability | $ 35,348,668,960 |
| | |
| Net Position as percentage of Total Pension Liability | 78.43% |

***Benefits Provided.*** TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

***Contributions.*** Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

**Contribution Rates**

| | 2015 | 2016 |
|---|---|---|
| Member | 6.7% | 7.2% |
| Non-Employer Contributing Entity (State) | 6.8% | 6.8% |
| Employers | 6.8% | 6.8% |

| | | |
|---|---|---|
| Denton ISD FY2016 Employer Contributions | $ | 4,666,408 |
| Denton ISD FY2016 Member Contributions | $ | 10,853,606 |
| Denton ISD 2015 NECE On-Behalf Contributions | $ | 8,140,943 |

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during the fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

***Actuarial Assumptions.*** The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | August 31, 2015 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 8.00% |
| Long-term expected Investment Rate of Return | 8.00% |
| Inflation | 2.50% |
| Salary Increases Including Inflation | 3.50% to 9.50% |
| Payroll Growth Rate | 2.50% |
| Benefit Changes During the Year | None |
| Ad hoc Post Employment Benefit Changes | None |

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

***Discount Rate.*** The single discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

| Asset Class | Target Allocation | Real Return Geometric Basis | Long-Term Expected Portfolio Real Rate of Return* |
|---|---|---|---|
| **Global Equity** | | | |
| U.S. | 18% | 4.6% | 1.0% |
| Non-U.S. Developed | 13% | 5.1% | 0.8% |
| Emerging Markets | 9% | 5.9% | 0.7% |
| Directional Hedge Funds | 4% | 3.2% | 0.1% |
| Private Equity | 13% | 7.0% | 1.1% |
| **Stable Value** | | | |
| U.S. Treasuries | 11% | 0.7% | 0.1% |
| Absolute Return | 0% | 1.8% | 0.0% |
| Stable Value Hedge Funds | 4% | 3.0% | 0.1% |
| Cash | 1% | -0.2% | 0.0% |
| **Real Return** | | | |
| Global Inflation Linked Bonds | 3% | 0.9% | 0.0% |
| Real Assets | 16% | 5.1% | 1.1% |
| Energy and Natural Resources | 3% | 6.6% | 0.2% |
| Commodities | 0% | 1.2% | 0.0% |
| **Risk Parity** | | | |
| Risk Parity | 5% | 6.7% | 0.3% |
| Inflation Expectation | | | 2.2% |
| Alpha | 0% | | 1.0% |
| **Total** | 100% | | 8.7% |

* *The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.*

***Discount Rate Sensitivity Analysis.*** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

| | 1% Decrease in Discount Rate (7.0%) | Discount Rate (8.0%) | 1% Increase in Discount Rate (9.0%) |
|---|---|---|---|
| Denton ISD's proportionate share of the net pension liability: | $ 93,704,934 | $ 59,806,130 | $ 31,570,534 |

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At June 30, 2016, Denton Independent School District reported a liability of $59,806,130 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Denton Independent School District. The amount recognized by Denton Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Denton Independent School District were as follows:

| | |
|---|---|
| District's Proportionate share of the collective net pension liability | $ 59,806,130 |
| State's proportionate share that is associated with the District | 97,157,049 |
| Total | $156,963,179 |

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .1691892% an increase of 46.91% from its proportionate share of .1151618% at August 31, 2014.

**Changes Since the Prior Actuarial Valuation** – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the year ended June 30, 2016, Denton Independent School District recognized pension expense of $13,843,316 and revenue of $13,843,316 for support provided by the State.

At June 30, 2016, Denton Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 395,652 | $ 2,298,403 |
| Changes in actuarial assumptions | 1,662,934 | 2,133,621 |
| Difference between projected and actual investment earnings | 14,728,918 | 7,051,434 |
| Changes in proportion and difference between the employer's contributions and the proportionate share of contributions | 12,348,712 | 18,876 |
| Contributions paid to TRS subsequent to the measurement date | 4,531,712 | - |
| Total | $33,667,928 | $11,502,334 |

$4,531,712 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended August 31: | Pension Expense Amount |
|---|---|
| 2017 | $ 3,086,152 |
| 2018 | 3,086,152 |
| 2019 | 3,086,152 |
| 2020 | 5,436,632 |
| 2021 | 1,729,731 |
| 2022 | 1,209,063 |

## NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2016, 2015 and 2014. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2016, 2015, and 2014, the State's contributions to the TRS-Care were $1,127,075, $1,043,735, and $1,003,591, respectively, the active member contributions were $732,599, $678,428, and $652,334, respectively, and the school district's contribution were $619,891, $574,054, and $551,975, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2016, the contribution made on behalf of the District was $568,691.

## NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2016, were as follows:

| Fund | Advances to Other Funds | Advances from Other Funds |
|---|---|---|
| General Fund: | | |
| Special Revenue Fund | $163,794 | $ - |
| Enterprise Fund | 166,831 | 6,893 |
| Internal Service Fund | 54,611 | - |
| Capital Projects Fund | - | 3,606 |
| Special Revenue Fund: | | |
| General Fund | - | 163,794 |
| Enterprise Fund: | | |
| General Fund | 6,893 | 166,831 |
| Internal Service Fund: | | |
| General Fund | - | 54,611 |
| Capital Projects Fund: | | |
| General Fund | 3,606 | - |
| TOTAL | $395,735 | $395,735 |

Interfunds transfers for the year ended June 30, 2016 consisted of the following individual amounts:

| Fund | Transfers to Other Funds | Transfers from Other Funds |
|---|---|---|
| General Fund: | | |
| Capital Projects Fund | $4,864,647 | $ 84,000 |
| Internal Service Fund | - | 1,987,000 |
| Special Revenue Fund | - | 36,498 |
| Internal Service Fund: | | |
| General Fund | 1,987,000 | - |
| Capital Projects Fund: | | |
| General Fund | 84,000 | 4,864,647 |
| Special Revenue Fund: | | |
| General Fund | 36,498 | - |
| TOTAL | $6,972,145 | $6,972,145 |

The purpose of the $4,864,647 transfer was to transfer local funds from the general fund to the capital projects fund to set them aside for future capital replacements needs. The purpose of the $1,987,000 transfer was to transfer excess funds from the workers compensation and health insurance trust internal service funds to the general fund. The purpose of the $84,000 transfer is to transfer back to the general fund from the capital projects fund some of the capital replacement funds to use for bus repairs. The purpose of the $36,498 transfer is to transfer a portion of the aquatic program profits to the general fund. There was also a $19,098 transfer from the student activity funds to the campus activity fund.

## NOTE 14. HEALTH CARE

During the year ended June 30, 2016, employees of Denton Independent School District were covered by a health insurance plan (the Plan). The District contributed $235 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a self-funded plan.

## NOTE 15. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2016, were as follows:

| | Property Taxes | Other Governments | Due From Other Funds | Other | Total Receivables |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| General Fund | $2,662,985 | $13,081,453 | $385,236 | $ 75,091 | $16,204,765 |
| Debt Service Fund | 1,237,042 | 118,776 | - | - | 1,355,818 |
| Capital Projects Fund | - | - | 3,606 | - | 3,606 |
| Special Revenue Fund | - | 2,717,360 | - | 549 | 2,717,909 |
| Total - Governmental Activities | $3,900,027 | $15,917,589 | $388,842 | $ 75,640 | $20,282,098 |
| Amounts not scheduled for collection during the subsequent year | $ 183,796 | $ - | $ - | $ - | $ 183,796 |
| Business-type Activities: | | | | | |
| Enterprise Fund | $ - | $ 6,036 | $ 6,893 | $ 3,759 | $ 16,688 |
| Internal Service Fund | - | - | - | 828 | 828 |
| Total Business-type Activities | $ - | $ 6,036 | $ 6,893 | $ 4,587 | $ 17,516 |

Payables at June 30, 2016, were as follows:

| | Accounts | Salaries and Benefits | Due To Other Funds | Other | Total Payables |
|---|---|---|---|---|---|
| Governmental Activities: | | | | | |
| General Fund | $ 1,936,098 | $22,525,047 | $ 10,500 | $ - | $24,471,645 |
| Debt Service Fund | 30,230 | - | - | - | 30,230 |
| Capital Projects Fund | 13,593,369 | - | - | - | 13,593,369 |
| Special Revenue Funds | 173,945 | 1,296,314 | 163,793 | - | 1,634,052 |
| Total-Governmental Activities | $15,733,642 | $23,821,361 | $ 174,293 | $ - | $39,729,296 |
| Amounts not scheduled for payment during the subsequent year | $ - | $ - | $ - | $ - | $ - |
| Business-type Activities: | | | | | |
| Enterprise Fund | $ 32,142 | $ 50,078 | $ 166,831 | $ - | $ 249,051 |
| Internal Service Fund | 35,615 | 234 | 54,611 | 1,223,675 | 1,314,135 |
| Total Business-type Activities | $ 67,757 | $ 50,312 | $ 221,442 | $1,223,675 | $ 1,563,186 |

## 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 $1,223,675 as of June 30, 2016. Claims administration is provided by TASB.

The accrued liability for Workers' Compensation self-insurance of $1,223,675 includes incurred but not reported claims. This liability reported in the fund at June 30, 2016, 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 2016 was $500,000.

Changes in the workers' compensation claims liability amounts in fiscal 2015 and 2016 are represented below:

| | Year Ended June 30, 2015 | Year Ended June 30, 2016 |
|---|---|---|
| Unpaid claims, beginning of year | $1,171,713 | $1,038,852 |
| Incurred claims (including IBNR'S) | 389,598 | 928,629 |
| Claim payments | 522,459 | 743,806 |
| Unpaid claims, end of fiscal year | $1,038,852 | $1,223,675 |

## 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, 2016, 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.

| Fund | State Grants & Entitlements | Federal Grants | Local Governments | Total |
|---|---|---|---|---|
| General | $13,049,026 | $ 1,506 | $ 30,921 | $13,081,453 |
| Debt Service | - | 118,776 | - | 118,776 |
| Special Revenue | 102,313 | 2,557,625 | 57,422 | 2,717,360 |
| Total | $13,151,339 | $2,677,907 | $ 88,343 | $15,917,589 |

## NOTE 18. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At June 30, 2016, the estimated rebate liability on outstanding bond series was zero.

## 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.

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

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

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

## NOTE 20. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

| | General Fund | Special Revenue Fund | Debt Service Fund | Capital Projects Fund | Total |
|---|---|---|---|---|---|
| Property Taxes | $131,952,068 | $ - | $63,427,178 | $ - | $195,379,246 |
| Investment Income | 247,907 | - | 120,090 | 593,894 | 961,891 |
| Penalties, interest and other tax related income | 907,587 | - | 319,457 | - | 1,221,044 |
| Co-curricular student activities | 504,716 | 1,659,618 | - | - | 2,164,334 |
| Tuition and fees | 2,605,964 | 893,554 | - | - | 3,499,518 |
| Gifts and bequests | 790,934 | 308,806 | - | - | 1,099,740 |
| Facilities rentals | 321,495 | - | - | - | 321,495 |
| Insurance recovery | 4,709 | - | - | - | 4,709 |
| Other | 170,609 | - | - | - | 170,609 |
| Total | $137,499,989 | $2,861,978 | $63,866,725 | $ 593,894 | $204,822,586 |

## NOTE 21. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

| | General Fund | Special Revenue Fund | Enterprise Fund | Total |
|---|---|---|---|---|
| Lunchroom receipts | $ - | $ - | $146,207 | $ 146,207 |
| Food Commodities | - | - | 173,818 | 173,818 |
| State Textbook Fund | - | 138,046 | - | 138,046 |
| Summer Feeding Program | - | 22,515 | - | 22,515 |
| Summer School LEP | - | 4,785 | - | 4,785 |
| Teacher Induction & Mentoring | - | 563 | - | 563 |
| Advanced Placement Incentives | - | 113,601 | - | 113,601 |
| Deaf Ed Mgmt Board | - | 47,932 | - | 47,932 |
| Extended dayschool tuition | 790 | - | - | 790 |
| | $ 790 | $327,442 | $320,025 | $ 648,257 |

## NOTE 22. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2016, as follows:

| Year Ending June 30, | |
|---|---|
| 2017 | $ 426,116 |
| 2018 | 98,523 |
| Total Minimum Rentals | $ 524,639 |
| Rental Expenditures in Fiscal Year 2016 | $ 451,088 |

## NOTE 23. GENERAL FUND FEDERAL SOURCE REVENUES

| Program or Source | CFDA Number | Amount | Total Grant or Entitlement |
|---|---|---|---|
| General Fund: | | | |
| Medicaid Reimbursement | N/A | $5,195,769 | $5,195,769 |
| Junior ROTC | 12.000 | 184,057 | 184,057 |
| Indirect Costs | N/A | 680,351 | 680,351 |
| i3 Grant | 84.411 | 6,000 | 6,000 |
| Federal Excise Tax Rebate | N/A | 186,740 | 186,740 |
| Total for General Fund | | $6,252,917 | $6,252,917 |

## 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 no functional category for the year ended June 30, 2016.

## NOTE 25. SHARED SERVICE ARRANGEMENTS

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

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

The District participates in a shared services arrangement for juvenile justice alternative education services with ten other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Denton ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended June 30, 2016, the District contributed $10,057 to the fiscal agent as its share of the costs of the joint venture.

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REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT G-1

# DENTON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
## TEACHER RETIREMENT SYSTEM OF TEXAS
## FOR THE YEAR ENDED JUNE 30, 2016

| | 2016 | 2015 |
|---|---|---|
| District's Proportion of the Net Pension Liability (Asset) | 0.1691892% | 0.1151618% |
| District's Proportionate Share of Net Pension Liability (Asset) | $ 59,806,130 | $ 30,761,310 |
| State's Proportionate Share of the Net Pension Liability (Asset) associated with the District | 97,157,049 | 83,661,060 |
| Total | $ 156,963,179 | $ 114,422,370 |
| District's Covered-Employee Payroll | $ 173,396,127 | $ 163,129,441 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 34.49% | 18.86% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 78.43% | 83.25% |

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

EXHIBIT G-2

# DENTON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF DISTRICT CONTRIBUTIONS
## TEACHER RETIREMENT SYSTEM OF TEXAS
## FOR FISCAL YEAR 2016

| | 2016 | 2015 |
|---|---|---|
| Contractually Required Contribution | $ 5,322,188 | $ 4,666,408 |
| Contribution in Relation to the Contractually Required Contribution | (5,322,188) | (4,666,408) |
| Contribution Deficiency (Excess) | $ -0- | $ -0- |
| District's Covered-Employee Payroll | $ 173,396,127 | $ 163,129,441 |
| Contributions as a Percentage of Covered-Employee Payroll | 3.07% | 2.86% |

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

*Changes of benefit terms.*

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

*Changes of assumptions.*

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

*Economic Assumptions*

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

COMBINING SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

| Data Control Codes | | 205 Head Start | 211 ESEA I, A Improving Basic Program | 224 IDEA - Part B Formula |
|---|---|---|---|---|
| | ASSETS | | | |
| 1110 | Cash and Cash Equivalents | $ (104,074) | $ (257,230) | $ (415,839) |
| 1240 | Receivables from Other Governments | 308,860 | 587,300 | 1,002,187 |
| 1290 | Other Receivables | - | - | 308 |
| 1300 | Inventories | - | - | - |
| 1410 | Prepayments | - | 16,250 | 2,292 |
| 1900 | Other Assets | - | - | - |
| 1000 | Total Assets | $ 204,786 | $ 346,320 | $ 588,948 |
| | LIABILITIES | | | |
| 2110 | Accounts Payable | $ 13,215 | $ 6,230 | $ 26,813 |
| 2160 | Accrued Wages Payable | 164,351 | 296,449 | 499,889 |
| 2170 | Due to Other Funds | 27,220 | 43,641 | 62,246 |
| 2300 | Unearned Revenues | - | - | - |
| 2000 | Total Liabilities | 204,786 | 346,320 | 588,948 |
| | FUND BALANCES | | | |
| | Nonspendable Fund Balance: | | | |
| 3425 | Endowment Principal | - | - | - |
| | Committed Fund Balance: | | | |
| 3545 | Other Committed Fund Balance | - | - | - |
| | Assigned Fund Balance: | | | |
| 3590 | Other Assigned Fund Balance | - | - | - |
| 3000 | Total Fund Balances | - | - | - |
| 4000 | Total Liabilities and Fund Balances | $ 204,786 | $ 346,320 | $ 588,948 |

| 225 IDEA - Part B Preschool | 242 Summer Feeding Program | 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 265 Title IV, B Community Learning | 272 Medicaid Admin. Claim MAC | 277 UNT Title III Nexus | 288 Summer School LEP |
|---|---|---|---|---|---|---|---|
| $ (5,265) | $ (31,430) | $ (31,669) | $ (44,531) | $ (10,439) | $ (39,099) | $ - | $ 21,997 |
| 15,655 | 64,739 | 53,388 | 112,668 | 10,439 | 39,099 | - | - |
| - | - | 19 | - | - | - | - | - |
| - | 24,018 | - | - | - | - | - | - |
| - | - | 3,200 | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| $ 10,390 | $ 57,327 | $ 24,938 | $ 68,137 | $ - | $ - | $ - | $ 21,997 |
| $ - | $ 29,690 | $ 105 | $ 160 | $ - | $ - | $ - | $ - |
| 8,635 | 5,122 | 21,870 | 61,464 | - | - | - | 17,212 |
| 1,755 | - | 2,963 | 6,513 | - | - | - | - |
| - | 22,515 | - | - | - | - | - | 4,785 |
| 10,390 | 57,327 | 24,938 | 68,137 | - | - | - | 21,997 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| $ 10,390 | $ 57,327 | $ 24,938 | $ 68,137 | $ - | $ - | $ - | $ 21,997 |

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

| Data Control Codes | | 309 SSA Adult Basic Education | 312 SSA - TANF Family Assistance | 315 SSA IDEA, Part B Discretionary | 316 SSA IDEA, Part B Deaf |
|---|---|---|---|---|---|
| | ASSETS | | | | |
| 1110 | Cash and Cash Equivalents | $ (230,467) | $ (15,271) | $ - | $ (24,701) |
| 1240 | Receivables from Other Governments | 276,849 | 16,780 | - | 29,812 |
| 1290 | Other Receivables | - | - | - | - |
| 1300 | Inventories | - | - | - | - |
| 1410 | Prepayments | - | - | - | - |
| 1900 | Other Assets | - | - | - | - |
| 1000 | Total Assets | $ 46,382 | $ 1,509 | $ - | $ 5,111 |
| | LIABILITIES | | | | |
| 2110 | Accounts Payable | $ 30,187 | $ 208 | $ - | $ - |
| 2160 | Accrued Wages Payable | 14,989 | 1,200 | - | 4,586 |
| 2170 | Due to Other Funds | 1,206 | 101 | - | 525 |
| 2300 | Unearned Revenues | - | - | - | - |
| 2000 | Total Liabilities | 46,382 | 1,509 | - | 5,111 |
| | FUND BALANCES | | | | |
| | Nonspendable Fund Balance: | | | | |
| 3425 | Endowment Principal | - | - | - | - |
| | Committed Fund Balance: | | | | |
| 3545 | Other Committed Fund Balance | - | - | - | - |
| | Assigned Fund Balance: | | | | |
| 3590 | Other Assigned Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | - | - | - | - |
| 4000 | Total Liabilities and Fund Balances | $ 46,382 | $ 1,509 | $ - | $ 5,111 |

| 317 SSA - IDEA, B Preschool Deaf | 331 SSA - Career & Technical - Basic Grant | 340 SSA - IDEA C Deaf - Early Intervention | 385 Visually Impaired SSVI | 397 Advanced Placement Incentives | 410 State Textbook Fund | 425 Teacher Induction and Mentoring | 431 SSA - ABE Educational Technology |
|---|---|---|---|---|---|---|---|
| $ - | $ (21,110) | $ - | $ - | $ 113,601 | $ 108,385 | $ 563 | $ (36,488) |
| - | 39,849 | - | - | - | - | - | 40,450 |
| - | - | - | - | - | 222 | - | - |
| - | - | - | - | - | - | - | - |
| - | 2,500 | - | - | - | 29,439 | - | - |
| - | - | - | - | - | - | - | - |
| $ - | $ 21,239 | $ - | $ - | $ 113,601 | $ 138,046 | $ 563 | $ 3,962 |
| $ - | $ 6,234 | $ - | $ - | $ - | $ - | $ - | $ 3,962 |
| - | 14,371 | - | - | - | - | - | - |
| - | 634 | - | - | - | - | - | - |
| - | - | - | - | 113,601 | 138,046 | 563 | - |
| - | 21,239 | - | - | 113,601 | 138,046 | 563 | 3,962 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| $ - | $ 21,239 | $ - | $ - | $ 113,601 | $ 138,046 | $ 563 | $ 3,962 |

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

| Data Control Codes | | 435 SSA Regional Day School - Deaf | 446 Deaf Ed Mgmt Board | 461 Campus Activity Funds | Total Nonmajor Special Revenue Funds |
|---|---|---|---|---|---|
| | ASSETS | | | | |
| 1110 | Cash and Cash Equivalents | $ (10,840) | $ 135,057 | $ 1,231,808 | $ 332,958 |
| 1240 | Receivables from Other Governments | 61,863 | 57,422 | - | 2,717,360 |
| 1290 | Other Receivables | - | - | - | 549 |
| 1300 | Inventories | - | - | - | 24,018 |
| 1410 | Prepayments | - | 2,600 | 19,282 | 75,563 |
| 1900 | Other Assets | - | - | - | - |
| 1000 | Total Assets | $ 51,023 | $ 195,079 | $ 1,251,090 | $ 3,150,448 |
| | LIABILITIES | | | | |
| 2110 | Accounts Payable | $ - | $ 864 | $ 56,277 | $ 173,945 |
| 2160 | Accrued Wages Payable | 47,585 | 132,732 | 5,859 | 1,296,314 |
| 2170 | Due to Other Funds | 3,438 | 13,551 | - | 163,793 |
| 2300 | Unearned Revenues | - | 47,932 | - | 327,442 |
| 2000 | Total Liabilities | 51,023 | 195,079 | 62,136 | 1,961,494 |
| | FUND BALANCES | | | | |
| | Nonspendable Fund Balance: | | | | |
| 3425 | Endowment Principal | - | - | - | - |
| | Committed Fund Balance: | | | | |
| 3545 | Other Committed Fund Balance | - | - | 1,188,954 | 1,188,954 |
| | Assigned Fund Balance: | | | | |
| 3590 | Other Assigned Fund Balance | - | - | - | - |
| 3000 | Total Fund Balances | - | - | 1,188,954 | 1,188,954 |
| 4000 | Total Liabilities and Fund Balances | $ 51,023 | $ 195,079 | $ 1,251,090 | $ 3,150,448 |

| 479 Lewis Price Trust Fund | Total Nonmajor Governmental Funds |
|---|---|
| $ - | $ 332,958 |
| - | 2,717,360 |
| - | 549 |
| - | 24,018 |
| - | 75,563 |
| 14,215 | 14,215 |
| $ 14,215 | $ 3,164,663 |
| | |
| $ - | $ 173,945 |
| - | 1,296,314 |
| - | 163,793 |
| - | 327,442 |
| - | 1,961,494 |
| | |
| 1,000 | 1,000 |
| | |
| - | 1,188,954 |
| | |
| 13,215 | 13,215 |
| 14,215 | 1,203,169 |
| | |
| $ 14,215 | $ 3,164,663 |

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| Data Control Codes | | 205 Head Start | 211 ESEA I, A Improving Basic Program | 224 IDEA - Part B Formula |
|---|---|---|---|---|
| | REVENUES: | | | |
| 5700 | Total Local and Intermediate Sources | $ - | $ - | $ - |
| 5800 | State Program Revenues | - | - | - |
| 5900 | Federal Program Revenues | 1,267,532 | 2,821,934 | 4,627,472 |
| 5020 | Total Revenues | 1,267,532 | 2,821,934 | 4,627,472 |
| | EXPENDITURES: | | | |
| | Current: | | | |
| 0011 | Instruction | 1,026,333 | 2,064,027 | 2,734,780 |
| 0012 | Instructional Resources and Media Services | - | 20,124 | - |
| 0013 | Curriculum and Instructional Staff Development | 1,293 | 546,326 | 50,331 |
| 0021 | Instructional Leadership | - | 3,079 | 60,899 |
| 0023 | School Leadership | 38,203 | 33,960 | 3,631 |
| 0031 | Guidance, Counseling and Evaluation Services | 1,664 | 69,513 | 1,773,478 |
| 0032 | Social Work Services | 152,510 | 6,646 | - |
| 0033 | Health Services | 3,082 | - | 2,699 |
| 0034 | Student (Pupil) Transportation | - | - | - |
| 0035 | Food Services | - | - | - |
| 0036 | Extracurricular Activities | - | - | - |
| 0041 | General Administration | - | - | - |
| 0051 | Facilities Maintenance and Operations | 13,214 | - | - |
| 0052 | Security and Monitoring Services | - | - | - |
| 0053 | Data Processing Services | - | - | - |
| 0061 | Community Services | 31,233 | 78,259 | 1,654 |
| | Capital Outlay: | | | |
| 0081 | Facilities Acquisition and Construction | - | - | - |
| 6030 | Total Expenditures | 1,267,532 | 2,821,934 | 4,627,472 |
| 1100 | Excess of Revenues Over Expenditures | - | - | - |
| | OTHER FINANCING SOURCES (USES): | | | |
| 7915 | Transfers In | - | - | - |
| 8911 | Transfers Out (Use) | - | - | - |
| 7080 | Total Other Financing Sources (Uses) | - | - | - |
| 1200 | Net Change in Fund Balance | - | - | - |
| 0100 | Fund Balance - July 1 (Beginning) | - | - | - |
| 3000 | Fund Balance - June 30 (Ending) | $ - | $ - | $ - |

| 225 IDEA - Part B Preschool | 242 Summer Feeding Program | 255 ESEA II,A Training and Recruiting | 263 Title III, A English Lang. Acquisition | 265 Title IV, B Community Learning | 272 Medicaid Admin. Claim MAC | 277 UNT Title III Nexus | 288 Summer School LEP |
|---|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | - | - | - | - |
| 63,774 | 96,999 | 455,232 | 442,938 | 128,316 | 144,618 | 4,509 | 19,819 |
| 63,774 | 96,999 | 455,232 | 442,938 | 128,316 | 144,618 | 4,509 | 19,819 |
| 63,774 | - | 45,697 | 174,877 | - | 79,841 | 4,509 | 19,819 |
| - | - | - | - | - | - | - | - |
| - | - | 399,473 | 263,983 | - | - | - | - |
| - | - | 210 | 409 | - | - | - | - |
| - | - | 9,852 | 1,556 | - | - | - | - |
| - | - | - | - | - | 64,777 | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 128,316 | - | - | - |
| - | 95,999 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 1,000 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 2,113 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 63,774 | 96,999 | 455,232 | 442,938 | 128,316 | 144,618 | 4,509 | 19,819 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| Data Control Codes | | 309 SSA Adult Basic Education | 312 SSA - TANF Family Assistance | 315 SSA IDEA, Part B Discretionary | 316 SSA IDEA, Part B Deaf |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ - | $ - | $ - | $ - |
| 5800 | State Program Revenues | - | - | - | - |
| 5900 | Federal Program Revenues | 1,558,929 | 91,565 | 28,238 | 29,273 |
| 5020 | Total Revenues | 1,558,929 | 91,565 | 28,238 | 29,273 |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0011 | Instruction | 1,430,123 | 75,229 | 28,238 | 29,187 |
| 0012 | Instructional Resources and Media Services | - | - | - | - |
| 0013 | Curriculum and Instructional Staff Development | 86,801 | 1,974 | - | - |
| 0021 | Instructional Leadership | 42,005 | 14,362 | - | - |
| 0023 | School Leadership | - | - | - | - |
| 0031 | Guidance, Counseling and Evaluation Services | - | - | - | 86 |
| 0032 | Social Work Services | - | - | - | - |
| 0033 | Health Services | - | - | - | - |
| 0034 | Student (Pupil) Transportation | - | - | - | - |
| 0035 | Food Services | - | - | - | - |
| 0036 | Extracurricular Activities | - | - | - | - |
| 0041 | General Administration | - | - | - | - |
| 0051 | Facilities Maintenance and Operations | - | - | - | - |
| 0052 | Security and Monitoring Services | - | - | - | - |
| 0053 | Data Processing Services | - | - | - | - |
| 0061 | Community Services | - | - | - | - |
| | Capital Outlay: | | | | |
| 0081 | Facilities Acquisition and Construction | - | - | - | - |
| 6030 | Total Expenditures | 1,558,929 | 91,565 | 28,238 | 29,273 |
| 1100 | Excess of Revenues Over Expenditures | - | - | - | - |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7915 | Transfers In | - | - | - | - |
| 8911 | Transfers Out (Use) | - | - | - | - |
| 7080 | Total Other Financing Sources (Uses) | - | - | - | - |
| 1200 | Net Change in Fund Balance | - | - | - | - |
| 0100 | Fund Balance - July 1 (Beginning) | - | - | - | - |
| 3000 | Fund Balance - June 30 (Ending) | $ - | $ - | $ - | $ - |

| 317 SSA - IDEA, B Preschool Deaf | 331 SSA - Career & Technical - Basic Grant | 340 SSA - IDEA C Deaf - Early Intervention | 385 Visually Impaired SSVI | 397 Advanced Placement Incentives | 410 State Textbook Fund | 425 Teacher Induction and Mentoring | 431 SSA - ABE Educational Technology |
|---|---|---|---|---|---|---|---|
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| - | - | - | 16,093 | 1,752 | 4,982,006 | 181 | 235,344 |
| 4,246 | 235,915 | 1,626 | - | - | - | - | - |
| 4,246 | 235,915 | 1,626 | 16,093 | 1,752 | 4,982,006 | 181 | 235,344 |
| 4,246 | 119,724 | 1,626 | 16,093 | 1,752 | 4,957,432 | - | 192,616 |
| - | - | - | - | - | - | 181 | - |
| - | 33,548 | - | - | - | 24,574 | - | 7,146 |
| - | 3,630 | - | - | - | - | - | 35,582 |
| - | - | - | - | - | - | - | - |
| - | 79,013 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 4,246 | 235,915 | 1,626 | 16,093 | 1,752 | 4,982,006 | 181 | 235,344 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| Data Control Codes | | 435 SSA Regional Day School - Deaf | 446 Deaf Ed Mgmt Board | 461 Campus Activity Funds | Total Nonmajor Special Revenue Funds |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ - | $ 893,554 | $ 1,968,417 | $ 2,861,971 |
| 5800 | State Program Revenues | 313,358 | - | - | 5,548,734 |
| 5900 | Federal Program Revenues | - | - | - | 12,022,935 |
| 5020 | Total Revenues | 313,358 | 893,554 | 1,968,417 | 20,433,640 |
| | EXPENDITURES: | | | | |
| | Current: | | | | |
| 0011 | Instruction | 295,889 | 847,626 | 1,157,474 | 15,370,912 |
| 0012 | Instructional Resources and Media Services | - | - | 106,652 | 126,957 |
| 0013 | Curriculum and Instructional Staff Development | - | 314 | 37,944 | 1,453,707 |
| 0021 | Instructional Leadership | - | - | - | 160,176 |
| 0023 | School Leadership | - | - | 74,527 | 161,729 |
| 0031 | Guidance, Counseling and Evaluation Services | 17,469 | 45,614 | - | 2,051,614 |
| 0032 | Social Work Services | - | - | - | 159,156 |
| 0033 | Health Services | - | - | 65 | 5,846 |
| 0034 | Student (Pupil) Transportation | - | - | - | 128,316 |
| 0035 | Food Services | - | - | - | 95,999 |
| 0036 | Extracurricular Activities | - | - | 464,634 | 464,634 |
| 0041 | General Administration | - | - | 18,543 | 18,543 |
| 0051 | Facilities Maintenance and Operations | - | - | 13,626 | 27,840 |
| 0052 | Security and Monitoring Services | - | - | 4,139 | 4,139 |
| 0053 | Data Processing Services | - | - | 127 | 127 |
| 0061 | Community Services | - | - | 3,610 | 116,869 |
| | Capital Outlay: | | | | |
| 0081 | Facilities Acquisition and Construction | - | - | 18,901 | 18,901 |
| 6030 | Total Expenditures | 313,358 | 893,554 | 1,900,242 | 20,365,465 |
| 1100 | Excess of Revenues Over Expenditures | - | - | 68,175 | 68,175 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7915 | Transfers In | - | - | 19,098 | 19,098 |
| 8911 | Transfers Out (Use) | - | - | (36,498) | (36,498) |
| 7080 | Total Other Financing Sources (Uses) | - | - | (17,400) | (17,400) |
| 1200 | Net Change in Fund Balance | - | - | 50,775 | 50,775 |
| 0100 | Fund Balance - July 1 (Beginning) | - | - | 1,138,179 | 1,138,179 |
| 3000 | Fund Balance - June 30 (Ending) | $ - | $ - | $ 1,188,954 | $ 1,188,954 |

| 479 Lewis Price Trust Fund | Total Nonmajor Governmental Funds |
|---|---|
| $ 7 | $ 2,861,978 |
| - | 5,548,734 |
| - | 12,022,935 |
| 7 | 20,433,647 |
| | |
| - | 15,370,912 |
| - | 126,957 |
| - | 1,453,707 |
| - | 160,176 |
| - | 161,729 |
| - | 2,051,614 |
| - | 159,156 |
| - | 5,846 |
| - | 128,316 |
| - | 95,999 |
| - | 464,634 |
| - | 18,543 |
| - | 27,840 |
| - | 4,139 |
| - | 127 |
| - | 116,869 |
| - | 18,901 |
| - | 20,365,465 |
| 7 | 68,182 |
| | |
| - | 19,098 |
| - | (36,498) |
| - | (17,400) |
| 7 | 50,782 |
| 14,208 | 1,152,387 |
| $ 14,215 | $ 1,203,169 |

EXHIBIT H-3

# DENTON INDEPENDENT SCHOOL DISTRICT
## COMBINING STATEMENT OF NET POSITION
## INTERNAL SERVICE FUNDS
## JUNE 30, 2016

| | 752 Print Shop | 753 Workers Compensation | 771 Healthcare Trust Fund | Total Internal Service Funds |
|---|---|---|---|---|
| ASSETS | | | | |
| Current Assets: | | | | |
| Cash and Cash Equivalents | $ 267,721 | $ 3,991,083 | $ 2,896,121 | $ 7,154,925 |
| Other Receivables | 828 | - | - | 828 |
| Inventories | 5,793 | - | - | 5,793 |
| Prepayments | - | 2,215 | - | 2,215 |
| Total Current Assets | 274,342 | 3,993,298 | 2,896,121 | 7,163,761 |
| Noncurrent Assets: | | | | |
| Capital Assets: | | | | |
| Furniture and Equipment | 8,756 | - | - | 8,756 |
| Depreciation on Furniture and Equipment | (7,588) | - | - | (7,588) |
| Total Noncurrent Assets | 1,168 | - | - | 1,168 |
| Total Assets | 275,510 | 3,993,298 | 2,896,121 | 7,164,929 |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 2,699 | 31,834 | 1,082 | 35,615 |
| Accrued Wages Payable | 30 | - | 204 | 234 |
| Due to Other Funds | - | - | 54,611 | 54,611 |
| Accrued Expenses | - | 1,223,675 | - | 1,223,675 |
| Total Liabilities | 2,729 | 1,255,509 | 55,897 | 1,314,135 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | 1,168 | - | - | 1,168 |
| Unrestricted Net Position | 271,613 | 2,737,789 | 2,840,224 | 5,849,626 |
| Total Net Position | $ 272,781 | $ 2,737,789 | $ 2,840,224 | $ 5,850,794 |

EXHIBIT H-4

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | 752 Print Shop | 753 Workers Compensation | 771 Healthcare Trust Fund | Total Internal Service Funds |
|---|---|---|---|---|
| OPERATING REVENUES: | | | | |
| Local and Intermediate Sources | $ 300,947 | $ 1,246,294 | $ 30,275 | $ 1,577,516 |
| Total Operating Revenues | 300,947 | 1,246,294 | 30,275 | 1,577,516 |
| OPERATING EXPENSES: | | | | |
| Payroll Costs | 150,782 | 71,256 | 159,506 | 381,544 |
| Professional and Contracted Services | 143,498 | 51,118 | 40,369 | 234,985 |
| Supplies and Materials | 68,912 | 11,330 | 8,180 | 88,422 |
| Other Operating Costs | - | 836,672 | 70,570 | 907,242 |
| Depreciation Expense | 1,751 | - | - | 1,751 |
| Total Operating Expenses | 364,943 | 970,376 | 278,625 | 1,613,944 |
| Operating Income (Loss) | (63,996) | 275,918 | (248,350) | (36,428) |
| NONOPERATING REVENUES (EXPENSES): | | | | |
| Earnings from Temporary Deposits & Investments | - | 5,309 | 6,510 | 11,819 |
| Total Nonoperating Revenues (Expenses) | - | 5,309 | 6,510 | 11,819 |
| Income (Loss) Before Transfers | (63,996) | 281,227 | (241,840) | (24,609) |
| Transfers Out | - | (1,000,000) | (987,000) | (1,987,000) |
| Change in Net Position | (63,996) | (718,773) | (1,228,840) | (2,011,609) |
| Total Net Position - July 1 (Beginning) | 336,777 | 3,456,562 | 4,069,064 | 7,862,403 |
| Total Net Position June 30 (Ending) | $ 272,781 | $ 2,737,789 | $ 2,840,224 | $ 5,850,794 |

# DENTON INDEPENDENT SCHOOL DISTRICT
## COMBINING STATEMENT OF CASH FLOWS
## INTERNAL SERVICE FUNDS
## FOR THE YEAR ENDED JUNE 30, 2016

| | 752 Print Shop | 753 Workers Compensation | 771 Healthcare Trust Fund | Total Internal Service Funds |
|---|---|---|---|---|
| Cash Flows from Operating Activities: | | | | |
| Cash Received from District | $ - | $ 1,248,094 | $ - | $ 1,248,094 |
| Cash Received from Charges and Fees | 300,266 | - | - | 300,266 |
| Cash Received from Employees | - | - | 30,275 | 30,275 |
| Cash Payments for Payroll Costs | (150,792) | (71,256) | (104,921) | (326,969) |
| Cash Payments for Purchased Services | (144,554) | (28,388) | (41,026) | (213,968) |
| Cash Payments for Supplies and Materials | (68,901) | (13,545) | (8,180) | (90,626) |
| Cash Payments for Other Expenses | - | (92,866) | (70,570) | (163,436) |
| Cash Payments for Claims | - | (558,983) | - | (558,983) |
| Net Cash Provided by (Used for) Operating Activities | (63,981) | 483,056 | (194,422) | 224,653 |
| Cash Flows from Capital & Related Financing Activities: | | | | |
| Transfers Out | - | (1,000,000) | (987,000) | (1,987,000) |
| Cash Flows from Investing Activities: | | | | |
| Interest and Dividends on Investments | - | 5,309 | 6,510 | 11,819 |
| Net Decrease in Cash and Cash Equivalents | (63,981) | (511,635) | (1,174,912) | (1,750,528) |
| Cash and Cash Equivalents at Beginning of Year | 331,702 | 4,502,718 | 4,071,033 | 8,905,453 |
| Cash and Cash Equivalents at End of Year | $ 267,721 | $ 3,991,083 | $ 2,896,121 | $ 7,154,925 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities: | | | | |
| Operating Income (Loss): | $ (63,996) | $ 275,918 | $ (248,350) | $ (36,428) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities: | | | | |
| Depreciation | 1,751 | - | - | 1,751 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | | | | |
| Decrease (increase) in Receivables | (681) | 1,800 | - | 1,119 |
| Decrease (increase) in Inv./Prepayments | 11 | (2,215) | - | (2,204) |
| Increase (decrease) in Accounts Payable | (1,056) | 22,730 | (657) | 21,017 |
| Increase (decrease) in Accrued Wages Payable | (10) | - | (26) | (36) |
| Increase (decrease) in Accrued Expenses | - | 184,823 | - | 184,823 |
| Increase (decrease) in Due to/from Other Funds | - | - | 54,611 | 54,611 |
| Net Cash Provided by (Used for) Operating Activities | $ (63,981) | $ 483,056 | $ (194,422) | $ 224,653 |

EXHIBIT H-6

# DENTON INDEPENDENT SCHOOL DISTRICT
## COMBINING STATEMENT OF NET POSITION
## NONMAJOR ENTERPRISE FUNDS
## JUNE 30, 2016

| | 701 National Breakfast and Lunch Program | 749 Stadium Concessions | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | $ 2,697,115 | $ 99,213 | $ 2,796,328 |
| Due from Other Governments | 6,036 | - | 6,036 |
| Due from Other Funds | 6,893 | - | 6,893 |
| Other Receivables | 3,759 | - | 3,759 |
| Inventories | 273,881 | - | 273,881 |
| Prepayments | 2,775 | - | 2,775 |
| Total Current Assets | 2,990,459 | 99,213 | 3,089,672 |
| Noncurrent Assets: | | | |
| Capital Assets: | | | |
| Furniture and Equipment | 4,193,931 | 27,223 | 4,221,154 |
| Depreciation on Furniture and Equipment | (3,337,745) | (27,223) | (3,364,968) |
| Total Noncurrent Assets | 856,186 | - | 856,186 |
| Total Assets | 3,846,645 | 99,213 | 3,945,858 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflow Related to TRS | 1,598,217 | - | 1,598,217 |
| Total Deferred Outflows of Resources | 1,598,217 | - | 1,598,217 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 32,142 | - | 32,142 |
| Accrued Wages Payable | 50,052 | 26 | 50,078 |
| Due to Other Funds | 166,831 | - | 166,831 |
| Unearned Revenues | 320,025 | - | 320,025 |
| Total Current Liabilities | 569,050 | 26 | 569,076 |
| NonCurrent Liabilities: | | | |
| Net Pension Liability | 2,838,997 | - | 2,838,997 |
| Total Noncurrent Liabilities | 2,838,997 | - | 2,838,997 |
| Total Liabilities | 3,408,047 | 26 | 3,408,073 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflow Related to TRS | 546,016 | - | 546,016 |
| Total Deferred Inflows of Resources | 546,016 | - | 546,016 |
| NET POSITION | | | |
| Net Investment in Capital Assets | 856,186 | - | 856,186 |
| Unrestricted Net Position | 634,613 | 99,187 | 733,800 |
| Total Net Position | $ 1,490,799 | $ 99,187 | $ 1,589,986 |

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

| | 701 National Breakfast and Lunch Program | 749 Stadium Concessions | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| OPERATING REVENUES: | | | |
| Local and Intermediate Sources | $ 3,492,644 | $ 71,490 | $ 3,564,134 |
| State Program Revenues | 58,437 | - | 58,437 |
| Total Operating Revenues | 3,551,081 | 71,490 | 3,622,571 |
| OPERATING EXPENSES: | | | |
| Payroll Costs | 4,364,544 | 26,518 | 4,391,062 |
| Professional and Contracted Services | 109,270 | - | 109,270 |
| Supplies and Materials | 5,633,891 | 45,616 | 5,679,507 |
| Other Operating Costs | 30,340 | 175 | 30,515 |
| Depreciation Expense | 355,637 | - | 355,637 |
| Total Operating Expenses | 10,493,682 | 72,309 | 10,565,991 |
| Operating Income (Loss) | (6,942,601) | (819) | (6,943,420) |
| NONOPERATING REVENUES (EXPENSES): | | | |
| National School Breakfast Program | 1,356,471 | - | 1,356,471 |
| National School Lunch Program | 4,571,800 | - | 4,571,800 |
| Donated Commodities (USDA) | 723,726 | - | 723,726 |
| Earnings from Temporary Deposits & Investments | 2,096 | - | 2,096 |
| Total Nonoperating Revenues (Expenses) | 6,654,093 | - | 6,654,093 |
| Change in Net Position | (288,508) | (819) | (289,327) |
| Total Net Position - July 1 (Beginning) | 1,779,307 | 100,006 | 1,879,313 |
| Total Net Position June 30 (Ending) | $ 1,490,799 | $ 99,187 | $ 1,589,986 |

# DENTON INDEPENDENT SCHOOL DISTRICT
## COMBINING STATEMENT OF CASH FLOWS
## NONMAJOR ENTERPRISE FUNDS
## FOR THE YEAR ENDED JUNE 30, 2016

| | 701 National Breakfast and Lunch Program | 749 Stadium Concessions | Total Nonmajor Enterprise Funds |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Cash Received from Charges and Fees | $ 3,562,762 | $ 71,490 | $ 3,634,252 |
| Cash Payments for Payroll Costs | (4,253,124) | (26,492) | (4,279,616) |
| Cash Payments for Purchased Services | (109,270) | - | (109,270) |
| Cash Payments for Supplies and Materials | (5,626,880) | (45,616) | (5,672,496) |
| Cash Payments for Other Expenses | (30,340) | (175) | (30,515) |
| Net Cash Used For Operating Activities | (6,456,852) | (793) | (6,457,645) |
| Cash Flows from Non-Capital Financing Activities: | | | |
| Cash Received from Federal Programs | 6,651,997 | - | 6,651,997 |
| Cash Flows from Capital & Related Financing Activities: | | | |
| Change in Pension Liability Accounts | 127,366 | - | 127,366 |
| Cash Flows from Investing Activities: | | | |
| Interest and Dividends on Investments | 2,096 | - | 2,096 |
| Net Increase (Decrease) in Cash and Cash Equivalents | 324,607 | (793) | 323,814 |
| Cash and Cash Equivalents at Beginning of Year | 2,372,508 | 100,006 | 2,472,514 |
| Cash and Cash Equivalents at End of Year | $ 2,697,115 | $ 99,213 | $ 2,796,328 |
| Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities: | | | |
| Operating Income (Loss): | $ (6,942,601) | $ (819) | $ (6,943,420) |
| Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities: | | | |
| Depreciation | 355,637 | - | 355,637 |
| Effect of Increases and Decreases in Current Assets and Liabilities: | | | |
| Decrease (increase) in Receivables | 9,109 | - | 9,109 |
| Decrease (increase) in Inv./Prepayments | 15,317 | - | 15,317 |
| Decrease (increase) in Due from Other Gov. | 105,180 | - | 105,180 |
| Increase (decrease) in Accounts Payable | (8,306) | - | (8,306) |
| Increase (decrease) in Accrued Wages Payable | 9,444 | 26 | 9,470 |
| Increase (decrease) in Due to/from Other Funds | (3,204) | - | (3,204) |
| Increase (decrease) in Unearned Revenues | 2,572 | - | 2,572 |
| Net Cash Used for Operating Activities | $ (6,456,852) | $ (793) | $ (6,457,645) |

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REQUIRED T.E.A. SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2016

| Last 10 Years | | (1) Tax Rates Maintenance | (2) Tax Rates Debt Service | (3) Assessed/Appraised Value for School Tax Purposes |
|---|---|---|---|---|
| 2007 | and prior years | Various | Various | $ Various |
| 2008 | | 1.040000 | 0.394000 | 8,777,025,035 |
| 2009 | | 1.040000 | 0.450000 | 9,406,791,745 |
| 2010 | | 1.040000 | 0.450000 | 9,549,766,309 |
| 2011 | | 1.040000 | 0.490000 | 9,760,324,966 |
| 2012 | | 1.040000 | 0.490000 | 9,701,066,797 |
| 2013 | | 1.040000 | 0.490000 | 10,115,153,791 |
| 2014 | | 1.040000 | 0.490000 | 10,594,446,862 |
| 2015 | | 1.040000 | 0.500000 | 11,823,268,442 |
| 2016 | (School year under audit) | 1.040000 | 0.500000 | 12,712,090,714 |
| 1000 | TOTALS | | | |

| (10) Beginning Balance 7/1/2015 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 6/30/2016 |
|---|---|---|---|---|---|
| $ 163,832 | $ - | $ 12,441 | $ 3,473 | $ (5,146) | $ 142,772 |
| 85,335 | - | 8,381 | 3,175 | (915) | 72,864 |
| 94,032 | - | 9,734 | 4,212 | (13,783) | 66,303 |
| 183,411 | - | 66,936 | 28,962 | (3,668) | 83,845 |
| 215,468 | - | 85,377 | 40,226 | 27,863 | 117,728 |
| 361,211 | - | 93,341 | 43,978 | (29,811) | 194,081 |
| 471,581 | - | 109,251 | 51,474 | 69,830 | 380,686 |
| 596,213 | - | 155,762 | 73,388 | 90,536 | 457,599 |
| 1,748,720 | - | 415,936 | 199,969 | (541,733) | 591,082 |
| - | 195,766,197 | 130,994,909 | 62,978,321 | - | 1,792,967 |
| $ 3,919,803 | $ 195,766,197 | $ 131,952,068 | $ 63,427,178 | $ (406,827) | $ 3,899,927 |

EXHIBIT J-2

# DENTON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
## FOR THE YEAR ENDED JUNE 30, 2016

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 3,000,000 | $ 3,510,457 | $ 3,492,644 | $ (17,813) |
| 5800 | State Program Revenues | 60,000 | 58,437 | 58,437 | - |
| 5020 | Total Revenues | 3,060,000 | 3,568,894 | 3,551,081 | (17,813) |
| | EXPENDITURES: | | | | |
| 0035 | Food Services | 9,200,000 | 10,548,348 | 10,493,682 | 54,666 |
| 6030 | Total Expenditures | 9,200,000 | 10,548,348 | 10,493,682 | 54,666 |
| 1100 | Excess (Deficiency) of Revenues Over (Under) Expenditures | (6,140,000) | (6,979,454) | (6,942,601) | 36,853 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7952 | National School Breakfast Program | 1,100,000 | 1,356,459 | 1,356,471 | 12 |
| 7953 | National School Lunch Program | 4,540,000 | 4,588,562 | 4,571,800 | (16,762) |
| 7954 | Donated Commodities (USDA) | 500,000 | 500,000 | 723,726 | 223,726 |
| 7955 | Investment Income | - | 1,533 | 2,096 | 563 |
| 7080 | Total Other Financing Sources (Uses) | 6,140,000 | 6,446,554 | 6,654,093 | 207,539 |
| 1200 | Change in Net Position | - | (532,900) | (288,508) | 244,392 |
| 0100 | Total Net Position - July 1 (Beginning) | 1,779,307 | 1,779,307 | 1,779,307 | - |
| 3000 | Total Net Position - June 30 (Ending) | $ 1,779,307 | $ 1,246,407 | $ 1,490,799 | $ 244,392 |

EXHIBIT J-3

# DENTON INDEPENDENT SCHOOL DISTRICT
## SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
## BUDGET AND ACTUAL - DEBT SERVICE FUND
## FOR THE YEAR ENDED JUNE 30, 2016

| Data Control Codes | | Budgeted Amounts Original | Budgeted Amounts Final | Actual Amounts (GAAP BASIS) | Variance With Final Budget Positive or (Negative) |
|---|---|---|---|---|---|
| | REVENUES: | | | | |
| 5700 | Total Local and Intermediate Sources | $ 64,440,285 | $ 63,630,532 | $ 63,866,725 | $ 236,193 |
| 5800 | State Program Revenues | - | 1,477,737 | 1,464,387 | (13,350) |
| 5020 | Total Revenues | 64,440,285 | 65,108,269 | 65,331,112 | 222,843 |
| | EXPENDITURES: | | | | |
| | Debt Service: | | | | |
| 0071 | Principal on Long Term Debt | 30,744,487 | 25,744,487 | 25,744,487 | - |
| 0072 | Interest on Long Term Debt | 33,683,298 | 31,383,641 | 31,383,641 | - |
| 0073 | Bond Issuance Cost and Fees | 12,500 | 2,413,931 | 1,879,333 | 534,598 |
| 6030 | Total Expenditures | 64,440,285 | 59,542,059 | 59,007,461 | 534,598 |
| 1100 | Excess of Revenues Over Expenditures | - | 5,566,210 | 6,323,651 | 757,441 |
| | OTHER FINANCING SOURCES (USES): | | | | |
| 7911 | Capital Related Debt Issued (Regular Bonds) | - | 153,109,104 | 153,109,104 | - |
| 7916 | Premium or Discount on Issuance of Bonds | - | 63,698,396 | 63,698,396 | - |
| 8949 | Other (Uses) | - | (215,160,178) | (215,160,178) | - |
| 7080 | Total Other Financing Sources (Uses) | - | 1,647,322 | 1,647,322 | - |
| | EXTRAORDINARY ITEMS: | | | | |
| 7919 | Extraordinary Item - Resource | - | - | 118,776 | 118,776 |
| 1200 | Net Change in Fund Balances | - | 7,213,532 | 8,089,749 | 876,217 |
| 0100 | Fund Balance - July 1 (Beginning) | 59,552,880 | 59,552,880 | 59,552,880 | - |
| 3000 | Fund Balance - June 30 (Ending) | $ 59,552,880 | $ 66,766,412 | $ 67,642,629 | $ 876,217 |

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FEDERAL AWARDS SECTION

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**HANKINS, EASTUP, DEATON, TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

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FAX (940) 383-4746

# INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Denton Independent School District
Denton, Texas 76201

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denton Independent School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Denton Independent School District's basic financial statements, and have issued our report dated November 15, 2016.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

**Purpose of this Report**

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 15, 2016

Members:
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Denton Independent School District
Denton, Texas 76201

## Report on Compliance for Each Major Federal Program

We have audited Denton Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Denton Independent School District's major federal programs for the year ended June 30, 2016. Denton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Denton Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Denton Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Denton Independent School District's compliance.

### *Opinion on Each Major Federal Program*

In our opinion, Denton Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of Denton Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Denton Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Denton Independent School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn + Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

November 15, 2016

# DENTON INDEPENDENT SCHOOL DISTRICT
# SCHEDULE OF FINDINGS AND QUESTIONED COSTS
# FOR THE YEAR ENDED JUNE 30, 2016

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.

2. Internal control over financial reporting:
   Material weakness(es) identified: None
   Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported

3. Noncompliance which is material to the financial statements: None

4. Internal controls over major federal programs:
   Material weakness(es) identified: None
   Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported

5. Type of auditor's report on compliance for major federal programs: Unmodified.

6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No

7. Major programs include:

   CFDA 93.600 Head Start

   IDEA-B Cluster:
   CFDA 84.027 IDEA-Part B, Formula
   CFDA 84.027 IDEA-Part B, Discretionary
   CFDA 84.027 IDEA-Part B, Deaf
   CFDA 84.173 IDEA-Part B, Preschool
   CFDA 84.173 IDEA-Part B, Preschool Deaf

8. Dollar threshold used to distinguish between Type A and Type B programs: $750,000.

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, 2016

Contact for Corrective Action Plan:

Debbie Monschke, Assistant Superintendent of Administrative Services 940-369-0010

Finding 2015-01 – Prior Approval for Child Nutrition Capital Outlay Expenditures

Finding: During the fiscal year ended June 30, 2015, the District made several purchases of capital outlay items without obtaining prior approval from the Texas Department of Agriculture.

Status: The District made no purchases of capital outlay items with child nutrition funds during the fiscal year ended June 30, 2016, but is aware of the approval requirement for future purchases and intends to comply with it.

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|---|---|---|---|
| **U.S. DEPARTMENT OF DEFENSE** | | | |
| Direct Programs | | | |
| ROTC | 12.000 | 01-061901 | $ 184,057 |
| Total Direct Programs | | | $ 184,057 |
| **TOTAL U.S. DEPARTMENT OF DEFENSE** | | | $ 184,057 |
| **U.S. DEPARTMENT OF EDUCATION** | | | |
| Passed through Texas Woman's University | | | |
| Investing in Innovation (i3) Fund - ARRA | 84.411 | U396A100027 | $ 6,000 |
| Total Passed through Texas Woman's University | | | $ 6,000 |
| Passed through University of North Texas | | | |
| Title III, Part A - English Language Acq-Nexus | 84.365 | T365Z120143 | $ 4,509 |
| Total Passed through University of North Texas | | | $ 4,509 |
| Passed through Texas Workforce Commission | | | |
| SSA-Adult Education (ABE) - Federal | 84.002A | 0414AELA03 | $ 689,363 |
| SSA-Adult Education (ABE) - Federal | 84.002A | 0414AELB03 | 869,566 |
| Total CFDA Number 84.002A | | | 1,558,929 |
| SSA-Temporary Assistance for Needy Families | 93.558 | 0414AELA03 | 50,089 |
| SSA-Temporary Assistance for Needy Families | 93.558 | 0414AELB03 | 41,476 |
| Total CFDA Number 93.558 | | | 91,565 |
| Total Passed through Texas Workforce Commission | | | $ 1,650,494 |
| Passed Through State Department of Education | | | |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 15610101061901 | $ 5,571 |
| ESEA, Title I, Part A - Improving Basic Programs | 84.010A | 16610101061901 | 2,657,892 |
| ESEA, Title I, Part D, Subpart 2 | 84.010A | 15610103061901 | 1,507 |
| ESEA, Title I, Part D, Subpart 2 | 84.010A | 16610103061901 | 156,964 |
| Total CFDA Number 84.010A | | | 2,821,934 |
| *IDEA - Part B, Formula | 84.027 | 156600010619016600 | 39,537 |
| *IDEA - Part B, Formula | 84.027 | 166600010619016600 | 4,587,935 |
| *SSA - IDEA - Part B, Discretionary | 84.027 | 166600020619016673 | 28,238 |
| *SSA - IDEA - Part B, Deaf | 84.027 | 156600010619016601 | 86 |
| *SSA - IDEA - Part B, Deaf | 84.027 | 166600010619016601 | 29,187 |
| Total CFDA Number 84.027 | | | 4,684,983 |
| *IDEA - Part B, Preschool | 84.173 | 166610010619016610 | 63,774 |
| *SSA - IDEA - Part B, Preschool Deaf | 84.173 | 166610010619016611 | 4,246 |
| Total CFDA Number 84.173 | | | 68,020 |
| Total Special Education Cluster (IDEA) | | | 4,753,003 |
| SSA - Career and Technical - Basic Grant | 84.048 | 16420006061901 | 235,915 |
| SSA - IDEA, Part C - Early Intervention (Deaf) | 84.181A | 1639110106190139111 | 1,626 |
| Title IV, Pt B-21st Cent. Community Learning Cent. | 84.287 | 166950167110013 | 128,316 |
| Title III, Part A - English Language Acquisition | 84.365A | 15671001061901 | 7,386 |
| Title III, Part A - English Language Acquisition | 84.365A | 16671001061901 | 433,439 |
| Title III, Part A - Immigrant | 84.365A | 15671003061901 | 2,113 |
| Total CFDA Number 84.365A | | | 442,938 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 15694501061901 | 25,193 |
| ESEA, Title II, Part A, Teacher/Principal Training | 84.367A | 16694501061901 | 430,039 |

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|---|---|---|---|
| Total CFDA Number 84.367A | | | 455,232 |
| Summer School LEP | 84.369A | 69551502 | 19,819 |
| Total Passed Through State Department of Education | | | $ 8,858,783 |
| **TOTAL U.S. DEPARTMENT OF EDUCATION** | | | $ 10,519,786 |
| **U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | |
| Direct Programs | | | |
| Medicaid Administrative Claiming Program - MAC | 93.778 | 01-061901 | $ 144,618 |
| Head Start | 93.600 | 06CH7130-02-00 | 1,267,532 |
| Total Direct Programs | | | $ 1,412,150 |
| **TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES** | | | $ 1,412,150 |
| **U.S. DEPARTMENT OF AGRICULTURE** | | | |
| Passed Through the State Department of Agriculture | | | |
| *School Breakfast Program | 10.553 | 71401601 | $ 1,356,471 |
| *National School Lunch Program - Cash Assistance | 10.555 | 71301601 | 4,571,800 |
| *National School Lunch Prog. - Non-Cash Assistance | 10.555 | 71301601 | 723,726 |
| Total CFDA Number 10.555 | | | 5,295,526 |
| *Summer Feeding Program - Cash Assistance | 10.559 | TX061-1601 | 96,999 |
| Total Child Nutrition Cluster | | | 6,748,996 |
| Total Passed Through the State Department of Agriculture | | | $ 6,748,996 |
| **TOTAL U.S. DEPARTMENT OF AGRICULTURE** | | | $ 6,748,996 |
| **TOTAL EXPENDITURES OF FEDERAL AWARDS** | | | $ 18,864,989 |

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

# DENTON INDEPENDENT SCHOOL DISTRICT
## NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
## YEAR ENDED JUNE 30, 2016

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 position.

   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, 2016, 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.

4. The period of availability for federal grant funds for the purposes of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.

5. During the current year, the District received the following funds which are not included in the Schedule of Expenditures of Federal Awards.

| | |
|---|---|
| Total Expenditures of Federal Awards | $18,864,989 |
| Indirect Costs | 680,351 |
| Federal Excise Tax Rebate | 186,740 |
| Medicaid Reimbursement (SHARS) | 5,195,769 |
| Federal Revenues per Financial Statements | $24,927,849 |