

DENTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2010

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CERTIFICATE OF BOARD

Denton Independent School District
Name of School District

Denton
County

061-901
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended June 30, 2010, at a meeting of the Board of Trustees of such school district on the ____ day of November, 2010.

Signature of Board Secretary

Signature of Board President

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

**HANKINS, EASTUP, DEATON,
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CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Board of Trustees
Denton Independent School District
Denton, Texas 76201

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denton Independent School District (the District), as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on them based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denton Independent School District as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010, on our consideration of the District's internal control over financial reporting and on our tests 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 15 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. 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 financial statements. The accompanying 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



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

October 29, 2010

**DENTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2010
(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, 2010. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 19.

FINANCIAL HIGHLIGHTS

- The assets of Denton Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$26,891,270 (net assets). Included in the total is \$71,475,751 of unrestricted net assets that may be used to meet the District's ongoing obligations to citizens and creditors in accordance with the District's fund designation and fiscal policies.
- The District's total net assets decreased by \$2,499,871.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$140,699,155. Over 39% of this total amount (\$55,828,147) is unreserved and available for use within the District's designation and policies.
- At the end of the current fiscal period, unreserved fund balance for the general fund was \$53,451,035 or 29.2% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's governmental activities decreased from \$27,133,791 to \$23,766,698. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$68,566,990 at June 30, 2010. This decrease in governmental net assets was the result of several factors. First, the District's revenues exceeded expenditures by \$22,248,579 (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 value of District assets, in the amount of \$19,478,292. Also, various adjustments totaling \$6,137,380 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 2010, net assets of our business-type activities increased by \$867,222, or about 38 percent. This increase is relatively insignificant to the overall operations of the District, but it represents significant services to the community through the Child Nutrition program and the athletic stadium concession activities.

Table I
NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	247,900,694	194,115,680	2,315,395	3,197,840	250,216,089	197,313,520
Capital assets	518,511,504	556,693,756	323,527	215,811	518,835,031	556,909,567
Total assets	766,412,198	750,809,436	2,638,922	3,413,651	769,051,120	754,223,087
Long-term liabilities	695,507,718	686,201,056	-	-	695,507,718	686,201,056
Other liabilities	43,770,689	40,841,682	381,572	289,079	44,152,261	41,130,761
Total liabilities	739,278,407	727,042,738	381,572	289,079	739,659,979	727,331,817
Net Assets:						
Invested in capital assets net of related debt	(74,258,357)	(83,457,546)	323,527	215,811	(73,934,830)	(83,241,735)
Restricted	34,637,547	38,657,254	-	-	34,637,547	38,657,254
Unrestricted	66,754,601	68,566,990	1,933,823	2,908,761	68,688,424	71,475,751
Total net assets	27,133,791	23,766,698	2,257,350	3,124,572	29,391,141	26,891,270

Table II
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Revenues:						
Program Revenues:						
Charges for Services	2,140,427	4,213,042	3,842,544	3,891,229	5,982,971	8,104,271
Operating grants and contributions	24,123,906	32,029,618	4,264,393	4,832,660	28,388,299	36,862,278
General Revenues:						
Maintenance and operations taxes	98,785,810	100,862,948	-	-	98,785,810	100,862,948
Debt service taxes	42,658,104	43,521,508	-	-	42,658,104	43,521,508
State aid - formula grants	64,834,487	70,925,666	-	-	64,834,487	70,925,666
Grants and Contributions	142,903	89,987	-	-	142,903	89,987
Investment Earnings	3,553,496	261,271	14,895	1,942	3,568,391	263,213
Miscellaneous	583,290	509,785	-	-	583,290	509,785
Total Revenue	236,822,423	252,413,825	8,121,832	8,725,831	244,944,255	261,139,656
Expenses:						
Instruction, curriculum and media services	143,010,217	151,698,096	-	-	143,010,217	151,698,096
Instructional and school leadership	14,412,642	14,910,456	-	-	14,412,642	14,910,456
Student support services	18,213,921	19,316,303	-	-	18,213,921	19,316,303
Food Services	193,650	205,511	7,628,068	7,650,408	7,821,718	7,855,919
Cocurricular activities	5,121,928	5,494,874	88,512	95,417	5,210,440	5,590,291
General administration	4,493,238	4,925,859	-	-	4,493,238	4,925,859
Plant maintenance, security & data processing	25,207,889	25,132,084	-	-	25,207,889	25,132,084
Community services	351,956	544,167	-	-	351,956	544,167
Debt services	30,890,612	30,633,392	-	-	30,890,612	30,633,392
Facilities acquisition, construction	8,549,853	1,610,533	-	-	8,549,853	1,610,533
Intergovernmental charges	1,367,939	1,428,719	-	-	1,367,939	1,428,719
Total Expenses	251,813,845	255,899,994	7,716,580	7,745,825	259,530,425	263,645,819
Increase (decrease) in net assets before transfers and special items	(14,991,422)	(3,486,169)	405,252	980,006	(14,586,170)	(2,506,163)
Transfers	-	88,500	-	(90,000)	-	(1,500)
Special Items/Extraordinary Items	(134,936)	30,576	-	(22,784)	(134,936)	7,792
Net Assets – beginning of year	42,260,149	27,133,791	1,852,098	2,257,350	44,112,247	29,391,141
Net Assets – end of year	27,133,791	23,766,698	2,257,350	3,124,572	29,391,141	26,891,270

- The Board of Trustees maintained the maintenance and operation property tax rate of \$1.04 for the fiscal year 2009-2010. This is the maximum rate allowed by law without a rollback election. The debt service rate was set at \$0.45. The total tax rate necessary to fund the 2009-2010 budget was \$1.49.
- The District experienced an increase in property values for the fifteenth consecutive year. The actual increase in certified and under review values was \$113,229,268 or 1.31%.
- The Board of Trustees approved \$2,987,937 for 49.75 new/growth positions for 2009-2010. A commitment to competitive salaries for the employees of the District was supported by the increase of 2% for all employees.
- The District continued its contribution for employee health insurance at \$260 per participant per month.
- Thirteen elementary schools, Houston, McNair, E. P. Rayzor, Pecan Creek, Providence, Hawk, Savannah, Blanton, Stephens, Nelson, Paloma Creek, N. Rayzor and Wilson received the highest rating of “Exemplary” for the 2009-2010 school year.
- There were thirteen schools that were named “Recognized” for the 2009-2010 school year. Secondary campuses were Guyer High School, Denton High School, Ryan High School, Calhoun Middle School, Crownover Middle School, McMath Middle School, Strickland Middle School, Navo Middle School and Harpool Middle School. Elementary campuses were Evers, Ginnings, Lee and Rivera.

The cost of all governmental activities for the current fiscal period was \$255,899,994. However, as shown in the Statement of Activities on pages 20 and 21, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$144,384,456 because some of the costs were paid by those who directly benefited from the programs (\$4,213,042) or by other governments and organizations that subsidized certain programs with grants and contributions (\$32,029,618) or by State equalization funding (\$70,925,666).

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 \$140,699,155 a decrease of \$49,822,842. Approximately 38.5 percent of this total amount (\$54,191,821) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$175,826), 2) to pay debt service (\$38,048,039), 3) to liquidate purchase orders of the prior period (\$11,282,916), 4) for capital projects (\$34,997,646), and 5) for other miscellaneous designations and reserves (\$2,002,907).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$53,451,035, while the total fund balance was \$55,645,333. As a measure of the general fund’s liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 29.2 percent of the total general fund expenditures, while the total fund balance represents 30.4 percent of that same amount.

The fund balance of the District's general fund increased by \$5,026,759 during the current fiscal year. Key factors related to this change are as follows:

- An increase in the District's property tax values caused an increase in tax revenues of \$3,374,031. This was complemented by an increase in the state foundation and per capita funding of \$6,443,266. Expenditures were flat for the year.

The debt service fund has a total fund balance of \$38,048,039, 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 \$3,916,603.

Following are factors contributing to this change:

- The increase in the District's taxable value and in the I & S tax rate generated an increase of \$1,126,018 in tax revenues in the debt service fund, while debt service expenditures were \$701,656 less than the previous year.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by \$58,566,912 due to \$58,920,042 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Assets and discussed in Note 4 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2009). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. The principal amendment in this case was an increase in the anticipated amount of State funding to be received. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$55,645,333 reported on page 22 differs from the General Fund's budgetary fund balance of \$48,972,414 reported in the budgetary comparison schedule on page 29. This is principally due to cost savings in several functional expenditure categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District had \$556,693,756 (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 \$38,182,252, or 7.3 percent, above last year.

This fiscal year's major additions included:

Final construction costs on a new elementary school, paid for with proceeds of general obligation bonds issued in a prior year.	\$13,671,460
Continuing construction costs on a new pre-k center, paid for with proceeds of general obligation bonds issued in a prior year.	12,537,967
Final renovation costs on two existing high schools, paid for with proceeds of general obligation bonds issued in a prior year.	16,501,438
Final renovation costs on five existing elementary schools, paid for with proceeds of general obligation bonds issued in a prior year.	4,081,014
Final renovation costs on an existing middle school, paid for with proceeds of general obligation bonds issued in a prior year.	2,018,700
Totaling	48,810,579

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

Debt Administration

At year-end, the District had \$669,590,579 in bonds outstanding (including accreted interest on bonds) versus \$678,196,177 last year—a decrease of 1.2 percent. No new debt was incurred during the fiscal period. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$954,976,630, which is significantly in excess of the District's outstanding general obligation debt.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Board of Trustees of the Denton Independent School District adopted a total tax rate of \$1.53 per \$100 of assessed value. The M & O tax rate will remain at \$1.04. The debt service tax rate will increase to \$0.49 for a total rate of \$1.53. The District experienced a decrease in property values of \$149,709,436 or 1.71% for 2010-2011.

State funding for 2010-2011 is projected to be \$89,525,276 or 47.05% of the total budget, including the State Fiscal Stabilization funds, compared to \$91,915,814 or 47.43% for 2009-2010.

The District did not receive official Chapter 41 notification for the 2010-2011 school year. Denton ISD's wealth per weighted average daily attendance (WADA) was estimated at \$312,353 by the Texas Education Agency. The following wealth levels apply.

	Tax Effort
1 st Equalized Wealth Level - \$476,500	\$1.00
2 nd Equalized Wealth Level – Unlimited	\$0.06
3 rd Equalized Wealth Level - \$319,500	<u>\$0.11</u>
Total Tax Effort	\$1.17

We did not reach the 3rd level and therefore are not considered a Chapter 41 district.

The Board of Trustees approved \$681,326 for 13 new/growth positions for 2010-2011. This growth includes staffing for the two campus openings, Popo and Lupe Gonzalez School for Young Children and Cross Oaks Elementary. The District feels that it has remained competitive in the current marketplace therefore a step increase for all teachers, nurses, counselors and librarians was approved.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2010

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
ASSETS			
1110 Cash and Cash Equivalents	\$ 175,334,362	\$ 2,984,181	\$ 178,318,543
1220 Property Taxes Receivable (Delinquent)	4,884,488	-	4,884,488
1230 Allowance for Uncollectible Taxes	(330,136)	-	(330,136)
1240 Due from Other Governments	8,564,035	-	8,564,035
1260 Internal Balances	4,173	(4,173)	-
1290 Other Receivables, net	166,623	6,239	172,862
1300 Inventories	180,180	211,593	391,773
1410 Deferred Expenses	407,508	-	407,508
1420 Capitalized Bond and Other Debt Issuance Costs	4,890,607	-	4,890,607
Capital Assets:			
1510 Land	28,903,791	-	28,903,791
1520 Buildings, Net	498,293,053	-	498,293,053
1530 Furniture and Equipment, Net	14,802,145	215,811	15,017,956
1580 Construction in Progress	14,694,767	-	14,694,767
1990 Other Assets	13,840	-	13,840
1000 Total Assets	<u>750,809,436</u>	<u>3,413,651</u>	<u>754,223,087</u>
LIABILITIES			
2110 Accounts Payable	7,195,279	19,255	7,214,534
2150 Payroll Deductions & Withholdings	1,426,650	-	1,426,650
2160 Accrued Wages Payable	20,045,200	21,711	20,066,911
2200 Accrued Expenses	11,797,273	-	11,797,273
2300 Deferred Revenues	377,280	248,113	625,393
Noncurrent Liabilities			
2501 Due Within One Year	16,350,235	-	16,350,235
2502 Due in More Than One Year	669,850,821	-	669,850,821
2000 Total Liabilities	<u>727,042,738</u>	<u>289,079</u>	<u>727,331,817</u>
NET ASSETS			
3200 Invested in Capital Assets, Net of Related Debt Restricted for:	(83,457,546)	215,811	(83,241,735)
3850 Restricted for Debt Service	38,048,039	-	38,048,039
3870 Restricted for Campus Activities	609,215	-	609,215
3900 Unrestricted Net Assets	68,566,990	2,908,761	71,475,751
3000 Total Net Assets	<u>\$ 23,766,698</u>	<u>\$ 3,124,572</u>	<u>\$ 26,891,270</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, 2010

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 142,846,874	\$ 1,775,223	\$ 22,653,778
12 Instructional Resources and Media Services	3,954,485	-	223,680
13 Curriculum and Staff Development	4,896,737	-	2,054,107
21 Instructional Leadership	2,888,262	-	349,963
23 School Leadership	12,022,194	-	608,067
31 Guidance, Counseling and Evaluation Services	10,678,636	-	1,756,992
32 Social Work Services	736,414	-	281,693
33 Health Services	2,391,738	1,693,877	96,998
34 Student (Pupil) Transportation	5,509,515	-	1,905,300
35 Food Services	205,511	-	205,151
36 Extracurricular Activities	5,494,874	459,584	488,837
41 General Administration	4,925,859	-	669,478
51 Plant Maintenance and Operations	21,040,051	284,358	469,315
52 Security and Monitoring Services	551,780	-	3,737
53 Data Processing Services	3,540,253	-	110,946
61 Community Services	544,167	-	139,252
72 Debt Service - Interest on Long Term Debt	31,076,164	-	-
73 Debt Service - Bond Issuance Cost and Fees	(442,772)	-	-
81 Capital Outlay	1,610,533	-	12,324
93 Payments related to Shared Services Arrangements	231,000	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	6,853	-	-
99 Other Intergovernmental Charges	1,190,866	-	-
[TG] Total Governmental Activities:	255,899,994	4,213,042	32,029,618
BUSINESS-TYPE ACTIVITIES:			
35 National School Breakfast & Lunch	7,650,408	3,783,521	4,832,660
01 Stadium Concessions	95,417	107,708	-
[TB] Total Business-Type Activities:	7,745,825	3,891,229	4,832,660
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 263,645,819	\$ 8,104,271	\$ 36,862,278

Data	General Revenues:
Control	Taxes:
Codes	Property Taxes, Levied for General Purposes
MT	Property Taxes, Levied for Debt Service
DT	State Aid - Formula Grants
SF	Grants and Contributions not Restricted
GC	Investment Earnings
IE	Miscellaneous Local and Intermediate Revenue
MI	Gain (Loss) on Disposition of Capital Assets
S1	Utility Easements
S2	Legal Settlements
E1	Restitution
E2	Transfers In (Out)
FR	Total General Revenues, Special Items, Extraordinary Items and Transfers
TR	Change in Net Assets
CN	Net Assets--Beginning
NB	Net Assets--Ending
NE	

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
	Primary Government	
Governmental Activities	Business Type Activities	Total
\$ (118,417,873)	\$ -	\$ (118,417,873)
(3,730,805)	-	(3,730,805)
(2,842,630)	-	(2,842,630)
(2,538,299)	-	(2,538,299)
(11,414,127)	-	(11,414,127)
(8,921,644)	-	(8,921,644)
(454,721)	-	(454,721)
(600,863)	-	(600,863)
(3,604,215)	-	(3,604,215)
(360)	-	(360)
(4,546,453)	-	(4,546,453)
(4,256,381)	-	(4,256,381)
(20,286,378)	-	(20,286,378)
(548,043)	-	(548,043)
(3,429,307)	-	(3,429,307)
(404,915)	-	(404,915)
(31,076,164)	-	(31,076,164)
442,772	-	442,772
(1,598,209)	-	(1,598,209)
(231,000)	-	(231,000)
(6,853)	-	(6,853)
(1,190,866)	-	(1,190,866)
(219,657,334)	-	(219,657,334)
-	965,773	965,773
-	12,291	12,291
-	978,064	978,064
(219,657,334)	978,064	(218,679,270)
100,862,948	-	100,862,948
43,521,508	-	43,521,508
70,925,666	-	70,925,666
89,987	-	89,987
261,271	1,942	263,213
509,785	-	509,785
27,379	(22,784)	4,595
11,200	-	11,200
(17,000)	-	(17,000)
8,997	-	8,997
88,500	(90,000)	(1,500)
216,290,241	(110,842)	216,179,399
(3,367,093)	867,222	(2,499,871)
27,133,791	2,257,350	29,391,141
\$ 23,766,698	\$ 3,124,572	\$ 26,891,270

DENTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 71,569,260	\$ 38,009,723	\$ 51,043,667
1220 Property Taxes - Delinquent	3,521,862	1,362,626	-
1230 Allowance for Uncollectible Taxes (Credit)	(240,385)	(89,751)	-
1240 Receivables from Other Governments	4,255,872	-	-
1260 Due from Other Funds	266,519	-	-
1290 Other Receivables	78,189	60,597	-
1300 Inventories	175,826	-	-
1410 Deferred Expenditures	365,581	9,062	-
1900 Other Assets	-	-	-
1000 Total Assets	<u>\$ 79,992,724</u>	<u>\$ 39,352,257</u>	<u>\$ 51,043,667</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 1,739,139	\$ 31,343	\$ 4,779,670
2150 Payroll Deductions and Withholdings Payable	1,426,650	-	-
2160 Accrued Wages Payable	17,880,764	-	-
2170 Due to Other Funds	5,306	-	-
2300 Deferred Revenues	3,295,532	1,272,875	-
2000 Total Liabilities	<u>24,347,391</u>	<u>1,304,218</u>	<u>4,779,670</u>
Fund Balances:			
Reserved For:			
3410 Investments in Inventory	175,826	-	-
3420 Retirement of Long Term Debt	-	38,048,039	-
3430 Prepaid Items	365,581	-	-
3440 Outstanding Encumbrances	16,565	-	11,266,351
3470 Capital Projects	-	-	34,997,646
3490 Other Purposes	-	-	-
Unreserved Designated For:			
3590 Other Purposes	1,636,326	-	-
Unreserved and Undesignated:			
3600 Reported in the General Fund	53,451,035	-	-
3610 Reported in Special Revenue Funds	-	-	-
3630 Reported in Permanent Funds	-	-	-
3000 Total Fund Balances	<u>55,645,333</u>	<u>38,048,039</u>	<u>46,263,997</u>
4000 Total Liabilities and Fund Balances	<u>\$ 79,992,724</u>	<u>\$ 39,352,257</u>	<u>\$ 51,043,667</u>

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

Other Funds	Total Governmental Funds
\$ (545,272)	\$ 160,077,378
-	4,884,488
-	(330,136)
4,308,163	8,564,035
-	266,519
15,455	154,241
-	175,826
32,700	407,343
13,840	13,840
<u>\$ 3,824,886</u>	<u>\$ 174,213,534</u>
\$ 299,938	\$ 6,850,090
-	1,426,650
2,164,436	20,045,200
255,501	260,807
363,225	4,931,632
<u>3,083,100</u>	<u>33,514,379</u>
-	175,826
-	38,048,039
-	365,581
-	11,282,916
-	34,997,646
1,000	1,000
-	1,636,326
-	53,451,035
727,828	727,828
12,958	12,958
<u>741,786</u>	<u>140,699,155</u>
<u>\$ 3,824,886</u>	<u>\$ 174,213,534</u>

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DENTON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 JUNE 30, 2010

Total Fund Balances - Governmental Funds	\$	140,699,155
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		11,834,991
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$643,517,589 and the accumulated depreciation was \$125,006,085 in a net addition of \$518,511,504. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds resulting in a net decrease of \$695,507,718. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		(176,996,214)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2010 capital outlays and debt principal payments is to increase net assets.		70,768,519
4 The 2010 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(19,478,292)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(3,061,461)
19 Net Assets of Governmental Activities	\$	23,766,698

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, 2010

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 104,623,953	\$ 43,784,585	\$ 171,906
5800 State Program Revenues	80,637,264	-	-
5900 Federal Program Revenues	2,172,526	-	-
5020 Total Revenues	<u>187,433,743</u>	<u>43,784,585</u>	<u>171,906</u>
EXPENDITURES:			
Current:			
0011 Instruction	112,142,930	-	-
0012 Instructional Resources and Media Services	3,482,426	-	-
0013 Curriculum and Instructional Staff Development	2,855,065	-	-
0021 Instructional Leadership	2,486,150	-	-
0023 School Leadership	10,479,305	-	-
0031 Guidance, Counseling and Evaluation Services	8,339,181	-	-
0032 Social Work Services	432,391	-	-
0033 Health Services	2,131,591	-	-
0034 Student (Pupil) Transportation	4,866,461	-	-
0035 Food Services	129,460	-	-
0036 Extracurricular Activities	4,902,717	-	-
0041 General Administration	4,489,486	-	-
0051 Facilities Maintenance and Operations	20,091,761	-	-
0052 Security and Monitoring Services	551,016	-	-
0053 Data Processing Services	3,293,069	-	-
0061 Community Services	382,577	-	-
Debt Service:			
0071 Debt Service - Principal on Long Term Debt	-	13,107,975	-
0072 Debt Service - Interest on Long Term Debt	-	26,608,270	-
0073 Debt Service - Bond Issuance Cost and Fees	-	151,737	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	36,877	-	58,920,042
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	231,000	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	6,853	-	-
0099 Other Intergovernmental Charges	1,190,866	-	-
6030 Total Expenditures	<u>182,521,182</u>	<u>39,867,982</u>	<u>58,920,042</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,912,561</u>	<u>3,916,603</u>	<u>(58,748,136)</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Personal Property	27,379	-	-
7915 Transfers In	90,000	-	-
8911 Transfers Out (Use)	-	-	-
8949 Other (Uses)-Court Ordered Tax Refunds	(6,378)	-	(118,776)
7080 Total Other Financing Sources (Uses)	<u>111,001</u>	<u>-</u>	<u>(118,776)</u>
SPECIAL AND EXTRAORDINARY ITEMS:			
7918 Special Item - Utility Easements	11,200	-	-
7919 Extraordinary Item - Restitution	8,997	-	-
8912 Special Item - Legal Settlements	(17,000)	-	-
1200 Net Change in Fund Balances	<u>5,026,759</u>	<u>3,916,603</u>	<u>(58,866,912)</u>
0100 Fund Balance - July 1 (Beginning)	<u>50,618,574</u>	<u>34,131,436</u>	<u>105,130,909</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 55,645,333</u>	<u>\$ 38,048,039</u>	<u>\$ 46,263,997</u>

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

	Other Funds	Total Governmental Funds
\$	2,126,073	\$ 150,706,517
	1,448,378	82,085,642
	18,421,361	20,593,887
	21,995,812	253,386,046
	17,250,936	129,393,866
	85,908	3,568,334
	1,771,576	4,626,641
	245,843	2,731,993
	154,524	10,633,829
	1,356,144	9,695,325
	251,368	683,759
	5,860	2,137,451
	111,508	4,977,969
	76,051	205,511
	252,289	5,155,006
	22,236	4,511,722
	181,948	20,273,709
	764	551,780
	2,947	3,296,016
	123,253	505,830
	-	13,107,975
	-	26,608,270
	-	151,737
	449	58,957,368
	-	231,000
	-	6,853
	-	1,190,866
	21,893,604	303,202,810
	102,208	(49,816,764)
	-	27,379
	-	90,000
	(1,500)	(1,500)
	-	(125,154)
	(1,500)	(9,275)
	-	11,200
	-	8,997
	-	(17,000)
	100,708	(49,822,842)
	641,078	190,521,997
\$	741,786	\$ 140,699,155

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, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	(49,822,842)
 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		48,057
 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2010 capital outlays and debt principal payments is to increase net assets.		70,768,519
 Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(19,478,292)
 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(4,882,535)
 Change in Net Assets of Governmental Activities	<u>\$</u>	<u>(3,367,093)</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

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	\$ 101,431,230	\$ 104,157,561	\$ 104,623,953	\$ 466,392
5800	State Program Revenues	91,915,814	80,872,010	80,637,264	(234,746)
5900	Federal Program Revenues	467,819	1,992,743	2,172,526	179,783
5020	Total Revenues	193,814,863	187,022,314	187,433,743	411,429
EXPENDITURES:					
Current:					
0011	Instruction	119,776,049	115,210,315	112,142,930	3,067,385
0012	Instructional Resources and Media Services	3,566,151	3,570,952	3,482,426	88,526
0013	Curriculum and Instructional Staff Development	2,789,834	2,960,948	2,855,065	105,883
0021	Instructional Leadership	2,502,003	2,675,324	2,486,150	189,174
0023	School Leadership	10,738,472	10,714,395	10,479,305	235,090
0031	Guidance, Counseling and Evaluation Services	8,352,035	8,508,701	8,339,181	169,520
0032	Social Work Services	537,407	467,831	432,391	35,440
0033	Health Services	2,083,551	2,307,558	2,131,591	175,967
0034	Student (Pupil) Transportation	5,562,947	5,357,188	4,866,461	490,727
0035	Food Services	-	163,490	129,460	34,030
0036	Extracurricular Activities	4,828,915	5,100,151	4,902,717	197,434
0041	General Administration	4,891,413	4,596,920	4,489,486	107,434
0051	Facilities Maintenance and Operations	21,766,896	21,154,723	20,091,761	1,062,962
0052	Security and Monitoring Services	374,172	591,728	551,016	40,712
0053	Data Processing Services	3,404,760	3,355,314	3,293,069	62,245
0061	Community Services	624,135	514,854	382,577	132,277
Capital Outlay:					
0081	Facilities Acquisition and Construction	527,036	54,028	36,877	17,151
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	231,200	231,200	231,000	200
0095	Payments to Juvenile Justice Alternative Ed. Prg.	30,000	20,665	6,853	13,812
0099	Other Intergovernmental Charges	1,228,387	1,228,387	1,190,866	37,521
6030	Total Expenditures	193,815,363	188,784,672	182,521,182	6,263,490
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(500)	(1,762,358)	4,912,561	6,674,919
OTHER FINANCING SOURCES (USES):					
7912	Sale of Personal Property	500	27,379	27,379	-
7915	Transfers In	-	90,000	90,000	-
8949	Other (Uses)-Court Ordered Tax Refunds	-	(6,378)	(6,378)	-
7080	Total Other Financing Sources (Uses)	500	111,001	111,001	-
SPECIAL AND EXTRAORDINARY ITEMS:					
7918	Special Item - Utility Easements	-	1,200	11,200	10,000
7919	Extraordinary Item - Restitution	-	8,997	8,997	-
8912	Special Item - Legal Settlements	-	(5,000)	(17,000)	(12,000)
1200	Net Change in Fund Balances	-	(1,646,160)	5,026,759	6,672,919
0100	Fund Balance - July 1 (Beginning)	50,618,574	50,618,574	50,618,574	-
3000	Fund Balance - June 30 (Ending)	\$ 50,618,574	\$ 48,972,414	\$ 55,645,333	\$ 6,672,919

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,984,181	\$ 15,256,984
Due from Other Funds	-	5,306
Other Receivables	6,239	12,382
Inventories	211,593	4,354
Deferred Expenses	-	165
Total Current Assets	3,202,013	15,279,191
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	3,038,546	26,433
Depreciation on Furniture and Equipment	(2,822,735)	(13,025)
Total Noncurrent Assets	215,811	13,408
Total Assets	3,417,824	15,292,599
LIABILITIES		
Current Liabilities:		
Accounts Payable	19,255	345,189
Accrued Wages Payable	21,711	-
Due to Other Funds	4,173	6,845
Accrued Expenses	-	3,092,166
Deferred Revenues	248,113	-
Total Liabilities	293,252	3,444,200
NET ASSETS		
Investments in Capital Assets, Net of Debt	215,811	13,408
Unrestricted Net Assets	2,908,761	11,834,991
Total Net Assets	\$ 3,124,572	\$ 11,848,399

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 3,834,609	\$ 19,187,653
State Program Revenues	56,620	-
Total Operating Revenues	<u>3,891,229</u>	<u>19,187,653</u>
OPERATING EXPENSES:		
Payroll Costs	3,142,363	325,316
Professional and Contracted Services	243,385	1,545,787
Supplies and Materials	4,200,787	116,059
Other Operating Costs	159,290	17,179,435
Total Operating Expenses	<u>7,745,825</u>	<u>19,166,597</u>
Operating Income (Loss)	<u>(3,854,596)</u>	<u>21,056</u>
NONOPERATING REVENUES (EXPENSES):		
National School Breakfast Program	887,432	-
National School Lunch Program	3,603,684	-
Donated Commodities (USDA)	341,544	-
Earnings from Temporary Deposits & Investments	1,942	22,404
(Loss) on Sale of Real and Personal Property	(22,784)	-
Non-operating Expenses	(90,000)	-
Total Nonoperating Revenues (Expenses)	<u>4,721,818</u>	<u>22,404</u>
Change in Net Assets	867,222	43,460
Total Net Assets - July 1 (Beginning)	<u>2,257,350</u>	<u>11,804,939</u>
Total Net Assets - June 30 (Ending)	<u>\$ 3,124,572</u>	<u>\$ 11,848,399</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, 2010

EXHIBIT D-3 (Cont'd)

	Business-Type Activities	Governmental Activities -
	Total	Total
	Enterprise	Internal
	Funds	Service Funds
<u>Cash Flows from Operating Activities:</u>		
Cash Received from District	\$ -	\$ 12,073,459
Cash Received from Charges and Fees	3,840,342	352,692
Cash Received from Employees	-	6,761,239
Cash Payments for Payroll Costs	(3,144,277)	(325,626)
Cash Payments for Purchased Services	(243,385)	(1,538,976)
Cash Payments for Supplies and Materials	(4,116,003)	(131,384)
Cash Payments for Other Expenses	(19,173)	(6,532,126)
Cash Payments for Claims	-	(10,469,198)
Net Cash Provided by (Used for) Operating Activities	(3,682,496)	190,080
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Cash Received from Federal Programs	4,832,660	-
Operating Transfer Out	(90,000)	-
Net Cash Provided by Non-Capital Financing Activities	4,742,660	-
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Acquisition of Capital Assets	(55,185)	-
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	1,942	22,404
Net Increase in Cash and Cash Equivalents	1,006,921	212,484
Cash and Cash Equivalents at Beginning of the Year:	1,977,260	15,044,500
Cash and Cash Equivalents at the End of the Year:	\$ 2,984,181	\$ 15,256,984

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, 2010

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total	Total
	Enterprise	Internal
	Funds	Service Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (3,854,596)	\$ 21,056
Adjustments to Reconcile Operating Income		
to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	140,117	4,597
Effect of Increases and Decreases in Current		
Assets and Liabilities:		
Decrease (increase) in Other Receivables	(6,217)	5,043
Decrease (increase) in Due from Other Funds	-	(5,306)
Decrease (increase) in Deferred Expenses	-	(165)
Decrease (increase) in Inventories	126,520	-
Increase (decrease) in Accounts Payable	(8,729)	24,841
Increase (decrease) in Accrued Wages Payable	(1,914)	(310)
Increase (decrease) in Due to Other Funds	4,173	6,845
Increase (decrease) in Accrued Expenses	-	133,479
Increase (decrease) in Deferred Revenues	(81,850)	-
Net Cash Provided by (Used for)	\$ (3,682,496)	\$ 190,080
Operating Activities	\$ (3,682,496)	\$ 190,080

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

DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 905,783
Total Assets	<u>\$ 905,783</u>
LIABILITIES	
Accounts Payable	\$ 20,970
Accrued Wages Payable	949
Due to Student Groups	883,864
Total Liabilities	<u>\$ 905,783</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, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

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

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

B. BASIS OF PRESENTATION

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

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

Fund Financial Statements:

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

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

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

Additionally, the District reports the following fund types:

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

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

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

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 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, 2010

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

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

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

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

D. BUDGETARY CONTROL

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

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

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

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

	June 30, 2010
	<u>Fund Balance</u>
Appropriated Budget Funds	\$ -0-
Nonappropriated Budget Funds	<u>727,828</u>
All Special Revenue Funds	<u>\$727,828</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

E. PREPAID ITEMS

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

F. INVENTORIES

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

G. INTERFUND RECEIVABLES AND PAYABLES

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

H. CAPITAL ASSETS

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

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

Buildings	20-40 Years
Furniture and Equipment	10 Years

I. COMPENSATED ABSENCES

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

The District classifies fund balances as follows:

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

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

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

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

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

K. CASH EQUIVALENTS

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

L. NET ASSETS

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

N. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES

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

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

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

O. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2010, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

P. ESTIMATES

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

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

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

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The details of this \$70,768,519 adjustment are as follows:

Current year capital outlay	\$ 57,660,544
Bond principal payments	<u>13,107,975</u>
Net adjustment	<u>\$ 70,768,519</u>

Another element of that reconciliation state that: "Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest" The details of this \$(3,061,461) adjustment are as follows:

Deferred tax revenue recognized as revenue	\$ 4,554,352
Accrued interest payable on bonds and leases	(8,705,107)
Change in accreted interest on bonds	(4,502,377)
Change in premiums on bond issuance	840,383
Change in accrued vacation and special termination benefits	(139,319)
Capitalization of bond issuance costs	<u>4,890,607</u>
Net adjustment	<u>\$(3,061,461)</u>

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

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

These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$(4,882,535) adjustment are as follows:

Current year change in deferred tax revenue	\$ (869,831)
Current year change in accrued interest payable on bonds	34,483
Change in accreted interest on bonds	(4,502,377)
Change in accrued vacation and special termination benefits	(139,319)
Amortization of bond issuance costs/premiums	<u>594,509</u>
Net adjustment	<u>\$(4,882,535)</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At June 30, 2010, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$9,482,697 and the bank balance was \$10,434,763. The District's cash deposits at June 30, 2010 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2010, the District's cash balances totaled \$10,434,763. 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, 2010, 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).

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

- 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, 2010, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

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

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

The District's investments at June 30, 2010, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$ 35,149,730	\$ 35,149,730
TexStar	37,188,565	37,188,565
Lone Star	<u>97,399,759</u>	<u>97,399,759</u>
Total	<u>\$169,738,054</u>	<u>\$169,738,054</u>

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NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	<u>Balance</u> <u>July 1</u>	<u>Additions/</u> <u>Completions</u>	<u>Retirement/</u> <u>Adjustments</u>	<u>Balance</u> <u>June 30</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 26,995,380	\$ 1,908,411	\$ -	\$ 28,903,791
Construction in Progress	<u>65,301,791</u>	<u>13,187,180</u>	<u>(63,794,204)</u>	<u>14,694,767</u>
Total capital assets, not being depreciated	<u>92,297,171</u>	<u>15,095,591</u>	<u>(63,794,204)</u>	<u>43,598,558</u>
Capital assets, being depreciated:				
Buildings and Improvements	521,464,381	101,562,638	-	623,027,019
Furniture and Equipment	<u>29,756,037</u>	<u>4,796,519</u>	<u>(60,100)</u>	<u>34,492,456</u>
Total capital assets, being depreciated	<u>551,220,418</u>	<u>106,359,157</u>	<u>(60,100)</u>	<u>657,519,475</u>
Less accumulated depreciation for:				
Buildings and Improvements	(108,732,485)	(16,001,481)	-	(124,733,966)
Furniture and Equipment	<u>(16,273,600)</u>	<u>(3,476,811)</u>	<u>60,100</u>	<u>(19,690,311)</u>
Total accumulated depreciation	<u>(125,006,085)</u>	<u>(19,478,292)</u>	<u>60,100</u>	<u>(144,424,277)</u>
Total capital assets being depreciated, net	<u>426,214,333</u>	<u>86,880,865</u>	<u>-</u>	<u>513,095,198</u>
Governmental activities capital assets, net	<u>\$ 518,511,504</u>	<u>\$ 101,976,456</u>	<u>\$ (63,794,204)</u>	<u>\$ 556,693,756</u>
Business-type activities:				
Furniture and Equipment	<u>\$ 3,170,887</u>	<u>\$ 55,185</u>	<u>\$ (187,526)</u>	<u>\$ 3,038,546</u>
Totals at historic cost	<u>3,170,887</u>	<u>55,185</u>	<u>(187,526)</u>	<u>3,038,546</u>
Less accumulated depreciation for:				
Furniture and Equipment	<u>(2,847,360)</u>	<u>(140,117)</u>	<u>164,742</u>	<u>(2,822,735)</u>
Total accumulated depreciation	<u>(2,847,360)</u>	<u>(140,117)</u>	<u>164,742</u>	<u>(2,822,735)</u>
Business-type activities capital assets net	<u>\$ 323,527</u>	<u>\$ (84,932)</u>	<u>\$ (22,784)</u>	<u>\$ 215,811</u>

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

Governmental activities:	
Instruction	\$13,488,576
Instructional Resources & Media Services	386,151
Curriculum & Instructional Staff Development	270,096
Instructional Leadership	156,269
School Leadership	1,388,365
Guidance, Counseling & Evaluation Services	983,311
Social Work Services	52,655
Health Services	254,287
Student (Pupil) Transportation	531,546
Cocurricular/Extracurricular Activities	356,418
General Administration	413,511
Plant Maintenance and Operations	860,171
Data Processing Services	298,599
Community Services	<u>38,337</u>
Total depreciation expense-Governmental activities	<u>\$19,478,292</u>
Business-type activities:	
Food Services	\$ 125,391
Stadium Concessions	<u>14,726</u>
Total depreciation expense Business-type activities	<u>\$ 140,117</u>

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NOTE 5. LONG-TERM DEBT

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

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

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2010:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 7/1/09</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 6/30/10</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
1993 Refunding	2.60-5.00%	\$ 2,820,000	\$ -	\$ 1,325,000	\$ 1,495,000	\$ 990,000
1998 Bldg/Refunding	4.20-5.50%	3,185,000	-	800,000	2,385,000	-
1999 Bldg/Refunding	3.50-5.38%	4,840,000	-	3,190,000	1,650,000	115,000
1999 Bldg/Ref CAB	4.60-5.20%	1,428,150	-	801,877	626,273	626,273
2001 Bldg/Refunding	3.64-4.40%	39,345,000	-	2,165,000	37,180,000	8,025,000
2001 Bldg/Ref CAB	4.37-4.59%	1,130,564	-	1,130,564	-	-
2002 Bldg/Refunding	5.00%	40,235,000	-	-	40,235,000	-
2002 Bldg/Ref CAB	3.58-5.88%	20,739,779	-	120,534	20,619,245	109,910
2004 Bldg/Refunding	2.58-5.00%	83,420,000	-	1,730,000	81,690,000	1,795,000
2005A Building	Variable	46,500,000	-	-	46,500,000	-
2005B Bldg/Refunding	3.00-5.00%	13,315,000	-	330,000	12,985,000	575,000
2005B Bldg/Ref CAB	3.45-4.13%	4,045,445	-	-	4,045,445	889,106
2005C Refunding	3.00-5.00%	49,925,000	-	-	49,925,000	1,210,000
2006 Refunding CAB	4.81-5.22%	62,670,339	-	-	62,670,339	-
2006A Building	4.25-5.00%	21,580,000	-	-	21,580,000	300,000
2006B Building	Variable	30,000,000	-	-	30,000,000	-
2007 Building	4.00-5.00%	37,990,000	-	-	37,990,000	955,000
2008 Building	3.375-5.0%	158,215,000	-	1,515,000	156,700,000	-
2009 Refunding	4.00-5.25%	31,875,000	-	-	31,875,000	-
Total Bonded Indebtedness		<u>653,259,277</u>	<u>-</u>	<u>13,107,975</u>	<u>640,151,302</u>	<u>15,590,289</u>
Accreted Interest	4.10-5.20%	24,936,900	5,059,966	557,589	29,439,277	694,712
Premiums on Bond Issuance		15,980,734	-	840,383	15,140,351	-
Accrued Vacation Benefits		1,185,794	307,069	174,140	1,318,723	-
Special Termination Benefits		145,013	76,428	70,038	151,403	65,234
Total Other Obligations		<u>42,248,441</u>	<u>5,443,463</u>	<u>1,642,150</u>	<u>46,049,754</u>	<u>759,946</u>
Total Obligations of District		<u>\$695,507,718</u>	<u>\$ 5,443,463</u>	<u>\$14,750,125</u>	<u>\$686,201,056</u>	<u>\$16,350,235</u>

The 1999, 2002, 2005 and 2006 bond series include outstanding capital appreciation bonds in the principal amount of \$87,961,302. The bonds mature variously beginning in 2010 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 \$29,439,277 is accounted for in the Statement of Net Assets as Accrued Interest Payable-Capital Appreciation Bonds.

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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, 2010.

Interest Rate Swap Agreements

2005 Swap Agreements

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

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

As of June 30, 2010, 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>
2011	\$ -	\$ 1,869,300	\$ 1,869,300
2012	-	1,869,300	1,869,300
2013	-	1,869,300	1,869,300
2014	-	1,869,300	1,869,300
2015	-	1,869,300	1,869,300
2016-2020	7,440,000	8,760,786	16,200,786
2021-2025	9,970,000	6,863,949	16,833,949
2026-2030	11,770,000	4,695,159	16,465,159
2031-2035	14,130,000	2,105,877	16,235,877
2036	<u>3,190,000</u>	<u>64,119</u>	<u>3,254,119</u>
Totals	<u>\$ 46,500,000</u>	<u>\$ 31,836,390</u>	<u>\$ 78,336,390</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 (0.200%); (c) the estimated cost of remarketing the Series 2005-A Bonds (0.050%); and (d) 0.350% per year to offset the potential differences between the floating rates payable to the District under the 2005 Swap Agreements and the actual interest rates payable by the District on the Series 2005-A Bonds.

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2006 Swap Agreement

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

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

As of June 30, 2010, the debt service requirements of the Series 2006-B Bonds were as follows. As interest rates change in the future, the differences between the floating rates payable to the District under the 2006 Swap Agreement and the actual interest rates payable by the District on the Series 2006-B Bonds will vary.

Year Ended	Total		
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2011	\$ -	\$ 1,511,100	\$ 1,511,100
2012	-	1,511,100	1,511,100
2013	-	1,511,100	1,511,100
2014	-	1,511,100	1,511,100
2015	-	1,511,100	1,511,100
2016-2020	-	7,555,500	7,555,500
2021-2025	1,815,000	7,466,471	9,281,471
2026-2030	5,430,000	6,437,035	11,867,035
2031-2035	13,815,000	4,737,675	18,552,675
2036	<u>8,940,000</u>	<u>225,154</u>	<u>9,165,154</u>
Totals	<u>\$ 30,000,000</u>	<u>\$ 33,977,335</u>	<u>\$ 63,977,335</u>

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

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.

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As of June 30, 2010, 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 \$7,425,502. The District was not exposed to credit risk with JPMCB on the 2006 Swap Agreement as such agreement had a negative fair value of \$5,383,632. Collectively, as of June 30, 2010, the Swap Agreements had a net negative fair value of \$12,809,134.

As of June 30, 2010, JPMCB was rated "Aa1," "AA-" and "AA-" by Moody's Investors Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch"), respectively, while UBS was rated "Aa3," "A+" and "A+" by Moody's, S&P and Fitch, respectively.

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

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

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

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

NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS

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

Year Ended <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2011	\$ 15,590,289	\$ 23,596,672	\$ 39,186,961
2012	17,258,901	24,158,352	41,417,253
2013	19,887,047	23,735,697	43,622,744
2014	19,541,366	23,235,593	42,776,959
2015	20,064,304	22,715,267	42,779,571
2016-2020	102,406,282	103,900,922	206,307,204
2021-2025	103,727,754	100,122,338	203,850,092
2026-2030	106,223,311	94,133,371	200,356,682
2031-2035	121,142,048	48,440,088	169,582,136
2036-2039	<u>37,810,000</u>	<u>3,958,075</u>	<u>41,768,075</u>
	<u>\$563,651,302</u>	<u>\$467,996,375</u>	<u>\$1,031,647,677</u>

NOTE 7. DEFEASED BONDS OUTSTANDING

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

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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, 2010, \$59,034,192 of bonds outstanding are considered defeased.

NOTE 8. SPECIAL TERMINATION BENEFITS

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

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

From 1999 through 2009, 110 employees elected participation in the program. The District's liability for these special termination benefits is considered a long-term liability and is recorded in the Statement of Net Assets at the present value at June 30, 2010 of all future periodic payments to be made to the 11 former employees currently in the program.

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

Year Ended <u>June 30</u>	Total <u>Payments</u>
2011	\$ 65,234
2012	49,117
2013	31,109
2014	<u>19,107</u>
Total	<u>\$ 164,567</u>
Present Value	<u>\$ 151,403</u>

NOTE 9. ACCUMULATED UNPAID VACATION AND SICK LEAVE BENEFITS

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

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

Balance, July 1, 2009	\$ 1,185,794
Additions – New Entrants and Salary Increments	307,069
Deductions – Payments to Participants	<u>(174,140)</u>
Balance, June 30, 2010	<u>\$1,318,723</u>

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

NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District (DCAD) is responsible for the appraisal of property for all taxing units in Denton County, including the District. Under the terms of a contract for appraisal services, the District paid DCAD \$1,190,866 in fiscal year 2010 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 2009-10 fiscal year was based was \$9,549,766,309. 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, 2010, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.45 per \$100 valuation, respectively, for a total of \$1.49 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2010 were 98.35% 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, 2010, property taxes receivable, net of estimated uncollectible taxes, totaled \$3,281,477 and \$1,272,875 for the General and Debt Service Funds, respectively.

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

NOTE 11. PENSION PLAN OBLIGATIONS

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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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 6.644% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.644% 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, 2008, 2009, and 2010 were \$7,958,505, \$8,859,052 and \$9,371,326, 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, 2008, 2009, and 2010 were \$1,855,289, \$2,195,244 and \$2,470,285, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended June 30, 2008, 2009, and 2010 were \$5,832,546, \$7,477,582 and \$7,737,384, 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 12. SCHOOL DISTRICT RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. 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, 2010, 2009, and 2008, the State's contributions to the TRS-Care were \$1,043,762, \$986,706, and \$886,405, respectively, the active member contributions were \$678,445, \$641,359, and \$576,163, respectively, and the school district's contribution were \$574,069, \$542,688, and \$487,523, 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, 2010, the contribution made on behalf of the District was \$369,211.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2010, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 255,501	\$ -
Internal Service Fund	6,845	5,306
Enterprise Fund	4,173	-
Special Revenue Fund:		
General Fund	-	255,501
Internal Service Fund:		
General Fund	5,306	6,845
Enterprise Fund:		
General Fund	<u>-</u>	<u>4,173</u>
 TOTAL	 <u>\$ 271,825</u>	 <u>\$ 271,825</u>

Interfunds transfers for the year ended June 30, 2010 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Enterprise Fund	\$ -	\$ 90,000
Enterprise Fund:		
General Fund	90,000	-
Special Revenue Fund:		
Trust and Agency Fund	1,500	-
Trust and Agency Fund:		
Special Revenue Fund	<u>-</u>	<u>1,500</u>
 TOTAL	 <u>\$ 91,500</u>	 <u>\$ 91,500</u>

The purpose of the primary interfund transfer was to transfer excess stadium concession funds to the general fund.

NOTE 14. HEALTH CARE

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage (the District contributed \$260 monthly for each employee) and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance through United Healthcare who limited annual claims paid from the Fund for the calendar year ended December 31, 2010, to \$175,000 for any individual participant and for aggregate loss of \$17,022,394.

Estimates of claims payable and of claims incurred, but not reported at June 30, 2010, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

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

Changes in the balances of claims liabilities in fiscal 2009 and 2010 are as follows:

	Year Ended <u>June 30, 2009</u>	Year Ended <u>June 30, 2010</u>
Unpaid claims, beginning of year	\$ 719,909	\$ 1,111,793
Incurred claims (including IBNR'S)	11,589,370	9,794,075
Claim payments	<u>11,197,486</u>	<u>9,963,612</u>
Unpaid claims, end of fiscal year	<u>\$ 1,111,793</u>	<u>\$ 942,256</u>

NOTE 15. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2010, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$3,521,862	\$4,255,872	\$ 266,519	\$ 78,189	\$ 8,122,442
Debt Service Fund	1,362,626	-	-	-	1,423,223
Capital Projects Fund	-	-	-	-	-
Special Revenue Fund	-	<u>4,308,163</u>	-	<u>15,455</u>	<u>4,323,618</u>
Total - Governmental Activities	<u>\$4,884,488</u>	<u>\$8,564,035</u>	<u>\$ 266,519</u>	<u>\$154,241</u>	<u>\$13,869,283</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 330,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 330,136</u>
Business-type Activities:					
Enterprise Fund	\$ -	\$ -	\$ -	\$ 6,239	\$ 6,239
Internal Service Fund	-	-	<u>5,306</u>	<u>12,382</u>	<u>17,688</u>
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,306</u>	<u>\$ 18,621</u>	<u>\$ 23,927</u>

Payables at June 30, 2010, 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	\$ 1,739,139	\$19,307,414	\$ 5,306	\$ -	\$21,051,859
Debt Service Fund	31,343	-	-	-	31,343
Capital Projects Fund	4,779,670	-	-	-	4,779,670
Special Revenue Funds	<u>299,938</u>	<u>2,164,436</u>	<u>255,501</u>	-	<u>2,719,875</u>
Total-Governmental Activities	<u>\$ 6,850,090</u>	<u>\$21,471,850</u>	<u>\$ 260,807</u>	<u>\$ -</u>	<u>\$28,582,747</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	\$ 19,255	\$ 21,711	\$ 4,173	\$ -	\$ 45,139
Internal Service Fund	<u>345,189</u>	<u>-</u>	<u>6,845</u>	<u>3,092,166</u>	<u>3,444,200</u>
Total Business-type Activities	<u>\$ 364,444</u>	<u>\$ 21,711</u>	<u>\$ 11,018</u>	<u>\$3,092,166</u>	<u>\$ 3,489,339</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 16. SELF-INSURED WORKERS' COMPENSATION

The District has also established a self-funding Workers' Compensation program. Texas Association of School Boards (TASB) through an actuarial review of the self-insurance program, projected an estimated outstanding loss of \$2,149,910 as of June 30, 2010. Claims administration is provided by TASB.

The accrued liability for Workers' Compensation self-insurance of \$2,149,910 includes incurred but not reported claims. This liability reported in the fund at June 30, 2010, 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 2010 was \$500,000.

Changes in the workers' compensation claims liability amounts in fiscal 2009 and 2010 are represented below:

	<u>Year Ended June 30, 2009</u>	<u>Year Ended June 30, 2010</u>
Unpaid claims, beginning of year	\$1,459,279	\$1,846,894
Incurred claims (including IBNR'S)	810,167	839,271
Claim payments	<u>422,552</u>	<u>536,255</u>
Unpaid claims, end of fiscal year	<u>\$1,846,894</u>	<u>\$2,149,910</u>

NOTE 17. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2010, 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>Total</u>
General	\$4,255,872	\$ -	\$4,255,872
Special Revenue	<u>276,370</u>	<u>4,031,793</u>	<u>4,308,163</u>
Total	<u>\$4,532,242</u>	<u>\$4,031,793</u>	<u>\$8,564,035</u>

NOTE 18. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At June 30, 2010, the estimated rebate liability on outstanding bond series was \$1,410,897.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 19. LITIGATION AND CONTINGENCIES

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

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

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

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

NOTE 20. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$100,431,598	\$ -	\$43,329,547	\$ -	\$143,761,145
Investment Income	137,204	-	48,063	171,906	357,173
Penalties, interest and other tax related income	1,092,545	-	406,975	-	1,499,520
Co-curricular student activities	459,584	1,012,566	-	-	1,472,150
Tuition and fees	1,775,223	730,558	-	-	2,505,781
Gifts and bequests	89,987	373,680	-	-	463,667
Facilities rentals	268,136	-	-	-	268,136
Other	369,676	8,799	-	-	378,475
Total	<u>\$104,623,953</u>	<u>\$2,125,603</u>	<u>\$43,784,585</u>	<u>\$ 171,906</u>	<u>\$150,706,047</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2010

NOTE 21. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund	Total
Net Tax Revenue	\$3,281,477	\$ -	\$1,272,875	\$ -	\$4,554,352
After-School Program	14,055	-	-	-	14,055
Lunchroom receipts	-	-	-	109,297	109,297
Food Commodities	-	-	-	138,816	138,816
IDEA, Part B Formula	-	3,016	-	-	3,016
Summer School LEP	-	16,267	-	-	16,267
Title IV, Pt B, Community Learning	-	1,489	-	-	1,489
SSA, IDEA, Part B, Deaf	-	3,016	-	-	3,016
Read to Succeed	-	1,198	-	-	1,198
Advanced Placement Incentives	-	70,963	-	-	70,963
Technology Grant	-	199,800	-	-	199,800
Deaf Ed Mgmt Board	-	67,476	-	-	67,476
	<u>\$3,295,532</u>	<u>\$363,225</u>	<u>\$1,272,875</u>	<u>\$248,113</u>	<u>\$5,179,745</u>

NOTE 22. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2010, as follows:

Year Ending <u>June 30,</u>	
2011	\$ 232,800
2012	232,800
2013	232,800
2014	<u>116,400</u>
Total Minimum Rentals	<u>\$ 814,800</u>
Rental Expenditures in Fiscal Year 2010	<u>\$ 410,666</u>

NOTE 23. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Medicaid Reimbursement	N/A	\$1,693,877	\$1,693,877
Junior ROTC	12.000	184,378	184,378
Impact Aid	84.041	155,971	155,971
Indirect Costs	N/A	<u>138,300</u>	<u>138,300</u>
Total for General Fund		<u>\$2,172,526</u>	<u>\$2,172,526</u>

NOTE 24. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended June 30, 2010.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

NOTE 25. SHARED SERVICE ARRANGEMENTS

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

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

The District participates in a shared services arrangement for juvenile justice alternative education services with ten other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Denton ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended June 30, 2010, the District contributed \$6,853 to the fiscal agent as its share of the costs of the joint venture.

COMBINING SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	
ASSETS					
1110	Cash and Cash Equivalents	\$ (8,346)	\$ (97,745)	\$ (251,154)	\$ (326,922)
1240	Receivables from Other Governments	10,949	278,188	646,838	727,003
1290	Other Receivables	-	-	-	758
1410	Deferred Expenditures	-	-	8,355	4,851
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 2,603</u>	<u>\$ 180,443</u>	<u>\$ 404,039</u>	<u>\$ 405,690</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 2,603	\$ 4,447	\$ 12,636	\$ 77,883
2160	Accrued Wages Payable	-	147,665	348,097	285,122
2170	Due to Other Funds	-	28,331	43,306	39,669
2300	Deferred Revenues	-	-	-	3,016
2000	Total Liabilities	<u>2,603</u>	<u>180,443</u>	<u>404,039</u>	<u>405,690</u>
Fund Balances:					
Reserved For:					
3490	Other Purposes	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3630	Reported in Permanent Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,603</u>	<u>\$ 180,443</u>	<u>\$ 404,039</u>	<u>\$ 405,690</u>

225 IDEA - Part B Preschool	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	266 Title XIV ARRA State Stabilization	272 Medicaid Admin. Claim MAC
\$ 13,862	\$ (23,324)	\$ (50,915)	\$ (305)	\$ (42,730)	\$ 1,489	\$ (626,302)	\$ (9,626)
685	59,769	124,007	1,594	84,421	-	1,670,256	-
-	-	-	-	-	-	-	9,626
-	-	8,820	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 14,547</u>	<u>\$ 36,445</u>	<u>\$ 81,912</u>	<u>\$ 1,289</u>	<u>\$ 41,691</u>	<u>\$ 1,489</u>	<u>\$ 1,043,954</u>	<u>\$ -</u>
\$ -	\$ 30,490	\$ 12,855	\$ 1,069	\$ 2,620	\$ -	\$ -	\$ -
12,303	5,955	61,566	220	37,388	-	956,920	-
2,244	-	7,491	-	1,683	-	87,034	-
-	-	-	-	-	1,489	-	-
<u>14,547</u>	<u>36,445</u>	<u>81,912</u>	<u>1,289</u>	<u>41,691</u>	<u>1,489</u>	<u>1,043,954</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 14,547</u>	<u>\$ 36,445</u>	<u>\$ 81,912</u>	<u>\$ 1,289</u>	<u>\$ 41,691</u>	<u>\$ 1,489</u>	<u>\$ 1,043,954</u>	<u>\$ -</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Data Control Codes	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Head Start ARRA	
ASSETS					
1110	Cash and Cash Equivalents	\$ (5,529)	\$ (69,458)	\$ (87,554)	\$ (6,121)
1240	Receivables from Other Governments	13,228	151,303	124,636	17,862
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	760	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 7,699</u>	<u>\$ 82,605</u>	<u>\$ 37,082</u>	<u>\$ 11,741</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 7,699	\$ -	\$ 28,862	\$ -
2160	Accrued Wages Payable	-	68,763	8,220	9,750
2170	Due to Other Funds	-	13,842	-	1,991
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>7,699</u>	<u>82,605</u>	<u>37,082</u>	<u>11,741</u>
Fund Balances:					
Reserved For:					
3490	Other Purposes	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3630	Reported in Permanent Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 7,699</u>	<u>\$ 82,605</u>	<u>\$ 37,082</u>	<u>\$ 11,741</u>

288 Summer School LEP	309 SSA Adult Basic Education	312 SSA - TANF Family Assistance	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	331 SSA - Career & Technical - Basic Grant	340 SSA - IDEA C Deaf - Early Intervention
\$ 16,267	\$ (27,908)	\$ (1,834)	\$ (13,286)	\$ (6,967)	\$ (899)	\$ (29,395)	\$ (193)
-	40,082	1,834	13,286	7,971	899	56,789	193
-	-	-	-	-	-	-	-
-	-	-	-	3,016	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 16,267</u>	<u>\$ 12,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,020</u>	<u>\$ -</u>	<u>\$ 27,394</u>	<u>\$ -</u>
\$ -	\$ 5,389	\$ -	\$ -	\$ -	\$ -	\$ 13,554	\$ -
-	6,196	-	-	1,004	-	10,706	-
-	589	-	-	-	-	3,134	-
16,267	-	-	-	3,016	-	-	-
<u>16,267</u>	<u>12,174</u>	<u>-</u>	<u>-</u>	<u>4,020</u>	<u>-</u>	<u>27,394</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 16,267</u>	<u>\$ 12,174</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,020</u>	<u>\$ -</u>	<u>\$ 27,394</u>	<u>\$ -</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Data Control Codes	385 Visually Impaired SSVI	394 Life Skills Program	397 Advanced Placement Incentives	404 Student Success Initiative	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ (5,009)	\$ 52,609	\$ (24,829)
1240	Receivables from Other Governments	-	10,057	18,354	93,543
1290	Other Receivables	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 5,048</u>	<u>\$ 70,963</u>	<u>\$ 68,714</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 28,778
2160	Accrued Wages Payable	-	4,361	-	39,936
2170	Due to Other Funds	-	687	-	-
2300	Deferred Revenues	-	-	70,963	-
2000	Total Liabilities	<u>-</u>	<u>5,048</u>	<u>70,963</u>	<u>68,714</u>
Fund Balances:					
Reserved For:					
3490	Other Purposes	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3630	Reported in Permanent Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 5,048</u>	<u>\$ 70,963</u>	<u>\$ 68,714</u>

EXHIBIT H-1 (Cont'd)

411 Technology Allotment	425 Read to Succeed	431 SSA - ABE Educational Technology	435 SSA Regional Day School - Deaf	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests	Total Nonmajor Special Revenue Funds
\$ 227,085	\$ 1,198	\$ (788)	\$ (68,883)	\$ 172,715	\$ 634,479	\$ 121,046	\$ (545,272)
5,365	-	936	148,115	-	-	-	4,308,163
677	-	-	-	-	4,276	-	15,337
-	-	-	1,710	-	5,188	-	32,700
-	-	-	-	-	-	-	-
<u>\$ 233,127</u>	<u>\$ 1,198</u>	<u>\$ 148</u>	<u>\$ 80,942</u>	<u>\$ 172,715</u>	<u>\$ 643,943</u>	<u>\$ 121,046</u>	<u>\$ 3,810,928</u>
\$ 33,327	\$ -	\$ -	\$ 2,326	\$ 79	\$ 33,248	\$ 2,073	\$ 299,938
-	-	148	71,618	86,658	1,480	360	2,164,436
-	-	-	6,998	18,502	-	-	255,501
199,800	1,198	-	-	67,476	-	-	363,225
<u>233,127</u>	<u>1,198</u>	<u>148</u>	<u>80,942</u>	<u>172,715</u>	<u>34,728</u>	<u>2,433</u>	<u>3,083,100</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	609,215	118,613	727,828
-	-	-	-	-	-	-	-
-	-	-	-	-	609,215	118,613	727,828
<u>\$ 233,127</u>	<u>\$ 1,198</u>	<u>\$ 148</u>	<u>\$ 80,942</u>	<u>\$ 172,715</u>	<u>\$ 643,943</u>	<u>\$ 121,046</u>	<u>\$ 3,810,928</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2010

Data Control Codes	479 Permanent Fund	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ -	\$ (545,272)
1240 Receivables from Other Governments	-	4,308,163
1290 Other Receivables	118	15,455
1410 Deferred Expenditures	-	32,700
1900 Other Assets	13,840	13,840
1000 Total Assets	<u>\$ 13,958</u>	<u>\$ 3,824,886</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
2110 Accounts Payable	\$ -	\$ 299,938
2160 Accrued Wages Payable	-	2,164,436
2170 Due to Other Funds	-	255,501
2300 Deferred Revenues	-	363,225
2000 Total Liabilities	<u>-</u>	<u>3,083,100</u>
Fund Balances:		
Reserved For:		
3490 Other Purposes	1,000	1,000
Unreserved and Undesignated:		
3610 Reported in Special Revenue Funds	-	727,828
3630 Reported in Permanent Funds	12,958	12,958
3000 Total Fund Balances	<u>13,958</u>	<u>741,786</u>
4000 Total Liabilities and Fund Balances	<u>\$ 13,958</u>	<u>\$ 3,824,886</u>

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DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	64,009	1,276,673	2,877,284	3,222,389
5020 Total Revenues	<u>64,009</u>	<u>1,276,673</u>	<u>2,877,284</u>	<u>3,222,389</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	989,045	2,414,293	2,251,113
0012 Instructional Resources and Media Services	-	-	16,760	-
0013 Curriculum and Instructional Staff Development	-	1,200	242,601	64,088
0021 Instructional Leadership	-	-	72,745	150,719
0023 School Leadership	-	9,066	42,891	8,437
0031 Guidance, Counseling and Evaluation Services	64,009	1,384	61,453	745,021
0032 Social Work Services	-	187,601	5,964	-
0033 Health Services	-	2,032	965	2,230
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	51,731	-	-
0052 Security and Monitoring Services	-	764	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	33,850	19,612	781
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>64,009</u>	<u>1,276,673</u>	<u>2,877,284</u>	<u>3,222,389</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	266 Title XIV ARRA State Stabilization	272 Medicaid Admin. Claim MAC
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
66,541	77,273	558,237	15,801	381,418	107,990	6,596,014	75,641
<u>66,541</u>	<u>77,273</u>	<u>558,237</u>	<u>15,801</u>	<u>381,418</u>	<u>107,990</u>	<u>6,596,014</u>	<u>75,641</u>
66,941	-	-	263	85,673	-	6,596,014	10,854
-	-	-	-	-	-	-	-
(400)	-	558,237	14,748	239,983	-	-	-
-	-	-	-	1,430	-	-	-
-	-	-	790	11,204	-	-	-
-	-	-	-	-	-	-	64,787
-	-	-	-	-	-	-	-
-	-	-	-	1,085	107,990	-	-
-	76,051	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,222	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	42,043	-	-	-
-	-	-	-	-	-	-	-
<u>66,541</u>	<u>77,273</u>	<u>558,237</u>	<u>15,801</u>	<u>381,418</u>	<u>107,990</u>	<u>6,596,014</u>	<u>75,641</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, 2010

Data Control Codes	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Head Start ARRA
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	41,118	1,238,287	87,837
5020	Total Revenues	<u>41,118</u>	<u>1,238,287</u>	<u>87,837</u>
EXPENDITURES:				
Current:				
0011	Instruction	-	752,519	920,638
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	40,683	239,051	196,394
0021	Instructional Leadership	435	-	-
0023	School Leadership	-	10,067	-
0031	Guidance, Counseling and Evaluation Services	-	236,650	-
0032	Social Work Services	-	-	-
0033	Health Services	-	-	-
0034	Student (Pupil) Transportation	-	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0052	Security and Monitoring Services	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	-	-	3,142
Capital Outlay:				
0081	Facilities Acquisition and Construction	-	-	-
6030	Total Expenditures	<u>41,118</u>	<u>1,238,287</u>	<u>87,837</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

288 Summer School LEP	309 SSA Adult Basic Education	312 SSA - TANF Family Assistance	315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	331 SSA - Career & Technical - Basic Grant	340 SSA - IDEA C Deaf - Early Intervention
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	327,438	22,500	27,737	14,988	4,239	214,940	2,833
-	327,438	22,500	27,737	14,988	4,239	214,940	2,833
-	290,642	19,515	27,737	14,008	4,239	100,785	2,833
-	-	-	-	-	-	-	-
-	19,685	-	-	980	-	14,922	-
-	6,249	2,985	-	-	-	3,702	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	95,531	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,994	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	7,868	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	327,438	22,500	27,737	14,988	4,239	214,940	2,833
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	385 Visually Impaired SSVI	394 Life Skills Program	397 Advanced Placement Incentives	404 Student Success Initiative
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	12,495	63,069	16,740	180,236
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>12,495</u>	<u>63,069</u>	<u>16,740</u>	<u>180,236</u>
EXPENDITURES:				
Current:				
0011 Instruction	12,495	-	9,190	165,948
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	7,550	11,499
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	2,381
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0032 Social Work Services	-	57,803	-	-
0033 Health Services	-	-	-	408
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	5,266	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>12,495</u>	<u>63,069</u>	<u>16,740</u>	<u>180,236</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

411 Technology Allotment	425 Read to Succeed	431 SSA - ABE Educational Technology	435 SSA Regional Day School - Deaf	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 730,558	\$ 1,202,399	\$ 192,646	\$ 2,125,603
591,539	-	55,333	528,641	-	325	-	1,448,378
-	-	-	-	-	-	-	18,421,361
<u>591,539</u>	<u>-</u>	<u>55,333</u>	<u>528,641</u>	<u>730,558</u>	<u>1,202,724</u>	<u>192,646</u>	<u>21,995,342</u>
425,256	-	47,868	488,502	680,515	661,165	125,048	17,250,936
35,746	-	-	-	-	33,402	-	85,908
41,756	-	530	3,802	762	23,140	50,365	1,771,576
-	-	6,164	-	-	1,414	-	245,843
-	-	-	-	-	60,812	8,876	154,524
-	-	-	37,837	49,281	191	-	1,356,144
-	-	-	-	-	-	-	251,368
-	-	-	-	-	-	225	5,860
-	-	-	-	-	2,433	-	111,508
-	-	-	-	-	-	-	76,051
-	-	-	-	-	252,289	-	252,289
-	-	-	-	-	19,938	2,298	22,236
88,781	-	-	-	-	37,220	-	181,948
-	-	-	-	-	-	-	764
-	-	-	-	-	2,947	-	2,947
-	-	771	-	-	4,220	5,700	123,253
-	-	-	-	-	449	-	449
<u>591,539</u>	<u>-</u>	<u>55,333</u>	<u>530,141</u>	<u>730,558</u>	<u>1,099,620</u>	<u>192,512</u>	<u>21,893,604</u>
-	-	-	(1,500)	-	103,104	134	101,738
-	-	-	-	-	-	(1,500)	(1,500)
-	-	-	-	-	-	(1,500)	(1,500)
-	-	-	(1,500)	-	103,104	(1,366)	100,238
-	-	-	1,500	-	506,111	119,979	627,590
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 609,215</u>	<u>\$ 118,613</u>	<u>\$ 727,828</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	479 Permanent Fund	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 470	\$ 2,126,073
5800 State Program Revenues	-	1,448,378
5900 Federal Program Revenues	-	18,421,361
5020 Total Revenues	<u>470</u>	<u>21,995,812</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	17,250,936
0012 Instructional Resources and Media Services	-	85,908
0013 Curriculum and Instructional Staff Development	-	1,771,576
0021 Instructional Leadership	-	245,843
0023 School Leadership	-	154,524
0031 Guidance, Counseling and Evaluation Services	-	1,356,144
0032 Social Work Services	-	251,368
0033 Health Services	-	5,860
0034 Student (Pupil) Transportation	-	111,508
0035 Food Services	-	76,051
0036 Extracurricular Activities	-	252,289
0041 General Administration	-	22,236
0051 Facilities Maintenance and Operations	-	181,948
0052 Security and Monitoring Services	-	764
0053 Data Processing Services	-	2,947
0061 Community Services	-	123,253
Capital Outlay:		
0081 Facilities Acquisition and Construction	-	449
6030 Total Expenditures	<u>-</u>	<u>21,893,604</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>470</u>	<u>102,208</u>
OTHER FINANCING SOURCES (USES):		
8911 Transfers Out (Use)	-	(1,500)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,500)</u>
1200 Net Change in Fund Balance	470	100,708
0100 Fund Balance - July 1 (Beginning)	<u>13,488</u>	<u>641,078</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 13,958</u>	<u>\$ 741,786</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2010

	752 Print Shop	753 Workers Compensation	771 Health Insurance	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 371,684	\$ 4,785,860	\$ 10,099,440	\$ 15,256,984
Due from Other Funds	-	-	5,306	5,306
Other Receivables	-	1,657	10,725	12,382
Inventories	4,354	-	-	4,354
Deferred Expenses	-	-	165	165
Total Current Assets	<u>376,038</u>	<u>4,787,517</u>	<u>10,115,636</u>	<u>15,279,191</u>
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	22,985	3,448	-	26,433
Depreciation on Furniture and Equipment	(9,577)	(3,448)	-	(13,025)
Total Noncurrent Assets	<u>13,408</u>	<u>-</u>	<u>-</u>	<u>13,408</u>
Total Assets	<u>389,446</u>	<u>4,787,517</u>	<u>10,115,636</u>	<u>15,292,599</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	1,276	61,415	282,498	345,189
Due to Other Funds	-	-	6,845	6,845
Accrued Expenses	-	2,149,910	942,256	3,092,166
Total Liabilities	<u>1,276</u>	<u>2,211,325</u>	<u>1,231,599</u>	<u>3,444,200</u>
NET ASSETS				
Investments in Capital Assets, Net of Debt	13,408	-	-	13,408
Unrestricted Net Assets	374,762	2,576,192	8,884,037	11,834,991
Total Net Assets	<u>\$ 388,170</u>	<u>\$ 2,576,192</u>	<u>\$ 8,884,037</u>	<u>\$ 11,848,399</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	752 Print Shop	753 Workers Compensation	771 Health Insurance	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 352,653	\$ 1,043,619	\$ 17,791,381	\$ 19,187,653
Total Operating Revenues	<u>352,653</u>	<u>1,043,619</u>	<u>17,791,381</u>	<u>19,187,653</u>
OPERATING EXPENSES:				
Payroll Costs	86,397	62,993	175,926	325,316
Professional and Contracted Services	151,779	51,430	1,342,578	1,545,787
Supplies and Materials	86,548	17,500	12,011	116,059
Other Operating Costs	4,597	900,515	16,274,323	17,179,435
Total Operating Expenses	<u>329,321</u>	<u>1,032,438</u>	<u>17,804,838</u>	<u>19,166,597</u>
Operating Income (Loss)	<u>23,332</u>	<u>11,181</u>	<u>(13,457)</u>	<u>21,056</u>
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	5,718	16,686	22,404
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>5,718</u>	<u>16,686</u>	<u>22,404</u>
Change in Net Assets	23,332	16,899	3,229	43,460
Total Net Assets - July 1 (Beginning)	<u>364,838</u>	<u>2,559,293</u>	<u>8,880,808</u>	<u>11,804,939</u>
Total Net Assets - June 30 (Ending)	<u>\$ 388,170</u>	<u>\$ 2,576,192</u>	<u>\$ 8,884,037</u>	<u>\$ 11,848,399</u>

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	752 Print Shop	753 Workers Compensation	771 Health Insurance	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from District	\$ -	\$ 1,041,962	\$ 11,031,497	\$ 12,073,459
Cash Received from Charges and Fees	352,692	-	-	352,692
Cash Received from Employees	-	-	6,761,239	6,761,239
Cash Payments for Payroll Costs	(86,397)	(63,007)	(176,222)	(325,626)
Cash Payments for Purchased Services	(151,779)	(51,430)	(1,335,767)	(1,538,976)
Cash Payments for Supplies and Materials	(101,873)	(17,500)	(12,011)	(131,384)
Cash Payments for Other Expenses	-	(61,244)	(6,470,882)	(6,532,126)
Cash Payments for Claims	-	(496,220)	(9,972,978)	(10,469,198)
Net Cash Provided by (Used for) Operating Activities	<u>12,643</u>	<u>352,561</u>	<u>(175,124)</u>	<u>190,080</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	-	5,718	16,686	22,404
Net Increase (Decrease) in Cash and Cash Equivalents	12,643	358,279	(158,438)	212,484
Cash and Cash Equivalents at Beginning of the Year:	359,041	4,427,581	10,257,878	15,044,500
Cash and Cash Equivalents at the End of the Year:	<u>\$ 371,684</u>	<u>\$ 4,785,860</u>	<u>\$ 10,099,440</u>	<u>\$ 15,256,984</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss):	\$ 23,332	\$ 11,181	\$ (13,457)	\$ 21,056
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	4,597	-	-	4,597
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Other Receivables	39	(1,657)	6,661	5,043
Decrease (increase) in Due from Other Funds	-	-	(5,306)	(5,306)
Decrease (increase) in Deferred Expenses	-	-	(165)	(165)
Increase (decrease) in Accounts Payable	(15,325)	40,035	131	24,841
Increase (decrease) in Accrued Wages Payable	-	(14)	(296)	(310)
Increase (decrease) in Due to Other Funds	-	-	6,845	6,845
Increase (decrease) in Accrued Expenses	-	303,016	(169,537)	133,479
Net Cash Provided by (Used for) Operating Activities	<u>\$ 12,643</u>	<u>\$ 352,561</u>	<u>\$ (175,124)</u>	<u>\$ 190,080</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2010

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,936,250	\$ 47,931	\$ 2,984,181
Other Receivables	6,239	-	6,239
Inventories	211,593	-	211,593
Total Current Assets	<u>3,154,082</u>	<u>47,931</u>	<u>3,202,013</u>
Noncurrent Assets:			
Capital Assets:			
Furniture and Equipment	2,983,178	55,368	3,038,546
Depreciation on Furniture and Equipment	<u>(2,769,628)</u>	<u>(53,107)</u>	<u>(2,822,735)</u>
Total Noncurrent Assets	<u>213,550</u>	<u>2,261</u>	<u>215,811</u>
Total Assets	<u>3,367,632</u>	<u>50,192</u>	<u>3,417,824</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	19,255	-	19,255
Accrued Wages Payable	21,711	-	21,711
Due to Other Funds	4,173	-	4,173
Deferred Revenues	<u>248,113</u>	<u>-</u>	<u>248,113</u>
Total Liabilities	<u>293,252</u>	<u>-</u>	<u>293,252</u>
NET ASSETS			
Investments in Capital Assets, Net of Debt	213,550	2,261	215,811
Unrestricted Net Assets	<u>2,860,830</u>	<u>47,931</u>	<u>2,908,761</u>
Total Net Assets	<u>\$ 3,074,380</u>	<u>\$ 50,192</u>	<u>\$ 3,124,572</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 3,726,901	\$ 107,708	\$ 3,834,609
State Program Revenues	56,620	-	56,620
Total Operating Revenues	<u>3,783,521</u>	<u>107,708</u>	<u>3,891,229</u>
OPERATING EXPENSES:			
Payroll Costs	3,112,250	30,113	3,142,363
Professional and Contracted Services	237,625	5,760	243,385
Supplies and Materials	4,155,969	44,818	4,200,787
Other Operating Costs	144,564	14,726	159,290
Total Operating Expenses	<u>7,650,408</u>	<u>95,417</u>	<u>7,745,825</u>
Operating Income (Loss)	<u>(3,866,887)</u>	<u>12,291</u>	<u>(3,854,596)</u>
NONOPERATING REVENUES (EXPENSES):			
National School Breakfast Program	887,432	-	887,432
National School Lunch Program	3,603,684	-	3,603,684
Donated Commodities (USDA)	341,544	-	341,544
Earnings from Temporary Deposits & Investments	1,942	-	1,942
(Loss) on Sale of Personal Property	(22,784)	-	(22,784)
Non-operating Expenses	-	(90,000)	(90,000)
Total Nonoperating Revenues (Expenses)	<u>4,811,818</u>	<u>(90,000)</u>	<u>4,721,818</u>
Change in Net Assets	944,931	(77,709)	867,222
Total Net Assets - July 1 (Beginning)	<u>2,129,449</u>	<u>127,901</u>	<u>2,257,350</u>
Total Net Assets - June 30 (Ending)	<u>\$ 3,074,380</u>	<u>\$ 50,192</u>	<u>\$ 3,124,572</u>

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	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	\$ 3,732,612	\$ 107,730	\$ 3,840,342
Cash Payments for Payroll Costs	(3,114,164)	(30,113)	(3,144,277)
Cash Payments for Purchased Services	(237,625)	(5,760)	(243,385)
Cash Payments for Supplies and Materials	(4,071,185)	(44,818)	(4,116,003)
Cash Payments for Other Expenses	(19,173)	-	(19,173)
Net Cash Provided by (Used for) Operating Activities	<u>(3,709,535)</u>	<u>27,039</u>	<u>(3,682,496)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Cash Received from Federal Programs	4,832,660	-	4,832,660
Operating Transfer Out	-	(90,000)	(90,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>4,832,660</u>	<u>(90,000)</u>	<u>4,742,660</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Acquisition of Capital Assets	(55,185)	-	(55,185)
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	1,942	-	1,942
Net Increase (Decrease) in Cash and Cash Equivalents	1,069,882	(62,961)	1,006,921
Cash and Cash Equivalents at Beginning of the Year:	1,866,368	110,892	1,977,260
Cash and Cash Equivalents at the End of the Year:	<u>\$ 2,936,250</u>	<u>\$ 47,931</u>	<u>\$ 2,984,181</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss):	\$ (3,866,887)	\$ 12,291	\$ (3,854,596)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	125,391	14,726	140,117
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Other Receivables	(6,239)	22	(6,217)
Decrease (increase) in Inventories	126,520	-	126,520
Increase (decrease) in Accounts Payable	(8,729)	-	(8,729)
Increase (decrease) in Accrued Wages Payable	(1,914)	-	(1,914)
Increase (decrease) in Due to Other Funds	4,173	-	4,173
Increase (decrease) in Deferred Revenues	(81,850)	-	(81,850)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (3,709,535)</u>	<u>\$ 27,039</u>	<u>\$ (3,682,496)</u>

REQUIRED T.E.A. SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2010

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2001 and prior years	Various	Various	\$ Various
2002	1.500000	0.354000	4,381,351,996
2003	1.500000	0.364000	4,834,579,560
2004	1.500000	0.364000	5,373,515,343
2005	1.500000	0.364000	5,963,219,528
2006	1.500000	0.364000	6,665,199,839
2007	1.370000	0.394000	7,692,488,889
2008	1.040000	0.394000	8,777,025,035
2009	1.040000	0.450000	9,406,791,745
2010 (School year under audit)	1.040000	0.450000	9,549,766,309
100 TOTALS			

(10) Beginning Balance 7/1/2009	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2010
\$ 254,158	\$ -	\$ 6,203	\$ 1,567	\$ 274	\$ 246,662
42,335	-	2,108	498	(8,659)	31,070
76,024	-	16,786	4,073	2,209	57,374
101,936	-	75,953	18,431	60,395	67,947
136,757	-	96,015	23,300	99,109	116,551
413,547	-	151,040	36,652	(94,647)	131,208
650,582	-	328,578	94,496	167,408	394,916
759,049	-	235,038	89,044	117,465	552,432
3,407,082	-	1,838,657	795,573	169,091	941,943
-	142,291,518	97,681,220	42,265,913	-	2,344,385
<u>\$ 5,841,470</u>	<u>\$ 142,291,518</u>	<u>\$ 100,431,598</u>	<u>\$ 43,329,547</u>	<u>\$ 512,645</u>	<u>\$ 4,884,488</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2011-2012
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2010

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 335,338	\$ 3,197,173	\$ -	\$ -	\$ 3,532,511
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	203,116	-	-	203,116
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	236,473	-	-	-	236,473
6212	Audit Services	-	-	-	48,000	-	-	48,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,190,866	-	-	-	-	1,190,866
621X	Other Professional Services	-	-	-	38,442	-	-	38,442
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	44,932	-	44,932
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	2,303	11,149	-	-	13,452
6290	Miscellaneous Contr.	1,934	-	4,291	134,269	-	-	140,494
6320	Textbooks and Reading	-	-	168	25,435	-	-	25,603
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,475	-	8,688	132,149	-	-	142,312
6410	Travel, Subsistence, Stipends	36,997	-	13,574	53,334	-	-	103,905
6420	Ins. and Bonding Costs	-	-	-	156,200	-	-	156,200
6430	Election Costs	12,131	-	-	-	-	-	12,131
6490	Miscellaneous Operating	36,870	-	38,041	63,078	-	-	137,989
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	5,764	5,764
6000	TOTAL	\$ 89,407	\$ 1,190,866	\$ 638,876	\$ 4,062,345	\$ 44,932	\$ 5,764	\$ 6,032,190

Total expenditures/expenses for General and Special Revenue Funds: and Enterprise Fund (9) \$ 212,160,611

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 422,476
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	20,315,895
Food (Function 35, 6341 and 6499)	(13)	3,493,440
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		4,062,345

SubTotal: 28,294,156

Net Allowed Direct Cost \$ 183,866,455

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 623,027,019
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)	\$ 34,492,456
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$329,602 in Function 53 expenditures are included in this report on administrative costs.

\$1,190,866 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, 2010

UNAUDITED

1	Total General Fund Balance as of 6/30/10 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 55,645,333
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 557,972	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	1,636,326	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	39,072,087	
5	Estimate of two month's average cash disbursements during the fiscal year.	32,185,043	
6	Estimate of delayed payments from state sources (58xx).	4,255,872	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Adjustment to meet Board Policy	-	
11	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		77,707,300
12	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		\$ (22,061,967)

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED JUNE 30, 2010

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,712,808	\$ 3,712,808	\$ 3,726,901	\$ 14,093
5800	State Program Revenues	54,000	54,000	56,620	2,620
5020	Total Revenues	3,766,808	3,766,808	3,783,521	16,713
EXPENDITURES:					
0035	Food Services	7,777,750	7,777,750	7,483,252	294,498
0051	Plant Maintenance and Operations	171,650	171,650	167,156	4,494
6030	Total Expenditures	7,949,400	7,949,400	7,650,408	298,992
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,182,592)	(4,182,592)	(3,866,887)	315,705
OTHER FINANCING SOURCES (USES):					
7952	National School Breakfast Program	761,621	761,621	887,432	125,811
7953	National School Lunch Program	3,029,226	3,029,226	3,603,684	574,458
7954	Donated Commodities (USDA)	391,745	391,745	341,544	(50,201)
7955	Investment Income	-	-	1,942	1,942
7963	(Loss) on Sale of Real and Personal Property	-	-	(22,784)	(22,784)
7080	Total Other Financing Sources (Uses)	4,182,592	4,182,592	4,811,818	629,226
1200	Change in Net Assets	-	-	944,931	944,931
0100	Total Net Assets - July 1 (Beginning)	2,129,449	2,129,449	2,129,449	-
3000	Total Net Assets - June 30 (Ending)	\$ 2,129,449	\$ 2,129,449	\$ 3,074,380	\$ 944,931

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2010

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	\$ 42,236,884	\$ 43,741,927	\$ 43,784,585	\$ 42,658
5020	Total Revenues	42,236,884	43,741,927	43,784,585	42,658
EXPENDITURES:					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	16,407,975	13,107,975	13,107,975	-
0072	Debt Service - Interest on Long Term Debt	26,608,270	26,608,270	26,608,270	-
0073	Debt Service - Bond Issuance Cost and Fees	364,596	364,596	151,737	212,859
6030	Total Expenditures	43,380,841	40,080,841	39,867,982	212,859
1200	Net Change in Fund Balances	(1,143,957)	3,661,086	3,916,603	255,517
0100	Fund Balance - July 1 (Beginning)	34,131,436	34,131,436	34,131,436	-
3000	Fund Balance - June 30 (Ending)	\$ 32,987,479	\$ 37,792,522	\$ 38,048,039	\$ 255,517

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FEDERAL AWARDS SECTION

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

**HANKINS, EASTUP, DEATON,
TONN & SEAY**
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DENTON, TEXAS 76202-0977

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

Board of Trustees
Denton Independent School District
Denton, Texas 76201

We have audited the 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, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 29, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as finding 2010-01.

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

Hankins, Eastup, Deaton, Tonn & Seay

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

October 29, 2010

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

Board of Trustees
Denton Independent School District
Denton, Texas 76201

Compliance

We have audited the compliance of Denton Independent School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



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

October 29, 2010

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2010

I. Summary of Auditor's Results

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

84.010, 84.389	ESEA Title I Cluster
84.027, 84.173, 84.391	IDEA, Part B Cluster
84.394	Title XIV, State Fiscal Stabilization Fund - ARRA
93.600	Head Start Cluster (including ARRA)

8. Dollar threshold used to distinguish between Type A and Type B programs: \$707,831.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

Finding 2010-01 – At June 30, 2010, the District had net cash resources in the Child Nutrition fund in excess of three month's average expenses.

Federal Awarding Agency	U.S. Department of Agriculture
Pass-Through Entity	Texas Department of Agriculture
CFDA Number and Title	10.553 School Breakfast Program 10.555 National School Lunch Program
Applicable Compliance Component	Special Tests and Provisions
Questioned Costs	None

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2010

III. Other Findings - Continued

Requirement

In order for the District to maintain the nonprofit status of the National School Lunch Program and the School Breakfast Program, the fund balance or net cash resources of the Child Nutrition account should not exceed three month's average expenses.

Condition Found

At June 30, 2010, the net cash resources of the District's Child Nutrition fund amounted to \$2,788,054. Three month's average expenses of the Child Nutrition fund, based on expenses incurred during 10 months of operations in the year ended June 30, 2010, amounted to \$2,295,122, resulting in an excessive operating balance of \$492,922 at June 30, 2010.

Cause of Condition

During the year ended June 30, 2010 the District generated a \$1,037,921 increase in its fund balance (exclusive of the amount invested in capital assets), due primarily to a significant increase in the number of free and reduced breakfasts and lunches served and the resulting increase in Federal reimbursements.

Recommendation

The District is required to submit to the Texas Department of Agriculture for approval a written plan for reducing the operating balance to an acceptable level within one year. The District should identify capital outlay and other needs within the Child Nutrition program for which excess funds could be used, and submit as soon as possible the required written plan for approval.

District's Response

The District has performed the following steps in developing a plan for submission to the Texas Department of Agriculture:

- conducted a comprehensive survey of the capital outlay needs in the cafeterias at each campus and identified approximately \$700,000 of immediate kitchen equipment needs,
- created and funded a new position titled nutrition coordinator,
- upgraded the child nutrition bookkeeper position to an accountant level position, and
- begun the process of reviewing the quality of food purchased by the child nutrition program, with the goal of improving the quality of meals served.

We plan to submit a written plan to the Texas Department of Agriculture within 30 days, and we believe that implementation of the above steps will enable the District to bring the child nutrition operating balance down to an acceptable level.

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
ROTC	12.000	01-061901	\$ 184,378
Total Direct Programs			\$ 184,378
TOTAL DEPARTMENT OF DEFENSE			\$ 184,378
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	01-061901	\$ 155,971
Total Direct Programs			\$ 155,971
<u>Passed Through State Department of Education</u>			
SSA - Adult Education (ABE) - Federal	84.002	104100017110321	\$ 327,438
ESEA, Title I, Part A - Improving Basic Programs	84.010A	10610101061901	2,877,284
IDEA - Part B, Formula	84.027	106600010619016600	3,222,389
SSA - IDEA - Part B, Discretionary	84.027	106600020619016673	27,737
SSA - IDEA - Part B, Deaf	84.027	106600010619016601	14,988
Total CFDA Number 84.027			3,265,114
SSA - Career and Technical - Basic Grant	84.048	10420006061901	214,940
IDEA - Part B, Preschool	84.173	106610010619016610	66,541
SSA - IDEA - Part B, Preschool Deaf	84.173	106610010619016611	4,239
Total CFDA Number 84.173			70,780
SSA - IDEA, Part C - Early Intervention (Deaf)	84.181A	103911010619013911	2,833
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	10691001061901	64,009
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	01-061901	107,990
Title II, Part D -Enhancing Ed. Through Technology	84.318	10630001061901	15,801
Title III, Part A - English Language Acquisition	84.365A	10671001061901	381,418
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	10694501061901	558,237
Title II D Enhancing Ed. Through Technology - ARRA	84.386	10553001061901	41,118
ESEA, Title I, A - ARRA - Improving Basic Programs	84.389	10551003061901	1,120,174
IDEA, Part B, Formula - ARRA	84.391	10554001061901	1,238,287
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10557001061901	6,596,014
Total Passed Through State Department of Education			\$ 16,881,437
TOTAL DEPARTMENT OF EDUCATION			\$ 17,037,408
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start	93.600	06CH5416/44	\$ 1,276,673
Head Start - ARRA	93.600	06SE5416/01	87,837
Total CFDA Number 93.600			1,364,510
Medicaid Administrative Claiming Program - MAC	93.778	01-061901	75,641
Total Direct Programs			\$ 1,440,151
<u>Passed Through State Department of Education</u>			
SSA - Temporary Assistance for Needy Families	93.558	103625017110301	\$ 16,372
SSA - Temporary Assistance for Needy Families	93.558	93625017110227	6,128
Total CFDA Number 93.558			22,500
Total Passed Through State Department of Education			\$ 22,500
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 1,462,651

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2010

(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 AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
School Breakfast Program*	10.553	71401001	\$ 887,432
National School Lunch Program*	10.555	71301001	3,603,684
National School Lunch Program - Non-Cash*	10.555	71301001	341,544
Total CFDA Number 10.555			3,945,228
Summer Feeding Program - Cash Assistance*	10.559	TX061-1001	77,273
Total Passed Through the State Department of Agriculture			\$ 4,909,933
TOTAL DEPARTMENT OF AGRICULTURE			\$ 4,909,933
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 23,594,370

*Clustered Programs as required by Compliance Supplement March, 2010

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2010

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

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

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

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2010, 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	\$23,594,370
Indirect Costs	138,300
Medicaid Reimbursement	<u>1,693,877</u>
Federal Revenues per Financial Statements	<u>\$25,426,547</u>