

DENTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2013

DENTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
CERTIFICATE OF BOARD	3	
Independent Auditors' Report	5	
Management's Discussion and Analysis	7	
<u>Basic Financial Statements</u>		
Government Wide Statements:		
Statement of Net Position	17	A-1
Statement of Activities	18	B-1
Governmental Fund Financial Statements:		
Balance Sheet	20	C-1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	23	C-2
Statement of Revenues, Expenditures, and Changes in Fund Balance	24	C-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	26	C-4
Budgetary Comparison Schedule-General Fund	28	C-5
Proprietary Fund Financial Statements:		
Statement of Net Position	29	D-1
Statement of Revenues, Expenses, and Changes in Fund Net Position	30	D-2
Statement of Cash Flows	31	D-3
Fiduciary Fund Financial Statements:		
Statement of Fiduciary Net Position	32	E-1
Notes to the Financial Statements	33	
<u>Combining Schedules</u>		
Nonmajor Governmental Funds:		
Combining Balance Sheet	60	H-1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	66	H-2
Internal Service Funds:		
Combining Statement of Net Position	72	H-3
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	73	H-4
Combining Statement of Cash Flows	74	H-5
Enterprise Funds:		
Combining Statement of Net Position	75	H-6
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	76	H-7
Combining Statement of Cash Flows	77	H-8
<u>Required TEA Schedules</u>		
Schedule of Delinquent Taxes	80	J-1
Schedule of Expenditures for Computation of Indirect Cost	82	J-2
Fund Balance and Cash Flow Calculation Worksheet	83	J-3
Budgetary Comparison Schedule – Child Nutrition Fund	84	J-4
Budgetary Comparison Schedule – Debt Service Fund	85	J-5

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>	<u>Exhibit</u>
<u>Federal Awards Section</u>		
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 <i>Government Auditing Standards</i>	88	
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	90	
Schedule of Findings and Questioned Costs	92	
Schedule of Prior Year Findings	93	
Schedule of Expenditures of Federal Awards	94	K-1
Notes to Schedule of Expenditures of Federal Awards	96	

CERTIFICATE OF BOARD

Denton Independent School District
Name of School District

Denton
County

061-901
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended June 30, 2013, at a meeting of the Board of Trustees of such school district on the ____ day of November, 2013.

Signature of Board Secretary

Signature of Board President

This page left blank intentionally.

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, 2013, 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, 2013, 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.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Positions*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, excluding the Fund Balance and Cash Flow Calculation Worksheet (Exhibit J-3) which is marked unaudited and on which we express no opinion, 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 12, 2013 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 12, 2013

**DENTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013
(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, 2013. 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 at the close of the most recent fiscal year by \$35,257,288 (net position). Included in the total is \$41,884,667 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 \$4,906,638 during the fiscal year.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$153,084,197. Over 39% of this total amount (\$59,713,337) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was \$59,713,337 or 30.97% 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-two 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-eight 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 \$26,850,495 (as restated) to \$31,650,462. 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 \$39,874,765 at June 30, 2013. This increase in governmental net position was the result of several factors. First, the District's revenues exceeded expenditures by \$26,212,131 (as adjusted for the effects of capital outlay and debt service 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 \$21,845,224. Also, various adjustments totaling \$433,060 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 2013, net position of our business-type activities increased by \$106,671, or 3.0 percent. This increase is relatively insignificant to the overall operations of the District, but it represents significant services to the community through the Child Nutrition program and the athletic stadium concession activities.

Table I
NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Current and other assets	230,754,255	199,105,719	2,503,839	2,712,281	233,258,094	201,818,000
Capital assets	534,284,536	555,604,206	1,438,433	1,596,924	535,722,969	557,201,130
Total assets	765,038,791	754,709,925	3,942,272	4,309,205	768,981,063	759,019,130
Deferred outflows of resources	7,260,735	12,508,832	-	-	7,260,735	12,508,832
Total assets and deferred outflows of resources	772,299,526	767,218,757	3,942,272	4,309,205	776,241,798	771,527,962
Long-term liabilities	707,946,645	692,936,627	-	-	707,946,645	692,936,627
Other liabilities	37,502,386	42,631,668	442,117	702,379	37,944,503	43,334,047
Total liabilities	745,449,031	735,568,295	442,117	702,379	745,891,148	736,270,674
Net Position:						
Net investment in capital assets	(63,550,092)	(60,034,706)	1,438,433	1,596,924	(62,111,659)	(58,437,782)
Restricted	48,037,504	51,810,403	-	-	48,037,504	51,810,403
Unrestricted	42,363,083	39,874,765	2,061,722	2,009,902	44,424,805	41,884,667
Total net position	26,850,495	31,650,462	3,500,155	3,606,826	30,350,650	35,257,288

Table II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenues:						
Program Revenues:						
Charges for Services	3,179,864	3,088,155	3,879,795	3,427,809	7,059,659	6,515,964
Operating grants and contributions	29,848,670	25,828,498	5,313,520	5,802,533	35,162,190	31,631,031
Capital grants and contributions	-	632,120	-	-	-	632,120
General Revenues:						
Maintenance and operations taxes	101,470,882	105,882,631	-	-	101,470,882	105,882,631
Debt service taxes	47,721,609	49,808,593	-	-	47,721,609	49,808,593
State aid - formula grants	76,298,049	72,633,199	-	-	76,298,049	72,633,199
Grants and Contributions	563,453	131,686	-	-	563,453	131,686
Investment Earnings	208,758	262,100	4,424	3,878	213,182	265,978
Miscellaneous	302,867	308,081	-	-	302,867	308,081
Total Revenue	259,594,152	258,575,063	9,197,739	9,234,220	268,791,891	267,809,283
Expenses:						
Instruction, curriculum and media services	150,858,183	153,099,254	-	-	150,858,183	153,099,254
Instructional and school leadership	14,057,923	14,946,835	-	-	14,057,923	14,946,835
Student support services	18,752,502	19,258,554	-	-	18,752,502	19,258,554
Food Services	212,456	128,876	8,739,835	9,050,972	8,952,291	9,179,848
Cocurricular activities	5,678,981	5,597,180	86,644	76,577	5,765,625	5,673,757
General administration	5,485,284	5,272,993	-	-	5,485,284	5,272,993
Plant maintenance, security & data processing	25,110,887	26,826,170	-	-	25,110,887	26,826,170
Community services	631,841	813,366	-	-	631,841	813,366
Debt services	28,330,206	26,456,836	-	-	28,330,206	26,456,836
Intergovernmental charges	1,469,962	1,503,063	-	-	1,469,962	1,503,063
Total Expenses	250,588,225	253,903,127	8,826,479	9,127,549	259,414,704	263,030,676
Increase (decrease) in net position before transfers and special items	9,005,927	4,671,936	371,260	106,671	9,377,187	4,778,607
Special Items/Extraordinary Items	8,118	128,031	9,555	-	17,673	128,031
Net Position – beginning of year (2013 as restated)	22,385,009	26,850,495	3,119,340	3,500,155	25,504,349	30,350,650
Net Position – end of year	31,399,054	31,650,462	3,500,155	3,606,826	34,899,209	35,257,288

- The Board of Trustees maintained the maintenance and operation property tax rate of \$1.04 for the fiscal year 2012-2013. This is the maximum rate allowed by law without a rollback election. The debt service rate was set at \$0.49. The total tax rate necessary to fund the 2012-2013 budget was \$1.53.
- The District experienced an increase in property values for 2012 of \$216,830,343 over the prior year. The actual increase in certified and under review values was \$303,787,201 or 3.44%.
- All employees received a 3% pay increase with a minimum of \$1,000 for employees on the teacher schedules and \$700 for all other employees.
- The District implemented a replacement cycle program utilizing a capital projects fund. This will be used to meet future capital replacement needs.
- The District moved from a self-funded health insurance plan to TRS ActiveCare effective January 1, 2012. As a result of this change and employee participation, the district experienced an additional savings of \$1,900,000.

The cost of all governmental activities for the current fiscal period was \$253,903,127. 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 \$155,691,224 because some of the costs were paid by those who directly benefited from the programs (\$3,088,155) or by other governments and organizations that subsidized certain programs with grants and contributions (\$26,460,618) or by State equalization funding (\$72,633,199).

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 \$153,084,197 a decrease of \$36,779,815. Approximately 51 percent of this total amount (\$78,750,298) 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 (\$50,832,071), or for capital projects (\$22,956,511), or already spent on prepaid items (\$347,543), inventories (\$196,774) 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 \$59,713,337, while the total fund balance was \$73,645,399. 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 30.97 percent of the total general fund expenditures, while the total fund balance represents 38.20 percent of that same amount.

The fund balance of the District's general fund decreased by \$3,782,110 during the current fiscal year, compared to a \$13,569,098 increase in the previous year. Key factors related to this change are as follows:

- A \$3,767,637 increase in property tax revenues combined with a \$3,627,704 decrease in the state foundation and per capita funding contributed to a \$173,646 overall reduction in total revenues. Expenditures increased \$10,670,405 or 5.86% with increases in most functional categories.
- \$6,464,255 of general fund monies were transferred to the capital projects fund to set aside for future capital replacement needs.

The debt service fund has a total fund balance of \$50,832,071, 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 \$3,704,220, compared to a \$4,984,923 increase in the previous year. Tax revenues were \$1,801,918 higher than the previous year, but debt service expenditures were \$217,412 higher as well.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by \$36,770,675 due primarily to \$43,297,980 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, 2012). 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 \$73,645,399 reported on page 20 differs from the General Fund's budgetary fund balance of \$62,855,278 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, 2013, the District had \$555,604,206 (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 \$21,319,670, or 3.99 percent, above last year.

This fiscal year's major additions included:

Continuing construction costs on a new middle school, paid for with proceeds of general obligation bonds issued in a prior year.	\$27,229,640
Continuing construction costs on renovations at six elementary & middle schools, paid for with proceeds of general obligation bonds issued in a prior year.	6,284,567
Totaling	\$33,514,207

More detailed information about the District's capital assets is presented in Note 5 to the financial statements.

Debt Administration

At year-end, the District had \$663,368,554 in bonds outstanding (including accreted interest on bonds) versus \$679,355,994 last year—a decrease of 2.35 percent. New debt was incurred during the fiscal period through the issuance of two refunding 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 \$1,011,515,379, 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 6 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 \$1.53 per \$100 of assessed value for 2013-2014. The M & O tax rate will remain at \$1.04. The debt service tax rate will remain at \$0.49 for a total rate of \$1.53. The district's certified values increased \$459,701,851 or 5.03% for 2013.

State funding for 2013-2014 is projected to be \$89,062,475 or 43.59% of the total budget compared to \$83,764,087 or 43.17% for 2012-2013.

The District worked with TASB to examine pay equity for employees and to determine if pay practices were internally fair and externally competitive. The 2013-2014 Salary Compensation Plan includes:

- 25 step hiring schedule
- Starting teacher salary of \$48,000
- \$1,750 stipend for master's degree and an additional \$1,750 for a doctorate degree
- General pay increases
 - Teachers, Nurses and Librarians - \$1,200
 - Revised pay structures – generally 2% of pay range mid-point for other employees
- Equity adjustments
 - Continuing employees at least .5% above the minimum of their pay range
 - Job experience equity

The main focus for the 2013-2014 budget was the projected increase in student enrollment of 3.57% while maintaining current programs. Denton ISD will receive approximately \$5,298,388 more in state funding for 2013-2014 than in the prior year's adopted budget. Property tax collections are expected to increase by \$3,635,771. Projected growth in student enrollment provides additional revenue to cover the 2013-2014 budget.

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

This page left blank intentionally.

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 191,178,589	\$ 2,570,358	\$ 193,748,947
1220 Property Taxes Receivable (Delinquent)	4,026,170	-	4,026,170
1230 Allowance for Uncollectible Taxes	(170,135)	-	(170,135)
1240 Due from Other Governments	3,079,615	500	3,080,115
1260 Internal Balances	138,208	(138,208)	-
1290 Other Receivables, net	238,668	5,231	243,899
1300 Inventories	212,139	274,400	486,539
1410 Prepayments	388,271	-	388,271
Capital Assets:			
1510 Land	31,402,948	-	31,402,948
1520 Buildings, Net	471,406,478	-	471,406,478
1530 Furniture and Equipment, Net	10,151,255	1,596,924	11,748,179
1580 Construction in Progress	42,643,525	-	42,643,525
1990 Other Assets	14,194	-	14,194
1000 Total Assets	<u>754,709,925</u>	<u>4,309,205</u>	<u>759,019,130</u>
DEFERRED OUTFLOWS OF RESOURCES			
1701 Deferred Charge for Refunding	12,508,832	-	12,508,832
1700 Total Deferred Outflows of Resources	<u>12,508,832</u>	<u>-</u>	<u>12,508,832</u>
LIABILITIES			
2110 Accounts Payable	9,096,684	362,042	9,458,726
2150 Payroll Deductions & Withholdings	2,385,588	-	2,385,588
2160 Accrued Wages Payable	20,098,783	44,485	20,143,268
2200 Accrued Expenses	10,533,228	-	10,533,228
2300 Unearned Revenue	517,385	295,852	813,237
Noncurrent Liabilities			
2501 Due Within One Year	25,514,156	-	25,514,156
2502 Due in More Than One Year	667,422,471	-	667,422,471
2000 Total Liabilities	<u>735,568,295</u>	<u>702,379</u>	<u>736,270,674</u>
NET POSITION			
3200 Net Investment in Capital Assets	(60,034,706)	1,596,924	(58,437,782)
Restricted for:			
3850 Restricted for Debt Service	50,832,071	-	50,832,071
3870 Restricted for Campus Activities	978,332	-	978,332
3900 Unrestricted	39,874,765	2,009,902	41,884,667
3000 Total Net Position	<u>\$ 31,650,462</u>	<u>\$ 3,606,826</u>	<u>\$ 35,257,288</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	1 Expenses	Program Revenues		
		3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 144,877,249	\$ 1,548,972	\$ 14,565,541	\$ -
12 Instructional Resources and Media Services	3,980,838	-	234,530	-
13 Curriculum and Staff Development	4,241,167	-	1,294,207	-
21 Instructional Leadership	2,726,823	301,750	154,161	-
23 School Leadership	12,220,012	-	584,453	-
31 Guidance, Counseling and Evaluation Services	11,088,010	-	1,583,410	-
32 Social Work Services	710,187	-	202,507	-
33 Health Services	2,340,531	-	2,154,757	-
34 Student (Pupil) Transportation	5,119,826	-	2,339,169	-
35 Food Services	128,876	-	222,785	-
36 Extracurricular Activities	5,597,180	542,967	505,452	-
41 General Administration	5,272,993	-	1,311,462	-
51 Facilities Maintenance and Operations	19,999,426	354,256	383,323	-
52 Security and Monitoring Services	709,408	-	2,665	-
53 Data Processing Services	3,597,124	-	146,737	-
61 Community Services	813,366	340,210	143,339	-
72 Debt Service - Interest on Long Term Debt	28,345,323	-	-	-
73 Debt Service - Bond Issuance Cost and Fees	(1,888,487)	-	-	-
81 Capital Outlay	2,520,212	-	-	632,120
93 Payments related to Shared Services Arrangements	263,500	-	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	13,350	-	-	-
99 Other Intergovernmental Charges	1,226,213	-	-	-
[TG] Total Governmental Activities:	253,903,127	3,088,155	25,828,498	632,120
BUSINESS-TYPE ACTIVITIES:				
35 Enterprise Fund - National School Breakfast&Lunch	9,050,972	3,346,829	5,802,533	-
01 Enterprise Funds - Stadium Concessions	76,577	80,980	-	-
[TB] Total Business-Type Activities:	9,127,549	3,427,809	5,802,533	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 263,030,676	\$ 6,515,964	\$ 31,631,031	\$ 632,120

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S1	Gain (Loss) on Disposition of Capital Assets
S2	Legal Settlements
TR	Total General Revenues & Special Items
CN	Change in Net Position
NB	Net Position - Beginning, as Restated - See Note 2
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
Governmental Activities	Primary Government Business Type Activities	Total
\$ (128,762,736)	\$ -	\$ (128,762,736)
(3,746,308)	-	(3,746,308)
(2,946,960)	-	(2,946,960)
(2,270,912)	-	(2,270,912)
(11,635,559)	-	(11,635,559)
(9,504,600)	-	(9,504,600)
(507,680)	-	(507,680)
(185,774)	-	(185,774)
(2,780,657)	-	(2,780,657)
93,909	-	93,909
(4,548,761)	-	(4,548,761)
(3,961,531)	-	(3,961,531)
(19,261,847)	-	(19,261,847)
(706,743)	-	(706,743)
(3,450,387)	-	(3,450,387)
(329,817)	-	(329,817)
(28,345,323)	-	(28,345,323)
1,888,487	-	1,888,487
(1,888,092)	-	(1,888,092)
(263,500)	-	(263,500)
(13,350)	-	(13,350)
(1,226,213)	-	(1,226,213)
(224,354,354)	-	(224,354,354)
-	98,390	98,390
-	4,403	4,403
-	102,793	102,793
(224,354,354)	102,793	(224,251,561)
105,882,631	-	105,882,631
49,808,593	-	49,808,593
72,633,199	-	72,633,199
131,686	-	131,686
262,100	3,878	265,978
308,081	-	308,081
151,751	-	151,751
(23,720)	-	(23,720)
229,154,321	3,878	229,158,199
4,799,967	106,671	4,906,638
26,850,495	3,500,155	30,350,650
\$ 31,650,462	\$ 3,606,826	\$ 35,257,288

DENTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 94,241,511	\$ 50,476,759	\$ 34,916,359
1220 Property Taxes - Delinquent	2,798,696	1,227,474	-
1230 Allowance for Uncollectible Taxes (Credit)	(116,908)	(53,227)	-
1240 Receivables from Other Governments	778,442	-	-
1260 Due from Other Funds	248,050	-	-
1290 Other Receivables	58,012	42,352	3,556
1300 Inventories	196,774	-	-
1410 Prepayments	347,543	8,625	-
1900 Other Assets	-	-	-
1000 Total Assets	<u>\$ 98,552,120</u>	<u>\$ 51,701,983</u>	<u>\$ 34,919,915</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,479,326	\$ 4,920	\$ 7,305,714
2150 Payroll Deductions and Withholdings Payable	2,385,588	-	-
2160 Accrued Wages Payable	19,025,143	-	-
2170 Due to Other Funds	1,952	-	-
2300 Unearned Revenues	2,790	-	-
2000 Total Liabilities	<u>22,894,799</u>	<u>4,920</u>	<u>7,305,714</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	2,011,922	864,992	-
2600 Total Deferred Inflows of Resources	<u>2,011,922</u>	<u>864,992</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	196,774	-	-
3425 Endowment Principal	-	-	-
3430 Prepaid Items	347,543	-	-
Restricted Fund Balance:			
3470 Capital Acquisition and Contractual Obligation	-	-	22,956,511
3480 Retirement of Long-Term Debt	-	50,832,071	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	13,387,745	-	4,657,690
3600 Unassigned Fund Balance	59,713,337	-	-
3000 Total Fund Balances	<u>73,645,399</u>	<u>50,832,071</u>	<u>27,614,201</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 98,552,120</u>	<u>\$ 51,701,983</u>	<u>\$ 34,919,915</u>

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

Other Funds	Total Governmental Funds
\$ 582,202	\$ 180,216,831
-	4,026,170
-	(170,135)
2,301,173	3,079,615
-	248,050
8,047	111,967
11,941	208,715
27,728	383,896
14,194	14,194
<u>\$ 2,945,285</u>	<u>\$ 188,119,303</u>
\$ 257,415	\$ 9,047,375
-	2,385,588
1,072,859	20,098,002
107,890	109,842
514,595	517,385
<u>1,952,759</u>	<u>32,158,192</u>
-	2,876,914
<u>-</u>	<u>2,876,914</u>
-	196,774
1,000	1,000
-	347,543
-	22,956,511
-	50,832,071
978,332	978,332
13,194	18,058,629
-	59,713,337
<u>992,526</u>	<u>153,084,197</u>
<u>\$ 2,945,285</u>	<u>\$ 188,119,303</u>

This page left blank intentionally.

DENTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2013

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	153,084,197
1 Assets and liabilities of the internal service funds are not included in the fund financial statements.		9,379,011
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.		765,890,385
3 Accumulated depreciation is not reported in the fund financial statements.		(210,286,179)
4 Bonds payable are not reported in the fund financial statements.		(622,993,649)
5 Bond premiums and discounts are not recognized in the fund financial statements.		(28,110,606)
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.		(8,866,071)
7 Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		2,876,914
8 Accrued vacation benefits and special termination benefits have not been recorded in the fund financial statements.		(1,457,467)
9 Deferred charge on bond refundings is not recognized in the fund financial statements.		12,508,832
10 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.		(40,374,905)
19 Net Position of Governmental Activities	\$	31,650,462

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, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 109,941,426	\$ 49,946,585	\$ 63,050
5800 State Program Revenues	82,167,745	-	-
5900 Federal Program Revenues	3,234,216	-	-
5020 Total Revenues	<u>195,343,387</u>	<u>49,946,585</u>	<u>63,050</u>
EXPENDITURES:			
Current:			
0011 Instruction	120,432,037	-	-
0012 Instructional Resources and Media Services	3,474,600	-	-
0013 Curriculum and Instructional Staff Development	2,746,444	-	-
0021 Instructional Leadership	2,359,713	-	-
0023 School Leadership	10,674,188	-	-
0031 Guidance, Counseling and Evaluation Services	8,732,726	-	-
0032 Social Work Services	482,479	-	-
0033 Health Services	2,065,477	-	-
0034 Student (Pupil) Transportation	5,844,521	-	-
0035 Food Services	130,651	-	-
0036 Extracurricular Activities	4,906,082	-	-
0041 General Administration	4,829,526	-	-
0051 Facilities Maintenance and Operations	19,623,262	-	-
0052 Security and Monitoring Services	709,408	-	-
0053 Data Processing Services	3,614,034	-	-
0061 Community Services	640,087	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	19,212,047	-
0072 Interest on Long Term Debt	-	24,506,771	-
0073 Bond Issuance Cost and Fees	-	1,153,027	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	7,969	-	43,297,980
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	263,500	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	13,350	-	-
0099 Other Intergovernmental Charges	1,226,213	-	-
6030 Total Expenditures	<u>192,776,267</u>	<u>44,871,845</u>	<u>43,297,980</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,567,120</u>	<u>5,074,740</u>	<u>(43,234,930)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	64,905,000	-
7912 Sale of Real and Personal Property	151,751	-	-
7915 Transfers In	-	-	6,464,255
7916 Premium or Discount on Issuance of Bonds	-	5,080,174	-
8911 Transfers Out (Use)	(6,472,625)	-	-
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(71,355,694)	-
8949 Other (Uses)	(4,636)	-	-
7080 Total Other Financing Sources (Uses)	<u>(6,325,510)</u>	<u>(1,370,520)</u>	<u>6,464,255</u>
EXTRAORDINARY ITEMS:			
8913 Extraordinary Item - Lawsuit Settlement	(23,720)	-	-
1200 Net Change in Fund Balances	(3,782,110)	3,704,220	(36,770,675)
0100 Fund Balance - July 1 (Beginning)	<u>77,427,509</u>	<u>47,127,851</u>	<u>64,384,876</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 73,645,399</u>	<u>\$ 50,832,071</u>	<u>\$ 27,614,201</u>

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

Other Funds	Total Governmental Funds
\$ 2,427,518	\$ 162,378,579
1,652,215	83,819,960
8,917,518	12,151,734
12,997,251	258,350,273
9,225,449	129,657,486
104,585	3,579,185
1,205,775	3,952,219
83,454	2,443,167
202,047	10,876,235
1,203,845	9,936,571
179,083	661,562
3,744	2,069,221
89,244	5,933,765
92,134	222,785
319,635	5,225,717
21,580	4,851,106
5,951	19,629,213
-	709,408
70,919	3,684,953
129,426	769,513
-	19,212,047
-	24,506,771
-	1,153,027
-	43,305,949
-	263,500
-	13,350
-	1,226,213
12,936,871	293,882,963
60,380	(35,532,690)
-	64,905,000
-	151,751
8,370	6,472,625
-	5,080,174
-	(6,472,625)
-	(71,355,694)
-	(4,636)
8,370	(1,223,405)
-	(23,720)
68,750	(36,779,815)
923,776	189,864,012
\$ 992,526	\$ 153,084,197

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, 2013

Total Net Change in Fund Balances - Governmental Funds	\$ (36,779,815)
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.	43,164,894
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.	(21,845,224)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(333,945)
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.	(412,611)
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.	3,964,111
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.	(3,504,607)
The net income of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements.	748,553
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.	19,212,047
The premium on the current year issuances of refunding bonds is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements.	(5,080,174)
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.	138,641

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, 2013

<p>Current year issuances of refunding 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.</p>	(64,905,000)
<p>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.</p>	71,355,694
<p>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.</p>	(922,597)
<p>Change in Net Position of Governmental Activities</p>	<hr style="border: none; border-top: 1px solid black;"/> \$ 4,799,967 <hr style="border: none; border-top: 3px double black;"/>

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

DENTON INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT C-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 108,491,636	\$ 109,304,210	\$ 109,941,426	\$ 637,216
5800	State Program Revenues	83,764,087	81,865,657	82,167,745	302,088
5900	Federal Program Revenues	1,760,000	3,520,792	3,234,216	(286,576)
5020	Total Revenues	194,015,723	194,690,660	195,343,387	652,727
EXPENDITURES:					
Current:					
0011	Instruction	126,777,892	124,167,404	120,432,037	3,735,367
0012	Instructional Resources and Media Services	3,683,156	3,656,988	3,474,600	182,388
0013	Curriculum and Instructional Staff Development	2,598,255	3,052,600	2,746,444	306,156
0021	Instructional Leadership	1,961,797	2,657,968	2,359,713	298,255
0023	School Leadership	9,358,694	10,989,565	10,674,188	315,377
0031	Guidance, Counseling and Evaluation Services	8,507,167	9,291,353	8,732,726	558,627
0032	Social Work Services	575,433	500,725	482,479	18,246
0033	Health Services	2,128,384	2,172,394	2,065,477	106,917
0034	Student (Pupil) Transportation	4,607,808	6,956,395	5,844,521	1,111,874
0035	Food Services	144,000	138,762	130,651	8,111
0036	Extracurricular Activities	4,545,221	5,122,499	4,906,082	216,417
0041	General Administration	4,612,954	5,382,636	4,829,526	553,110
0051	Facilities Maintenance and Operations	21,345,716	21,074,654	19,623,262	1,451,392
0052	Security and Monitoring Services	637,509	759,382	709,408	49,974
0053	Data Processing Services	3,342,323	3,620,356	3,614,034	6,322
0061	Community Services	498,750	797,250	640,087	157,163
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	1,000,000	7,969	992,031
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	232,500	263,500	263,500	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	28,500	14,514	13,350	1,164
0099	Other Intergovernmental Charges	1,288,974	1,288,974	1,226,213	62,761
6030	Total Expenditures	196,875,033	202,907,919	192,776,267	10,131,652
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,859,310)	(8,217,259)	2,567,120	10,784,379
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	500	146,009	151,751	5,742
8911	Transfers Out (Use)	-	(6,472,625)	(6,472,625)	-
8949	Other (Uses)	-	(4,636)	(4,636)	-
7080	Total Other Financing Sources (Uses)	500	(6,331,252)	(6,325,510)	5,742
EXTRAORDINARY ITEMS:					
8913	Extraordinary Item - (Use)	-	(23,720)	(23,720)	-
1200	Net Change in Fund Balances	(2,858,810)	(14,572,231)	(3,782,110)	10,790,121
0100	Fund Balance - July 1 (Beginning)	77,427,509	77,427,509	77,427,509	-
3000	Fund Balance - June 30 (Ending)	\$ 74,568,699	\$ 62,855,278	\$ 73,645,399	\$ 10,790,121

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,570,358	\$ 10,961,758
Due from Other Governments	500	-
Due from Other Funds	1,952	-
Other Receivables	5,231	126,701
Inventories	274,400	3,424
Prepayments	-	4,375
Total Current Assets	2,852,441	11,096,258
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	3,879,792	17,517
Depreciation on Furniture and Equipment	(2,282,868)	(11,097)
Total Noncurrent Assets	1,596,924	6,420
Total Assets	4,449,365	11,102,678
LIABILITIES		
Current Liabilities:		
Accounts Payable	362,042	49,309
Accrued Wages Payable	44,485	781
Due to Other Funds	140,160	-
Accrued Expenses	-	1,667,157
Unearned Revenues	295,852	-
Total Liabilities	842,539	1,717,247
NET POSITION		
Net Investment in Capital Assets	1,596,924	6,420
Unrestricted Net Assets	2,009,902	9,379,011
Total Net Position	\$ 3,606,826	\$ 9,385,431

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 3,368,514	\$ 2,682,141
State Program Revenues	58,795	-
Federal Revenues	500	-
Total Operating Revenues	<u>3,427,809</u>	<u>2,682,141</u>
OPERATING EXPENSES:		
Payroll Costs	3,441,862	248,483
Professional and Contracted Services	86,201	253,535
Supplies and Materials	5,258,356	106,591
Other Operating Costs	37,381	1,459,896
Depreciation Expense	303,749	987
Total Operating Expenses	<u>9,127,549</u>	<u>2,069,492</u>
Operating Income (Loss)	<u>(5,699,740)</u>	<u>612,649</u>
NONOPERATING REVENUES (EXPENSES):		
National School Breakfast Program	1,130,942	-
National School Lunch Program	4,130,289	-
Donated Commodities (USDA)	541,302	-
Earnings from Temporary Deposits & Investments	3,878	9,917
Total Nonoperating Revenues (Expenses)	<u>5,806,411</u>	<u>9,917</u>
Income Before Extraordinary Items	106,671	622,566
Extraordinary Item - Lawsuit Settlement	-	125,000
Change in Net Position	106,671	747,566
Total Net Position - July 1 (Beginning)	<u>3,500,155</u>	<u>8,637,865</u>
Total Net Position - June 30 (Ending)	<u>\$ 3,606,826</u>	<u>\$ 9,385,431</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from District	\$ -	\$ 953,120
Cash Received from Charges and Fees	3,462,640	426,343
Cash Received from Employees	-	1,415,229
Cash Payments for Payroll Costs	(3,273,129)	(248,037)
Cash Payments for Purchased Services	(86,201)	(227,746)
Cash Payments for Supplies and Materials	(5,066,400)	(105,553)
Cash Payments for Other Expenses	(37,381)	(1,548,445)
Cash Payments for Claims	-	(367,781)
Net Cash Provided by (Used for) Operating Activities	<u>(5,000,471)</u>	<u>297,130</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Cash Received from Federal Programs	5,802,533	-
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	(462,240)	-
Lawsuit Settlement	-	125,000
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(462,240)</u>	<u>125,000</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	3,878	9,917
Net Increase in Cash and Cash Equivalents	343,700	432,047
Cash and Cash Equivalents at Beginning of Year	2,226,658	10,529,711
Cash and Cash Equivalents at End of Year	<u>\$ 2,570,358</u>	<u>\$ 10,961,758</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (5,699,740)	\$ 612,649
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	303,749	987
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Due from Other Gov.	(500)	-
Decrease (increase) in Receivables	(5,231)	112,756
Decrease (increase) in Inventories	(14,381)	628
Decrease (increase) in Prepaid Expenses	-	(4,375)
Increase (decrease) in Accounts Payable	206,337	(150,059)
Increase (decrease) in Accrued Wages Payable	13,363	781
Increase (decrease) in Due to/from Other Funds	155,370	(130)
Increase (decrease) in Accrued Expenses	-	(276,107)
Increase (decrease) in Unearned Revenues	40,562	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (5,000,471)</u>	<u>\$ 297,130</u>

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, 2013

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,075,776
Due from Other Governments	1,917
Other Receivables	714
Total Assets	<u>\$ 1,078,407</u>
LIABILITIES	
Accounts Payable	\$ 75
Due to Student Groups	1,078,332
Total Liabilities	<u>\$ 1,078,407</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

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 or less at time of purchase. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

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

D. BUDGETARY CONTROL

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

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

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, 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, 2013 <u>Fund Balance</u>
Appropriated Budget Funds	\$ -0-
Nonappropriated Budget Funds	<u>978,332</u>
All Special Revenue Funds	<u>\$978,332</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 the District had the following encumbrances as significant commitments for which resources had not already been restricted, committed or assigned.

General Fund	\$ 182,709
Capital Projects Fund	2,222,353
Child Nutrition Fund	<u>265,965</u>
Total	<u>\$2,671,027</u>

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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 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 2013, 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.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

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. ADOPTION OF NEW ACCOUNTING STANDARDS

Beginning in 2013, the District implemented GASB Statement Numbers 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and 65, *Items Previously Reported as Assets and Liabilities*. These two statements:

- Defined transactions that result in the consumption of net assets in one period that are applicable to a future period as “deferred outflows of resources.”
- Defined transactions that result in the acquisition of net assets in one period that are applicable to a future period as “deferred inflows of resources.”
- Defined the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources as “net position.”
- Required certain items previously reported as assets and liabilities that meet the definition of deferred outflows or inflows of resources to be retroactively reclassified in the Statements of Net Position and Balance Sheets, if practical, for all prior periods presented.

The effects of these two changes in accounting principle on the District’s 2013 financial statements were

- Governmental fund financial statements
 - Record property taxes uncollected within 60 days of the fiscal year-end, and therefore unavailable, as deferred inflows of resources in the governmental fund financial statements.
- Government-wide financial statements
 - Reclassify bond issuance costs previously reported as assets to expenses of the period in which they were incurred, resulting in an adjustment to beginning net position.
 - For refunded debt, record the difference between the reacquisition price and the net carrying amount of the refunded debt as a deferred resource outflow or inflow, as appropriate, and amortize the balance as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. Accordingly, all unamortized deferred losses on refunding transactions as of June 30, 2013 were reclassified as deferred outflows of resources.

Beginning Net Position (previously reported as Net Assets)	\$31,399,054
Reclassification of bond issuance costs	<u>(4,548,559)</u>
Beginning Net Position As Restated	<u>\$26,850,495</u>

NOTE 3. FUND BALANCE

Beginning with the fiscal year ended June 30, 2011, the District 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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013 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, 2013 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:

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

General Fund

The General Fund has unassigned fund balance of \$59,713,337 at June 30, 2013. Deferred expenditures (prepaid items) of \$196,774 and inventories of \$347,543 are considered nonspendable fund balance. The District has assigned general fund fund balance resources for the following purposes as of June 30, 2013:

2013-2014 deficit budget	\$ 4,327,396
Extended School Day program	1,312,444
Non-bond new campus startup	992,031
Staffing phase-in for new campuses	1,500,000
Per pupil campus allotment	1,266,937
Instructional supplement funds	294,043
Vehicles/buses	1,000,000
21 st Century grant - District contribution	168,000
Local grant fund	170,499
Career and Technology program	750,389
Bilingual program	11,379
Secondary curriculum	2,236
Fine Arts program	42,391
Major maintenance projects	500,000
Technology	1,000,000
Other equipment	<u>50,000</u>
	<u>\$13,387,745</u>

Other Major Funds

The Debt Service Fund has restricted funds of \$50,832,071 at June 30, 2013 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$22,956,007 at June 30, 2013 consisting primarily of unspent bond funds and \$4,658,194 of non-bond funds assigned for future capital replacement projects.

Other Funds

The fund balance of \$978,332 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, 2013, while the accumulated unspent earnings of \$13,194 are shown as assigned fund balance.

NOTE 4. 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, 2013, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$5,737,672 and the bank balance was \$10,649,394. The District's cash deposits at June 30, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the District’s cash balances totaled \$10,649,394. 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, 2013, the District held all of its investments in three public funds investment pools (TexPool, Lone Star and TexStar). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool and TexStar at year-end was AAAM (Standard & Poor’s), and the credit quality rating for Lone Star was AA Af (Standard & Poor’s).
- 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, 2013, 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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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

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

The District's investments at June 30, 2013, are shown below:

Name	Carrying Amount	Fair Value
TexPool	\$ 57,140,432	\$ 57,140,432
TexStar	50,897,839	50,897,839
Lone Star	<u>81,062,401</u>	<u>81,062,401</u>
Total	<u>\$189,100,672</u>	<u>\$189,100,672</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 28,908,011	\$ 2,494,937	\$ -	\$ 31,402,948
Construction in Progress	<u>9,067,343</u>	<u>37,707,380</u>	<u>(4,131,198)</u>	<u>42,643,525</u>
Total capital assets, not being depreciated	<u>37,975,354</u>	<u>40,202,317</u>	<u>(4,131,198)</u>	<u>74,046,473</u>
Capital assets, being depreciated:				
Buildings and Improvements	648,082,869	4,681,062	-	652,763,931
Furniture and Equipment	<u>36,667,268</u>	<u>2,412,713</u>	-	<u>39,079,981</u>
Total capital assets, being depreciated	<u>684,750,137</u>	<u>7,093,775</u>	-	<u>691,843,912</u>
Less accumulated depreciation for:				
Buildings and Improvements	(162,418,680)	(18,938,773)	-	(181,357,453)
Furniture and Equipment	<u>(26,022,275)</u>	<u>(2,906,451)</u>	-	<u>(28,928,726)</u>
Total accumulated depreciation	<u>(188,440,955)</u>	<u>(21,845,224)</u>	-	<u>(210,286,179)</u>
Total capital assets being depreciated, net	<u>496,309,182</u>	<u>(14,751,449)</u>	-	<u>481,557,733</u>
Governmental activities capital assets, net	<u>\$ 534,284,536</u>	<u>\$ 25,450,868</u>	<u>\$ (4,131,198)</u>	<u>\$ 555,604,206</u>
Business-type activities:				
Furniture and Equipment	\$ 3,445,697	\$ 462,240	\$ (28,145)	\$ 3,879,792
Totals at historic cost	<u>3,445,697</u>	<u>462,240</u>	<u>(28,145)</u>	<u>3,879,792</u>
Less accumulated depreciation for:				
Furniture and Equipment	<u>(2,007,264)</u>	<u>(303,749)</u>	<u>28,145</u>	<u>(2,282,868)</u>
Total accumulated depreciation	<u>(2,007,264)</u>	<u>(303,749)</u>	<u>28,145</u>	<u>(2,282,868)</u>
Business-type activities capital assets net	<u>\$ 1,438,433</u>	<u>\$ 158,491</u>	<u>\$ -</u>	<u>\$ 1,596,924</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

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

Governmental activities:	
Instruction	\$15,677,019
Instructional Resources & Media Services	407,637
Curriculum & Instructional Staff Development	288,948
Instructional Leadership	283,656
School Leadership	1,343,777
Guidance, Counseling & Evaluation Services	1,151,439
Social Work Services	48,625
Health Services	271,310
Student (Pupil) Transportation	516,643
Cocurricular/Extracurricular Activities	391,336
General Administration	488,554
Plant Maintenance and Operations	650,463
Data Processing Services	281,964
Community Services	<u>43,853</u>
Total depreciation expense-Governmental activities	<u>\$21,845,224</u>
Business-type activities:	
Food Services	\$ 303,749
Stadium Concessions	<u>-</u>
Total depreciation expense Business-type activities	<u>\$ 303,749</u>

NOTE 6. 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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2013:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 7/1/12	Additions	Refunded/ Retired	Amounts Outstanding 6/30/13	Due Within One Year
Bonded Indebtedness:							
1998 Bldg/Refunding	4.20-5.50%	28,900,000	\$ 1,710,000	\$ -	\$ 630,000	\$ 1,080,000	\$ 1,080,000
2001 Bldg/Refunding	3.64-4.40%	60,920,000	18,430,000	-	-	18,430,000	-
2002 Bldg/Ref CAB	3.58-5.88%	69,195,675	14,590,166	-	3,576,447	11,013,719	3,368,341
2004 Bldg/Refunding	2.58-5.00%	84,070,000	46,855,000	-	42,365,000	4,490,000	2,020,000
2005A Building	Variable	46,500,000	46,500,000	-	-	46,500,000	-
2005B Bldg/Refunding	3.00-5.00%	13,315,000	10,120,000	-	2,365,000	7,755,000	2,460,000
2005B Bldg/Ref CAB	3.45-4.13%	4,045,445	2,306,824	-	810,600	1,496,224	768,025
2005C Refunding	3.00-5.00%	50,240,000	39,815,000	-	29,170,000	10,645,000	4,610,000
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	20,765,000	-	535,000	20,230,000	570,000
2006B Building	Variable	30,000,000	30,000,000	-	-	30,000,000	-
2007 Building	4.00-5.00%	39,365,000	35,620,000	-	3,805,000	31,815,000	755,000
2008 Building	3.375-5.0%	158,215,000	156,700,000	-	-	156,700,000	1,885,000
2009 Refunding	4.00-5.25%	31,875,000	31,875,000	-	-	31,875,000	-
2011 Refunding	2.00-5.00%	24,325,000	23,660,000	-	210,000	23,450,000	2,135,000
2012A Building	Variable	40,000,000	40,000,000	-	-	40,000,000	-
2012B Refunding	2.00-5.00%	57,210,000	57,210,000	-	930,000	56,280,000	-
2012B Refunding CAB	0.85%	3,658,367	3,658,367	-	-	3,658,367	-
2012C Refunding	2.00-2.50%	24,875,000	-	24,875,000	-	24,875,000	840,000
2012D Refunding	2.00-5.00%	40,030,000	-	40,030,000	-	40,030,000	825,000
Total Bonded Indebtedness			<u>642,485,696</u>	<u>64,905,000</u>	<u>84,397,047</u>	<u>622,993,649</u>	<u>21,316,366</u>
Accreted Interest	4.10-5.20%		36,870,298	5,622,560	2,117,953	40,374,905	2,368,634
Premiums on Bond Issuance			26,994,543	5,080,174	3,964,111	28,110,606	1,731,111
Accrued Vacation Benefits			1,280,287	175,825	247,799	1,208,313	-
Special Termination Benefits			315,821	-	66,667	249,154	98,045
Total Other Obligations			<u>65,460,949</u>	<u>10,878,559</u>	<u>6,396,530</u>	<u>69,942,978</u>	<u>4,197,790</u>
Total Obligations of District			<u>\$707,946,645</u>	<u>\$ 75,783,559</u>	<u>\$90,793,577</u>	<u>\$692,936,627</u>	<u>\$25,514,156</u>

The 2002, 2005, 2006 and 2012 bond series include outstanding capital appreciation bonds in the principal amount of \$78,838,649. The bonds mature variously beginning in 2013 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 \$40,374,905 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, 2013.

Interest Rate Swap Agreements

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the debt service requirements of the Series 2005-A Bonds were as follows. As interest rates change in the future, the differences between the floating rates payable to the District under the 2005 Swap Agreements and the actual interest rates payable by the District on the Series 2005-A Bonds will vary.

Year Ended	Total		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2014	\$ -	\$ 2,032,050	\$ 2,032,050
2015	-	2,032,050	2,032,050
2016	-	2,032,050	2,032,050
2017	1,760,000	1,993,594	3,753,594
2018	1,840,000	1,914,934	3,754,934
2019-2023	9,670,000	8,319,388	17,989,388
2024-2028	10,980,000	6,097,898	17,077,898
2029-2033	13,070,000	3,477,427	16,547,427
2034-2036	<u>9,180,000</u>	<u>612,674</u>	<u>9,792,674</u>
Totals	<u>\$ 46,500,000</u>	<u>\$ 28,512,065</u>	<u>\$ 75,012,065</u>

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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, 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 <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ -	\$ 1,571,100	\$ 1,571,100
2015	-	1,571,100	1,571,100
2016	-	1,571,100	1,571,100
2017	-	1,571,100	1,571,100
2018	-	1,571,100	1,571,100
2019-2023	-	7,855,500	7,855,500
2024-2028	4,935,000	7,236,879	12,171,879
2029-2033	6,155,000	5,784,397	11,939,397
2034-2036	<u>18,910,000</u>	<u>1,880,869</u>	<u>20,790,869</u>
Totals	<u>\$ 30,000,000</u>	<u>\$ 30,613,145</u>	<u>\$ 60,613,145</u>

Note: Interest was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 4.077% pursuant to the 2006 Swap Agreement; (b) the estimated cost of the liquidity facility for the Series 2006-B Bonds (0.250%); (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, 2013, 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 \$8,177,193. The District was not exposed to credit risk with JPMCB on the 2006 Swap Agreement as such agreement had a negative fair value of \$6,228,335. Collectively, as of June 30, 2013, the Swap Agreements had a net negative fair value of \$14,505,528.

As of June 30, 2013, 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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 7. 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 6 above):

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2014	\$ 21,316,366	\$ 22,457,758	\$ 43,774,124
2015	20,339,304	21,933,829	42,273,133
2016	20,904,487	21,837,968	42,742,455
2017	17,554,508	23,840,922	41,395,430
2018	18,073,645	23,208,072	41,281,717
2019-2023	109,620,434	97,668,701	207,289,135
2024-2028	97,721,690	108,206,117	205,927,807
2029-2033	119,868,215	84,644,083	204,512,298
2034-2038	90,750,000	17,335,350	108,085,350
2039-2043	<u>30,345,000</u>	<u>3,424,125</u>	<u>33,769,125</u>
	<u>\$546,493,649</u>	<u>\$424,556,925</u>	<u>\$971,050,574</u>

NOTE 8. DEFEASED BONDS OUTSTANDING

On November 15, 2012, the District issued \$64,905,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 2.0% to 5.0% to advance refund \$65,185,000 of unlimited tax school building and tax refunding bonds. The unlimited tax refunding bonds were issued at a net premium of \$5,080,174, and, after paying issuance costs of \$591,643, the net proceeds were \$71,355,694. 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 \$11,489,215, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$8,932,519.

In prior years, the District has defeased other various bond issues in a similar manner to that described above.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, \$181,453,976 of bonds outstanding are considered defeased.

NOTE 9. SPECIAL TERMINATION BENEFITS

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

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 2012, 117 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, 2013 of all future periodic payments to be made to the 10 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	Total
<u>June 30</u>	<u>Payments</u>
2014	\$ 70,404
2015	42,424
2016	38,441
2017	<u>12,037</u>
Total	<u>\$ 163,306</u>
Present Value	<u>\$ 148,605</u>

NOTE 10. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

On resignation, retirement or death of certain employees, the District pays any accrued, unused vacation leave in a lump cash payment to such employee or his/her estate. The District's liability is considered a long-term liability and is recorded in the 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, 2012	\$1,280,287
Additions – New Entrants and Salary Increments	175,825
Deductions – Payments to Participants	<u>(247,799)</u>
Balance, June 30, 2013	<u>\$1,208,313</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 11. 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 \$1,226,213 in fiscal year 2013 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 2012-13 fiscal year was based was \$10,115,153,791. 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, 2013, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.49 per \$100 valuation, respectively, for a total of \$1.53 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2013 were 98.85% 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, 2013, property taxes receivable, net of estimated uncollectible taxes, totaled \$2,681,788 and \$1,174,247 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 12. PENSION PLAN OBLIGATIONS

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.4% of the District's covered payroll (6.0% in fiscal year 2012 and 6.644% in fiscal year 2011). In certain instances the District is required to make all or a portion of the state's 6.4% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. The District's employees' contributions to the System for the years ending June 30, 2011, 2012, and 2013 were \$9,451,274, \$9,112,417 and \$9,445,155, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending June 30, 2011, 2012, and 2013 were \$2,536,117, \$2,160,002 and \$2,447,811, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended June 30, 2011, 2012, and 2013 were \$7,862,951, \$7,061,497 and \$7,048,116, respectively, and are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

NOTE 13. 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 0.5% (1.0% prior to September 1, 2012) and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. 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, 2013, 2012, and 2011, the State's contributions to the TRS-Care were \$540,787, \$1,024,239, and \$1,062,327, respectively, the active member contributions were \$351,610, \$665,755, and \$690,513, respectively, and the school district's contribution were \$297,515, \$563,331, and \$584,280, 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, 2013, the contribution made on behalf of the District was \$546,191.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

NOTE 14. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2013, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 107,890	\$ -
Enterprise Fund	140,160	1,952
Special Revenue Fund:		
General Fund	-	107,890
Enterprise Fund:		
General Fund	<u>1,952</u>	<u>140,160</u>
 TOTAL	 <u>\$ 250,002</u>	 <u>\$ 250,002</u>

Interfunds transfers for the year ended June 30, 2013 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Capital Projects Fund	\$6,464,255	\$ -
Special Revenue Fund	8,370	-
Special Revenue Fund:		
General Fund	-	8,370
Capital Projects Fund:		
General Fund	<u>-</u>	<u>6,464,255</u>
 TOTAL	 <u>\$6,472,625</u>	 <u>\$6,472,625</u>

The purpose of the primary transfer was to transfer \$6,464,255 of local funds from the general fund to the capital projects fund to set them aside for future capital replacements needs.

NOTE 15. HEALTH CARE

During the year ended June 30, 2013, 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 fully insured plan.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

NOTE 16. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2013, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$2,798,696	\$ 778,442	\$248,050	\$ 58,012	\$ 3,883,200
Debt Service Fund	1,227,474	-	-	42,352	1,269,826
Capital Projects Fund	-	-	-	3,556	3,556
Special Revenue Fund	-	<u>2,301,173</u>	-	<u>8,047</u>	<u>2,309,220</u>
Total - Governmental Activities	<u>\$4,026,170</u>	<u>\$3,079,615</u>	<u>\$248,050</u>	<u>\$111,967</u>	<u>\$ 7,465,802</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 170,135</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,135</u>
Business-type Activities:					
Enterprise Fund	\$ -	\$ -	\$ 1,952	\$ 5,231	\$ 7,183
Internal Service Fund	-	-	-	<u>126,701</u>	<u>126,701</u>
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,952</u>	<u>\$131,932</u>	<u>\$ 133,884</u>

Payables at June 30, 2013, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:					
General Fund	\$ 1,479,326	\$21,410,731	\$ 1,952	\$ -	\$22,892,009
Debt Service Fund	4,920	-	-	-	4,920
Capital Projects Fund	7,305,714	-	-	-	7,305,714
Special Revenue Funds	<u>257,415</u>	<u>1,072,859</u>	<u>107,890</u>	-	<u>1,438,164</u>
Total-Governmental Activities	<u>\$ 9,047,375</u>	<u>\$22,483,590</u>	<u>\$ 109,842</u>	<u>\$ -</u>	<u>\$31,640,807</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-type Activities:					
Enterprise Fund	\$ 362,043	\$ 44,485	\$ 140,160	\$ -	\$ 546,688
Internal Service Fund	<u>49,309</u>	<u>781</u>	-	<u>1,667,157</u>	<u>1,717,247</u>
Total Business-type Activities	<u>\$ 411,352</u>	<u>\$ 45,266</u>	<u>\$ 140,160</u>	<u>\$1,667,157</u>	<u>\$ 2,263,935</u>

NOTE 17. 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 \$1,667,157 as of June 30, 2013. Claims administration is provided by TASB.

The accrued liability for Workers' Compensation self-insurance of \$1,667,157 includes incurred but not reported claims. This liability reported in the fund at June 30, 2013, 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 2013 was \$500,000.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

Changes in the workers' compensation claims liability amounts in fiscal 2013 and 2012 are represented below:

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Unpaid claims, beginning of year	\$1,930,091	\$2,319,140
Incurring claims (including IBNR'S)	163,331	98,610
Claim payments	<u>426,265</u>	<u>487,659</u>
Unpaid claims, end of fiscal year	<u>\$1,667,157</u>	<u>\$1,930,091</u>

NOTE 18. 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, 2013, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Grants & Entitlements</u>	<u>Federal Grants</u>	<u>Local Governments</u>	<u>Total</u>
General	\$ 768,197	\$ 4,180	\$ 6,065	\$ 778,442
Special Revenue	<u>295,154</u>	<u>2,006,019</u>	<u>-</u>	<u>2,301,173</u>
Total	<u>\$1,063,351</u>	<u>\$2,010,199</u>	<u>\$ 6,065</u>	<u>\$3,079,615</u>

NOTE 19. 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, 2013, the estimated rebate liability on outstanding bond series was \$61,580.

NOTE 20. 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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 21. 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	\$105,281,053	\$ -	\$49,575,303	\$ -	\$154,856,356
Investment Income	151,237	-	37,825	63,050	252,112
Penalties, interest and other tax related income	914,022	-	333,457	-	1,247,479
Co-curricular student activities	542,967	1,369,995	-	-	1,912,962
Tuition and fees	2,294,090	789,557	-	-	3,083,647
Gifts and bequests	131,686	258,884	-	-	390,570
Facilities rentals	235,192	-	-	-	235,192
Utility refunds/rebates	224,309	-	-	-	224,309
Insurance recovery	15,906	-	-	-	15,906
Other	150,964	9,011	-	-	159,975
Total	<u>\$109,941,426</u>	<u>\$2,427,447</u>	<u>\$49,946,585</u>	<u>\$ 63,050</u>	<u>\$162,378,508</u>

NOTE 22. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund	Total
Net Tax Revenue	\$2,011,922	\$ -	\$864,992	\$ -	\$2,876,914
After-School Program	2,790	-	-	-	2,790
Lunchroom receipts	-	-	-	122,193	122,193
Food Commodities	-	-	-	173,659	173,659
State Textbook Fund	-	251,651	-	-	251,651
Summer School LEP	-	42,550	-	-	42,550
Read to Succeed	-	949	-	-	949
Advanced Placement Incentives	-	65,476	-	-	65,476
Deaf Ed Mgmt Board	-	153,969	-	-	153,969
Total	<u>\$2,014,712</u>	<u>\$514,595</u>	<u>\$864,992</u>	<u>\$295,852</u>	<u>\$3,690,151</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2013

NOTE 23. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2013, as follows:

Year Ending	
<u>June 30,</u>	
2014	\$ 242,225
2015	241,676
2016	241,676
2017	241,676
2018	<u>80,559</u>
Total Minimum Rentals	<u>\$1,047,812</u>
Rental Expenditures in Fiscal Year 2013	<u>\$ 243,324</u>

NOTE 24. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Medicaid Reimbursement	N/A	\$2,064,530	\$2,064,530
Junior ROTC	12.000	194,065	194,065
Impact Aid	84.041	161,753	161,753
Indirect Costs	N/A	634,776	634,776
i3 Grant	84.411	7,423	7,423
Federal Excise Tax Rebate	N/A	<u>171,669</u>	<u>171,669</u>
Total for General Fund		<u>\$3,234,216</u>	<u>\$3,234,216</u>

NOTE 25. 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, 2013.

NOTE 26. 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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the District contributed \$13,350 to the fiscal agent as its share of the costs of the joint venture.

NOTE 27. SUBSEQUENT EVENT

On August 26, 2013, the District sold \$45,000,000 Series 2013 variable rate unlimited tax school building bonds. Proceeds from the sale were received on September 19, 2013 and will be used to finance various construction and renovation projects ongoing in the District.

This page left blank intentionally.

COMBINING SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110 Cash and Cash Equivalents	\$ (229,314)	\$ (238,083)	\$ (290,571)	\$ (5,160)
1240 Receivables from Other Governments	417,403	581,154	596,403	14,490
1290 Other Receivables	-	553	-	-
1300 Inventories	-	-	-	-
1410 Prepayments	-	1,925	-	-
1900 Other Assets	-	-	-	-
1000 Total Assets	<u>\$ 188,089</u>	<u>\$ 345,549</u>	<u>\$ 305,832</u>	<u>\$ 9,330</u>
LIABILITIES				
2110 Accounts Payable	\$ 4,901	\$ 19,415	\$ 6,055	\$ -
2160 Accrued Wages Payable	159,091	291,174	271,014	7,884
2170 Due to Other Funds	24,097	34,960	28,763	1,446
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>188,089</u>	<u>345,549</u>	<u>305,832</u>	<u>9,330</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 188,089</u>	<u>\$ 345,549</u>	<u>\$ 305,832</u>	<u>\$ 9,330</u>

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 Title III Nexus	288 Summer School LEP	309 SSA Adult Basic Education
\$ (31,385)	\$ (107,164)	\$ (26,927)	\$ (12,161)	\$ (26,386)	\$ -	\$ 42,550	\$ (34,539)
62,600	132,011	92,559	12,161	26,386	-	-	40,010
-	-	-	-	-	-	-	-
11,941	-	-	-	-	-	-	-
-	18,160	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 43,156</u>	<u>\$ 43,007</u>	<u>\$ 65,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,550</u>	<u>\$ 5,471</u>
\$ 40,797	\$ 17,906	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90
2,359	22,446	63,602	-	-	-	-	5,381
-	2,655	2,030	-	-	-	-	-
-	-	-	-	-	-	42,550	-
<u>43,156</u>	<u>43,007</u>	<u>65,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,550</u>	<u>5,471</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 43,156</u>	<u>\$ 43,007</u>	<u>\$ 65,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,550</u>	<u>\$ 5,471</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

Data Control Codes	312 SSA - TANF Family Assistance	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf
ASSETS				
1110 Cash and Cash Equivalents	\$ (1,776)	\$ -	\$ (381)	\$ -
1240 Receivables from Other Governments	1,878	-	381	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1410 Prepayments	-	-	-	-
1900 Other Assets	-	-	-	-
1000 Total Assets	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	102	-	-	-
2170 Due to Other Funds	-	-	-	-
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>102</u>	<u>-</u>	<u>-</u>	<u>-</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

331 SSA - Career & Technical - Basic Grant	340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired SSVI	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund	425 Read to Succeed	431 SSA - ABE Educational Technology
\$ (6,859)	\$ -	\$ -	\$ 65,476	\$ -	\$ 371,352	\$ 843	\$ (10,799)
28,583	-	-	-	70,948	-	106	12,950
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 21,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,476</u>	<u>\$ 70,948</u>	<u>\$ 371,352</u>	<u>\$ 949</u>	<u>\$ 2,151</u>
\$ 8,565	\$ -	\$ -	\$ -	\$ -	\$ 119,701	\$ -	\$ -
11,847	-	-	-	70,948	-	-	2,151
1,312	-	-	-	-	-	-	-
-	-	-	65,476	-	251,651	949	-
<u>21,724</u>	<u>-</u>	<u>-</u>	<u>65,476</u>	<u>70,948</u>	<u>371,352</u>	<u>949</u>	<u>2,151</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 21,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,476</u>	<u>\$ 70,948</u>	<u>\$ 371,352</u>	<u>\$ 949</u>	<u>\$ 2,151</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2013

Data Control Codes	435 SSA Regional Day School - Deaf	446 Deaf Educ Management Board	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds	
ASSETS					
1110	Cash and Cash Equivalents	\$ (76,449)	\$ 207,104	\$ 992,831	\$ 582,202
1240	Receivables from Other Governments	124,100	85,250	1,800	2,301,173
1290	Other Receivables	-	-	7,494	8,047
1300	Inventories	-	-	-	11,941
1410	Prepayments	-	-	7,643	27,728
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 47,651</u>	<u>\$ 292,354</u>	<u>\$ 1,009,768</u>	<u>\$ 2,931,091</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 18,298	\$ 21,687	\$ 257,415
2160	Accrued Wages Payable	45,338	109,773	9,749	1,072,859
2170	Due to Other Funds	2,313	10,314	-	107,890
2300	Unearned Revenues	-	153,969	-	514,595
2000	Total Liabilities	<u>47,651</u>	<u>292,354</u>	<u>31,436</u>	<u>1,952,759</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3425	Endowment Principal	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	978,332	978,332
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>978,332</u>	<u>978,332</u>
4000	Total Liabilities and Fund Balances	<u>\$ 47,651</u>	<u>\$ 292,354</u>	<u>\$ 1,009,768</u>	<u>\$ 2,931,091</u>

479 Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 582,202
-	2,301,173
-	8,047
-	11,941
-	27,728
14,194	14,194
<u>\$ 14,194</u>	<u>\$ 2,945,285</u>
\$ -	\$ 257,415
-	1,072,859
-	107,890
-	514,595
-	<u>1,952,759</u>
1,000	1,000
-	978,332
13,194	13,194
<u>14,194</u>	<u>992,526</u>
<u>\$ 14,194</u>	<u>\$ 2,945,285</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	1,243,704	2,636,660	2,954,991	57,840
5020 Total Revenues	<u>1,243,704</u>	<u>2,636,660</u>	<u>2,954,991</u>	<u>57,840</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,008,182	2,189,018	1,900,466	57,840
0012 Instructional Resources and Media Services	-	32,028	-	-
0013 Curriculum and Instructional Staff Development	800	261,512	24,686	-
0021 Instructional Leadership	-	7,976	68,958	-
0023 School Leadership	28,816	42,844	9,710	-
0031 Guidance, Counseling and Evaluation Services	2,182	64,430	949,540	-
0032 Social Work Services	172,918	6,165	-	-
0033 Health Services	772	-	1,295	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	30,034	32,687	336	-
6030 Total Expenditures	<u>1,243,704</u>	<u>2,636,660</u>	<u>2,954,991</u>	<u>57,840</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 Title III Nexus	288 Summer School LEP	309 SSA Adult Basic Education
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
92,134	645,287	403,582	87,424	77,147	6,972	8,715	368,578
92,134	645,287	403,582	87,424	77,147	6,972	8,715	368,578
-	35,280	138,910	-	23,314	6,972	8,715	342,140
-	-	-	-	-	-	-	-
-	605,906	219,207	-	-	-	-	14,402
-	-	-	-	-	-	-	-
-	4,101	2,392	-	-	-	-	-
-	-	-	-	53,833	-	-	-
-	-	-	-	-	-	-	-
-	-	-	87,424	-	-	-	-
92,134	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	342
-	-	-	-	-	-	-	-
-	-	43,073	-	-	-	-	11,694
92,134	645,287	403,582	87,424	77,147	6,972	8,715	368,578
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	312 SSA - TANF Family Assistance	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	14,508	30,228	30,152	4,224
5020 Total Revenues	<u>14,508</u>	<u>30,228</u>	<u>30,152</u>	<u>4,224</u>
EXPENDITURES:				
Current:				
0011 Instruction	14,508	30,228	3,368	4,224
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	26,784	-
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	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	<u>14,508</u>	<u>30,228</u>	<u>30,152</u>	<u>4,224</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

331 SSA - Career & Technical - Basic Grant	340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired SSVI	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund	425 Read to Succeed	431 SSA - ABE Educational Technology
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,011	\$ -	\$ -
-	-	10,724	9,509	70,948	1,041,714	-	164,323
252,982	2,390	-	-	-	-	-	-
<u>252,982</u>	<u>2,390</u>	<u>10,724</u>	<u>9,509</u>	<u>70,948</u>	<u>1,050,725</u>	<u>-</u>	<u>164,323</u>
180,230	2,390	10,724	9,001	56,593	983,329	-	141,117
-	-	-	-	-	-	-	-
25,190	-	-	508	-	-	-	13,997
5,100	-	-	-	-	-	-	1,420
-	-	-	-	9,490	-	-	-
42,462	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,400	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	24
-	-	-	-	3,465	67,396	-	-
-	-	-	-	-	-	-	7,765
<u>252,982</u>	<u>2,390</u>	<u>10,724</u>	<u>9,509</u>	<u>70,948</u>	<u>1,050,725</u>	<u>-</u>	<u>164,323</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes	435 SSA Regional Day School - Deaf	446 Deaf Educ Management Board	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 789,557	\$ 1,628,879	\$ 2,427,447
5800 State Program Revenues	354,997	-	-	1,652,215
5900 Federal Program Revenues	-	-	-	8,917,518
5020 Total Revenues	<u>354,997</u>	<u>789,557</u>	<u>1,628,879</u>	<u>12,997,180</u>
EXPENDITURES:				
Current:				
0011 Instruction	337,558	731,611	1,009,731	9,225,449
0012 Instructional Resources and Media Services	-	-	72,557	104,585
0013 Curriculum and Instructional Staff Development	-	10,865	28,702	1,205,775
0021 Instructional Leadership	-	-	-	83,454
0023 School Leadership	-	-	104,694	202,047
0031 Guidance, Counseling and Evaluation Services	17,439	45,931	1,244	1,203,845
0032 Social Work Services	-	-	-	179,083
0033 Health Services	-	-	277	3,744
0034 Student (Pupil) Transportation	-	-	1,820	89,244
0035 Food Services	-	-	-	92,134
0036 Extracurricular Activities	-	-	319,635	319,635
0041 General Administration	-	-	21,580	21,580
0051 Facilities Maintenance and Operations	-	-	5,585	5,951
0053 Data Processing Services	-	-	58	70,919
0061 Community Services	-	1,150	2,687	129,426
6030 Total Expenditures	<u>354,997</u>	<u>789,557</u>	<u>1,568,570</u>	<u>12,936,871</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	60,309	60,309
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	8,370	8,370
7080 Total Other Financing Sources (Uses)	-	-	8,370	8,370
1200 Net Change in Fund Balance	-	-	68,679	68,679
0100 Fund Balance - July 1 (Beginning)	-	-	909,653	909,653
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 978,332</u>	<u>\$ 978,332</u>

479 Permanent Fund	Total Nonmajor Governmental Funds
\$ 71	\$ 2,427,518
-	1,652,215
-	8,917,518
<u>71</u>	<u>12,997,251</u>
-	9,225,449
-	104,585
-	1,205,775
-	83,454
-	202,047
-	1,203,845
-	179,083
-	3,744
-	89,244
-	92,134
-	319,635
-	21,580
-	5,951
-	70,919
-	129,426
-	<u>12,936,871</u>
<u>71</u>	<u>60,380</u>
-	8,370
-	<u>8,370</u>
71	68,750
<u>14,123</u>	<u>923,776</u>
<u>\$ 14,194</u>	<u>\$ 992,526</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 JUNE 30, 2013

	752	753	771	772	Total
	Print Shop	Workers Compensation	Health Insurance	iPad Insurance	Internal Service Funds
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 469,019	\$ 5,731,248	\$ 4,665,425	\$ 96,066	\$ 10,961,758
Other Receivables	-	-	126,701	-	126,701
Inventories	3,424	-	-	-	3,424
Prepayments	-	4,375	-	-	4,375
Total Current Assets	<u>472,443</u>	<u>5,735,623</u>	<u>4,792,126</u>	<u>96,066</u>	<u>11,096,258</u>
Noncurrent Assets:					
Capital Assets:					
Furniture and Equipment	17,517	-	-	-	17,517
Depreciation on Furniture and Equipment	(11,097)	-	-	-	(11,097)
Total Noncurrent Assets	<u>6,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,420</u>
Total Assets	<u>478,863</u>	<u>5,735,623</u>	<u>4,792,126</u>	<u>96,066</u>	<u>11,102,678</u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	13,141	30,222	5,946	-	49,309
Accrued Wages Payable	43	-	738	-	781
Accrued Expenses	-	1,667,157	-	-	1,667,157
Total Liabilities	<u>13,184</u>	<u>1,697,379</u>	<u>6,684</u>	<u>-</u>	<u>1,717,247</u>
NET POSITION					
Net Investment in Capital Assets	\$ 6,420	\$ -	\$ -	\$ -	\$ 6,420
Unrestricted Net Assets	459,259	4,038,244	4,785,442	96,066	9,379,011
Total Net Position	<u>\$ 465,679</u>	<u>\$ 4,038,244</u>	<u>\$ 4,785,442</u>	<u>\$ 96,066</u>	<u>\$ 9,385,431</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	752 Print Shop	753 Workers Compensation	771 Health Insurance	772 iPad Insurance	Total Internal Service Funds
OPERATING REVENUES:					
Local and Intermediate Sources	\$ 329,698	\$ 953,120	\$ 1,302,473	\$ 96,850	\$ 2,682,141
Total Operating Revenues	<u>329,698</u>	<u>953,120</u>	<u>1,302,473</u>	<u>96,850</u>	<u>2,682,141</u>
OPERATING EXPENSES:					
Payroll Costs	62,191	58,171	128,121	-	248,483
Professional and Contracted Services	118,359	40,400	94,616	160	253,535
Supplies and Materials	72,547	13,125	20,295	624	106,591
Other Operating Costs	444	163,331	1,296,121	-	1,459,896
Depreciation Expense	987	-	-	-	987
Total Operating Expenses	<u>254,528</u>	<u>275,027</u>	<u>1,539,153</u>	<u>784</u>	<u>2,069,492</u>
Operating Income (Loss)	<u>75,170</u>	<u>678,093</u>	<u>(236,680)</u>	<u>96,066</u>	<u>612,649</u>
NONOPERATING REVENUES (EXPENSES):					
Earnings from Temporary Deposits &	-	2,865	7,052	-	9,917
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>2,865</u>	<u>7,052</u>	<u>-</u>	<u>9,917</u>
Income (Loss) Before Extraordinary Items	<u>75,170</u>	<u>680,958</u>	<u>(229,628)</u>	<u>96,066</u>	<u>622,566</u>
Extraordinary Item - Lawsuit Settlement	-	-	125,000	-	125,000
Change in Net Position	<u>75,170</u>	<u>680,958</u>	<u>(104,628)</u>	<u>96,066</u>	<u>747,566</u>
Total Net Position - July 1 (Beginning)	<u>390,509</u>	<u>3,357,286</u>	<u>4,890,070</u>	<u>-</u>	<u>8,637,865</u>
Total Net Position - June 30 (Ending)	<u>\$ 465,679</u>	<u>\$ 4,038,244</u>	<u>\$ 4,785,442</u>	<u>\$ 96,066</u>	<u>\$ 9,385,431</u>

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	752	753	771	772	Total
	Print Shop	Workers Compensation	Health Insurance	iPad Insurance	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>					
Cash Received from District	\$ -	\$ 953,120	\$ -	\$ -	\$ 953,120
Cash Received from Charges and Fees	329,493	-	-	96,850	426,343
Cash Received from Employees	-	-	1,415,229	-	1,415,229
Cash Payments for Payroll Costs	(62,148)	(58,171)	(127,718)	-	(248,037)
Cash Payments for Purchased Services	(107,400)	(25,570)	(94,616)	(160)	(227,746)
Cash Payments for Supplies and Materials	(71,509)	(13,125)	(20,295)	(624)	(105,553)
Cash Payments for Other Expenses	(444)	(58,484)	(1,489,517)	-	(1,548,445)
Cash Payments for Claims	-	(367,781)	-	-	(367,781)
Net Cash Provided by (Used for) Operating Activities	87,992	429,989	(316,917)	96,066	297,130
<u>Cash Flows from Capital & Related Financing Activities:</u>					
Lawsuit Settlement	-	-	125,000	-	125,000
<u>Cash Flows from Investing Activities:</u>					
Interest and Dividends on Investments	-	2,865	7,052	-	9,917
Net Increase (Decrease) in Cash and Cash Equivalents	87,992	432,854	(184,865)	96,066	432,047
Cash and Cash Equivalents at Beginning of Year	381,027	5,298,394	4,850,290	-	10,529,711
Cash and Cash Equivalents at End of Year	\$ 469,019	\$ 5,731,248	\$ 4,665,425	\$ 96,066	\$ 10,961,758
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided by (Used for) Operating Activities:</u>					
Operating Income (Loss):	\$ 75,170	\$ 678,093	\$ (236,680)	\$ 96,066	\$ 612,649
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:					
Depreciation	987	-	-	-	987
Effect of Increases and Decreases in Current Assets and Liabilities:					
Decrease (increase) in Receivables	-	-	112,756	-	112,756
Decrease (increase) in Inventories	628	-	-	-	628
Decrease (increase) in Prepaid Expenses	-	(4,375)	-	-	(4,375)
Increase (decrease) in Accounts Payable	10,959	19,205	(180,223)	-	(150,059)
Increase (decrease) in Accrued Wages Payable	43	-	738	-	781
Increase (decrease) in Due to/from Other Funds	205	-	(335)	-	(130)
Increase (decrease) in Accrued Expenses	-	(262,934)	(13,173)	-	(276,107)
Net Cash Provided by (Used for) Operating Activities	\$ 87,992	\$ 429,989	\$ (316,917)	\$ 96,066	\$ 297,130

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2013

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,474,390	\$ 95,968	\$ 2,570,358
Due from Other Governments	500	-	500
Due from Other Funds	1,952	-	1,952
Other Receivables	5,231	-	5,231
Inventories	274,400	-	274,400
Total Current Assets	2,756,473	95,968	2,852,441
Noncurrent Assets:			
Capital Assets:			
Furniture and Equipment	3,852,569	27,223	3,879,792
Depreciation on Furniture and Equipment	(2,255,645)	(27,223)	(2,282,868)
Total Noncurrent Assets	1,596,924	-	1,596,924
Total Assets	4,353,397	95,968	4,449,365
LIABILITIES			
Current Liabilities:			
Accounts Payable	362,042	-	362,042
Accrued Wages Payable	44,485	-	44,485
Due to Other Funds	140,160	-	140,160
Unearned Revenues	295,852	-	295,852
Total Liabilities	842,539	-	842,539
NET POSITION			
Net Investment in Capital Assets	1,596,924	-	1,596,924
Unrestricted Net Position	1,913,934	95,968	2,009,902
Total Net Position	\$ 3,510,858	\$ 95,968	\$ 3,606,826

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 3,287,534	\$ 80,980	\$ 3,368,514
State Program Revenues	58,795	-	58,795
Federal Revenues	500	-	500
Total Operating Revenues	<u>3,346,829</u>	<u>80,980</u>	<u>3,427,809</u>
OPERATING EXPENSES:			
Payroll Costs	3,411,088	30,774	3,441,862
Professional and Contracted Services	85,081	1,120	86,201
Supplies and Materials	5,213,848	44,508	5,258,356
Other Operating Costs	37,206	175	37,381
Depreciation Expense	303,749	-	303,749
Total Operating Expenses	<u>9,050,972</u>	<u>76,577</u>	<u>9,127,549</u>
Operating Income (Loss)	<u>(5,704,143)</u>	<u>4,403</u>	<u>(5,699,740)</u>
NONOPERATING REVENUES (EXPENSES):			
National School Breakfast Program	1,130,942	-	1,130,942
National School Lunch Program	4,130,289	-	4,130,289
Donated Commodities (USDA)	541,302	-	541,302
Earnings from Temporary Deposits & Investments	3,878	-	3,878
Total Nonoperating Revenues (Expenses)	<u>5,806,411</u>	<u>-</u>	<u>5,806,411</u>
Change in Net Position	102,268	4,403	106,671
Total Net Position - July 1 (Beginning)	<u>3,408,590</u>	<u>91,565</u>	<u>3,500,155</u>
Total Net Position June 30 (Ending)	<u>\$ 3,510,858</u>	<u>\$ 95,968</u>	<u>\$ 3,606,826</u>

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Charges and Fees	\$ 3,381,660	\$ 80,980	\$ 3,462,640
Cash Payments for Payroll Costs	(3,242,355)	(30,774)	(3,273,129)
Cash Payments for Purchased Services	(85,081)	(1,120)	(86,201)
Cash Payments for Supplies and Materials	(5,021,892)	(44,508)	(5,066,400)
Cash Payments for Other Expenses	(37,206)	(175)	(37,381)
Net Cash Provided by (Used for) Operating Activities	<u>(5,004,874)</u>	<u>4,403</u>	<u>(5,000,471)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Cash Received from Federal Programs	5,802,533	-	5,802,533
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	(462,240)	-	(462,240)
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	3,878	-	3,878
Net Increase in Cash and Cash Equivalents	339,297	4,403	343,700
Cash and Cash Equivalents at Beginning of Year	2,135,093	91,565	2,226,658
Cash and Cash Equivalents at End of Year	<u>\$ 2,474,390</u>	<u>\$ 95,968</u>	<u>\$ 2,570,358</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss):	\$ (5,704,143)	\$ 4,403	\$ (5,699,740)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	303,749	-	303,749
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Due from Other Gov.	(500)	-	(500)
Decrease (increase) in Receivables	(5,231)	-	(5,231)
Decrease (increase) in Inventories	(14,381)	-	(14,381)
Increase (decrease) in Accounts Payable	206,337	-	206,337
Increase (decrease) in Accrued Wages Payable	13,363	-	13,363
Increase (decrease) in Due to/from Other Funds	155,370	-	155,370
Increase (decrease) in Unearned Revenues	40,562	-	40,562
Net Cash Provided by (Used for) Operating Activities	<u>\$ (5,004,874)</u>	<u>\$ 4,403</u>	<u>\$ (5,000,471)</u>

This page left blank intentionally.

REQUIRED T.E.A. SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2013

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.500000	0.364000	5,963,219,528
2006	1.500000	0.364000	6,665,199,839
2007	1.370000	0.394000	7,692,488,889
2008	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 (School year under audit)	1.040000	0.490000	10,115,153,791
1000 TOTALS			

(10) Beginning Balance 7/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2013
\$ 313,488	\$ -	\$ 25,577	\$ 6,738	\$ (98,997)	\$ 182,176
63,834	-	10,715	2,600	(15,913)	34,606
89,733	-	9,437	2,290	(16,327)	61,679
132,615	-	30,702	8,830	(9,040)	84,043
209,619	-	53,404	20,232	68,462	204,445
527,719	-	106,299	45,995	(156,272)	219,153
468,290	-	96,183	41,618	65,339	395,828
670,724	-	166,175	78,294	39,236	465,491
1,849,120	-	787,606	371,083	(80,957)	609,474
-	154,761,853	103,994,955	48,997,623	-	1,769,275
<u>\$ 4,325,142</u>	<u>\$ 154,761,853</u>	<u>\$ 105,281,053</u>	<u>\$ 49,575,303</u>	<u>\$ (204,469)</u>	<u>\$ 4,026,170</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2013

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 365,744	\$ 3,429,758	\$ -	\$ -	\$ 3,795,502
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	207,612	-	-	207,612
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	1,200	350,870	-	-	352,070
6212	Audit Services	-	-	-	53,000	-	-	53,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,273,525	-	-	-	-	1,273,525
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	59,467	-	-	59,467
6220	Tuition and Transfer Payments	-	-	-	3,104	-	-	3,104
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	46,667	-	46,667
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	1,758	9,523	-	-	11,281
6290	Miscellaneous Contr.	44	-	3,148	76,855	-	-	80,047
6320	Textbooks and Reading	-	-	968	29,429	607	-	31,004
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	653	-	5,939	90,159	1,826	-	98,577
6410	Travel, Subsistence, Stipends	44,251	-	14,967	67,464	400	-	127,082
6420	Ins. and Bonding Costs	-	-	-	167,818	-	-	167,818
6430	Election Costs	13,324	-	-	-	-	-	13,324
6490	Miscellaneous Operating	35,813	-	33,382	56,364	175	-	125,734
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 94,085	\$ 1,273,525	\$ 427,106	\$ 4,601,423	\$ 49,675	\$ -	\$ 6,445,814

Total expenditures/expenses for General and Special Revenue Funds: and Enterprise (9) \$ 214,764,109

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,826,940
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	19,617,142
Food (Function 35, 6341 and 6499)	(13)	4,189,534
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		4,601,423

SubTotal: 30,235,039

Net Allowed Direct Cost \$ 184,529,070

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 652,763,931
Historical Cost of Building over 50 years old	(16)	\$ -
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 39,079,981
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$368,495 in Function 53 expenditures are included in this report on administrative costs.
 \$1,226,213 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

DENTON INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 6/30/13 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 73,645,399
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 544,317	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	13,387,745	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	27,002,305	
7	Estimate of two month's average cash disbursements during the fiscal year.	34,776,196	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>75,710,563</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ (2,065,164)</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT J-4

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,168,500	\$ 3,336,500	\$ 3,287,534	\$ (48,966)
5800 State Program Revenues	58,000	58,795	58,795	-
5900 Federal Program Revenues	-	-	500	500
5020 Total Revenues	4,226,500	3,395,295	3,346,829	(48,466)
EXPENDITURES:				
0035 Food Services	9,103,000	9,319,274	9,050,972	268,302
6030 Total Expenditures	9,103,000	9,319,274	9,050,972	268,302
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,876,500)	(5,923,979)	(5,704,143)	219,836
OTHER FINANCING SOURCES (USES):				
7952 National School Breakfast Program	1,055,500	1,133,620	1,130,942	(2,678)
7953 National School Lunch Program	3,821,000	3,856,850	4,130,289	273,439
7954 Donated Commodities (USDA)	-	550,000	541,302	(8,698)
7955 Investment Income	-	3,509	3,878	369
7080 Total Other Financing Sources (Uses)	4,876,500	5,543,979	5,806,411	262,432
1200 Change in Net Position	-	(380,000)	102,268	482,268
0100 Total Net Position - July 1 (Beginning)	3,408,590	3,408,590	3,408,590	-
3000 Total Net Position - June 30 (Ending)	\$ 3,408,590	\$ 3,028,590	\$ 3,510,858	\$ 482,268

DENTON INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT J-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 49,412,737	\$ 49,829,371	\$ 49,946,585	\$ 117,214
5020	Total Revenues	49,412,737	49,829,371	49,946,585	117,214
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	19,212,048	19,212,048	19,212,047	1
0072	Interest on Long Term Debt	27,115,973	27,707,616	24,506,771	3,200,845
0073	Bond Issuance Cost and Fees	1,250,000	1,250,000	1,153,027	96,973
6030	Total Expenditures	47,578,021	48,169,664	44,871,845	3,297,819
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,834,716	1,659,707	5,074,740	3,415,033
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	64,905,000	64,905,000	-
7916	Premium or Discount on Issuance of Bonds	-	5,080,174	5,080,174	-
8940	Payment to Bond Refunding Escrow Agent	-	(71,355,694)	(71,355,694)	-
7080	Total Other Financing Sources (Uses)	-	(1,370,520)	(1,370,520)	-
1200	Net Change in Fund Balances	1,834,716	289,187	3,704,220	3,415,033
0100	Fund Balance - July 1 (Beginning)	47,127,851	47,127,851	47,127,851	-
3000	Fund Balance - June 30 (Ending)	\$ 48,962,567	\$ 47,417,038	\$ 50,832,071	\$ 3,415,033

This page left blank intentionally.

FEDERAL AWARDS SECTION

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, 2013, 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 12, 2013.

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 12, 2013

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2013. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2013.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

November 12, 2013

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unqualified.
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: Unqualified.
6. Did the audit disclose findings which are required to be reported under Section .510(a)2-7 of OMB Circular A-133: Yes
7. Major programs include:

CFDA 93.600 Head Start

Title I, Part A Cluster:
CFDA 84.010A ESEA, Title I, Part A - Improving Basic Programs
CFDA 84.010A ESEA, Title I, Part D - Subpart 2

Special Education Cluster:
CFDA 84.027 IDEA - Part B, Formula
CFDA 84.027 IDEA - Part B, Discretionary, Deaf
CFDA 84.027 IDEA - Part B, Deaf
CFDA 84.173 IDEA - Part B, Preschool
8. Dollar threshold used to distinguish between Type A and Type B programs: \$452,513.
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, 2013

No prior year findings.

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
ROTC	12.000	01-061901	\$ 194,065
Total Direct Programs			\$ 194,065
TOTAL DEPARTMENT OF DEFENSE			\$ 194,065
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	01-061901	\$ 161,753
Total Direct Programs			\$ 161,753
<u>Passed through Texas Woman's University</u>			
Investing in Innovation (i3) Fund - ARRA	84.411	U396A100027	\$ 7,423
Total Passed through Texas Woman's University			\$ 7,423
<u>Passed through University of North Texas</u>			
Title III, Part A - English Language Acq-Nexus	84.365	T365Z120143	\$ 6,972
Total Passed through University of North Texas			\$ 6,972
<u>Passed Through State Department of Education</u>			
SSA - Adult Education (ABE) - Federal	84.002	134100017110464	\$ 368,578
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101061901	45,640
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101061901	2,398,253
*ESEA, Title I, Part D, Subpart 2	84.010A	12610103016901	1,457
*ESEA, Title I, Part D, Subpart 2	84.010A	13610103061901	191,310
Total CFDA Number 84.010A			2,636,660
Total Title I, Part A Cluster			2,636,660
*IDEA - Part B, Formula	84.027	126600010619016600	49,582
*IDEA - Part B, Formula	84.027	136600010619016600	2,905,409
*SSA - IDEA - Part B, Discretionary, Deaf	84.027	136600020619016673	30,228
*SSA - IDEA - Part B, Deaf	84.027	126600010619016601	1,818
*SSA - IDEA - Part B, Deaf	84.027	136600010619016601	28,334
Total CFDA Number 84.027			3,015,371
*IDEA - Part B, Preschool	84.173	126610010619016610	465
*IDEA - Part B, Preschool	84.173	136610010619016610	57,375
*SSA - IDEA - Part B, Preschool Deaf	84.173	136610010619016611	4,224
Total CFDA Number 84.173			62,064
Total Special Education Cluster (IDEA)			3,077,435
SSA - Career and Technical - Basic Grant	84.048	13420006061901	252,982
SSA - IDEA, Part C - Early Intervention (Deaf)	84.181A	133911010619013911	2,390
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	146950167110013	87,424
Title III, Part A - English Language Acquisition	84.365A	12671001061901	2,886
Title III, Part A - English Language Acquisition	84.365A	13671001061901	400,696
Total CFDA Number 84.365A			403,582
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501061901	10,591
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501061901	634,696
Total CFDA Number 84.367A			645,287
Summer School LEP	84.369A	69551202	8,715

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Total Passed Through State Department of Education			\$ 7,483,053
TOTAL DEPARTMENT OF EDUCATION			\$ 7,659,201
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start	93.600	06CH5416/47	\$ 1,243,704
Medicaid Administrative Claiming Program - MAC	93.778	01-061901	77,147
Total Direct Programs			\$ 1,320,851
<u>Passed Through State Department of Education</u>			
SSA - Temporary Assistance for Needy Families	93.558	123625017110440	\$ 1,387
SSA - Temporary Assistance for Needy Families	93.558	133625017110438	13,121
Total CFDA Number 93.558			14,508
Total Passed Through State Department of Education			\$ 14,508
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 1,335,359
U.S. DEPARTMENT OF AGRICULTURE			
<u>Direct Programs</u>			
Healthier US Schools Challenge	10.574	01-061901	\$ 500
Total Direct Programs			\$ 500
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401001	\$ 1,130,942
*National School Lunch Program - Cash Assistance	10.555	71301001	4,130,289
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301001	541,302
Total CFDA Number 10.555			4,671,591
*Summer Feeding Program - Cash Assistance	10.559	TX061-1001	92,134
Total Child Nutrition Cluster			5,894,667
Total Passed Through the State Department of Agriculture			\$ 5,894,667
TOTAL DEPARTMENT OF AGRICULTURE			\$ 5,895,167
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 15,083,792

*Clustered Programs

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2013

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, 2013, 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 OMB Circular A-133 Compliance Supplement.
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	\$15,083,792
Indirect Costs	634,776
Federal Excise Tax Rebate	171,669
Medicaid Reimbursement	<u>2,064,530</u>
 Federal Revenues per Financial Statements	 <u>\$17,954,767</u>