

DENTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2012

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ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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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, 2012, at a meeting of the Board of Trustees of such school district on the ____ day of November, 2012.

Signature of Board Secretary

Signature of Board President

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

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

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, 2012, 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, 2012, 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 November 1, 2012, 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 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

November 1, 2012

**DENTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(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, 2012. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The assets of Denton Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$34,899,209 (net assets). Included in the total is \$120,618,975 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 increased by \$9,394,860.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$189,864,012. Over 31% of this total amount (\$59,272,911) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, unassigned fund balance for the general fund was \$59,272,911 or 32.5% 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 17 through 19). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 34) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

Reporting the District as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net 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 20 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains 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 20 through 25 of this report.
- **Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs and the print shop.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets that can be found on page 33. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's governmental activities increased from \$22,385,009 to \$31,399,054. 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 \$118,557,253 at June 30, 2012. This increase in governmental net assets was the result of several factors. First, the District's revenues exceeded expenditures by \$34,417,437 (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 \$21,852,919. Also, various adjustments totaling \$3,550,473 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 2012, net assets of our business-type activities increased by \$380,815, or 12.2 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	
	2012	2011	2012	2011	2012	2011
Current and other assets	235,302,814	190,553,677	2,503,839	2,881,516	237,806,653	193,435,193
Capital assets	534,284,536	543,019,765	1,438,433	737,761	535,722,969	543,757,526
Total assets	769,587,350	733,573,442	3,942,272	3,619,277	773,529,622	737,192,719
Long-term liabilities	700,685,910	675,015,816	-	-	700,685,910	675,015,816
Other liabilities	37,502,386	36,172,617	442,117	499,937	37,944,503	36,672,554
Total liabilities	738,188,296	711,188,433	442,117	499,937	738,630,413	711,688,370
Net Assets:						
Invested in capital assets net of related debt	(135,195,703)	(98,448,425)	1,438,433	737,761	(133,757,270)	(97,710,664)
Restricted	48,037,504	42,977,272	-	-	48,037,504	42,977,272
Unrestricted	118,557,253	77,856,162	2,061,722	2,381,579	120,618,975	80,237,741
Total net assets	31,399,054	22,385,009	3,500,155	3,119,340	34,899,209	25,504,349

Table II
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	3,179,864	3,608,255	3,879,795	3,914,247	7,059,659	7,522,502
Operating grants and contributions	29,848,670	35,375,496	5,313,520	4,505,230	35,162,190	39,880,726
Capital grants and contributions	-	56,000	-	-	-	56,000
General Revenues:						
Maintenance and operations taxes	101,470,882	99,804,875	-	-	101,470,882	99,804,875
Debt service taxes	47,721,609	46,887,776	-	-	47,721,609	46,887,776
State aid - formula grants	76,298,049	74,391,559	-	-	76,298,049	74,391,559
Grants and Contributions	563,453	175,362	-	-	563,453	175,362
Investment Earnings	208,758	266,294	4,424	2,362	213,182	268,656
Miscellaneous	302,867	398,403	-	-	302,867	398,403
Total Revenue	259,594,152	260,964,020	9,197,739	8,421,839	268,791,891	269,385,859
Expenses:						
Instruction, curriculum and media services	150,858,183	155,884,264	-	-	150,858,183	155,884,264
Instructional and school leadership	14,057,923	15,259,316	-	-	14,057,923	15,259,316
Student support services	18,752,502	19,138,187	-	-	18,752,502	19,138,187
Food Services	212,456	216,441	8,739,835	8,346,283	8,952,291	8,562,724
Cocurricular activities	5,678,981	5,565,786	86,644	75,947	5,765,625	5,641,733
General administration	5,485,284	5,157,358	-	-	5,485,284	5,157,358
Plant maintenance, security & data processing	25,110,887	26,411,337	-	-	25,110,887	26,411,337
Community services	631,841	568,928	-	-	631,841	568,928
Debt services	28,330,206	32,117,047	-	-	28,330,206	32,117,047
Intergovernmental charges	1,469,962	1,485,757	-	-	1,469,962	1,485,757
Total Expenses	250,588,225	261,804,421	8,826,479	8,422,230	259,414,704	270,226,651
Increase (decrease) in net assets before transfers and special items	9,005,927	(840,401)	371,260	(391)	9,377,187	(840,792)
Transfers	-	-	-	-	-	-
Special Items/Extraordinary Items	8,118	(541,288)	9,555	(4,841)	17,673	(546,129)
Net Assets – beginning of year	22,385,009	23,766,698	3,119,340	3,124,572	25,504,349	26,891,270
Net Assets – end of year	31,399,054	22,385,009	3,500,155	3,119,340	34,899,209	25,504,349

- The Board of Trustees maintained the maintenance and operation property tax rate of \$1.04 for the fiscal year 2011-2012. This is the maximum rate allowed by law without a rollback election. The debt service rate was set at \$0.49. The total tax rate necessary to fund the 2011-2012 budget was \$1.53.
- The District experienced an increase in property values for 2011 after a decline of \$149,709,436 in the prior year. The actual increase in certified and under review values was \$216,830,343 or 2.52%.
- In an effort to offset the shortfall in state funding the District reduced positions through new staffing ratios at all campuses, with restructuring of the EXPO, ESL, and Special Education programs, using contracted custodial services and downsizing the Central Service divisions.
- The District's employee health insurance contribution was reduced from \$259 to \$235 per participant per month.

The cost of all governmental activities for the current fiscal period was \$250,588,225. However, as shown in the Statement of Activities on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$149,192,491 because some of the costs were paid by those who directly benefited from the programs (\$3,179,864) or by other governments and organizations that subsidized certain programs with grants and contributions (\$29,848,670) or by State equalization funding (\$76,298,049).

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 \$189,864,012 an increase of \$45,715,635. Approximately 41 percent of this total amount (\$77,811,336) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$47,127,851), or for capital projects (\$64,384,876), or already spent on prepaid items (\$332,477), inventories (\$206,472) or endowment principal (\$1,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$59,272,911, while the total fund balance was \$77,427,509. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 32.5 percent of the total general fund expenditures, while the total fund balance represents 42.5 percent of that same amount.

The fund balance of the District's general fund increased by \$13,569,098 during the current fiscal year, compared to an \$8,213,078 increase in the previous year. Key factors related to this change are as follows:

- A \$2,594,032 increase in property tax revenues combined with a \$1,725,873 increase in the state foundation and per capita funding contributed to a \$2,998,055 overall increase in total revenues. Expenditures decreased \$1,854,295 or 1.01% with reductions in most functional categories.

The debt service fund has a total fund balance of \$47,127,851, 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 \$4,984,923, compared to a \$4,094,889 increase in the previous year. Tax revenues were \$1,296,583 higher than the previous year, but debt service expenditures were \$1,622,425 higher as well.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by \$27,224,835 due to \$40,000,000 new bond proceeds offset by \$13,136,304 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, 2011). 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 \$77,427,509 reported on page 20 differs from the General Fund's budgetary fund balance of \$65,714,792 reported in the budgetary comparison schedule on page 28. This is principally due to cost savings in all functional expenditure categories offset somewhat by lower-than-expected state funding revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the District had \$534,284,536 (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 decrease of \$8,735,229, or 1.6 percent, below last year.

This fiscal year's major additions included:

Installation of new turf and track at an existing high school, paid for with proceeds of general obligation bonds issued in a prior year.	\$ 1,495,088
Continuing construction costs on science lab additions at six elementary schools, paid for with proceeds of general obligation bonds issued in a prior year.	3,461,145
Initial renovation costs at two existing middle schools, paid for with proceeds of general obligation bonds issued in a prior year.	2,621,276
Initial construction costs on a new middle school, paid for with proceeds of general obligation bonds issued in the current year.	2,270,302
Totaling	9,847,811

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 \$679,355,994 in bonds outstanding (including accreted interest on bonds) versus \$658,446,946 last year—an increase of 3.2 percent. New debt was incurred during the fiscal period through the issuance of both a school building bond series and a refunding bond series. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$970,106,679, 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 for 2012-2013. The M & O tax rate will remain at \$1.04. The debt service tax rate will remain at \$0.49 for a total rate of \$1.53. The district's certified values increased \$303,787,201 or 3.44% for 2012.

State funding for 2012-2013 is projected to be \$83,764,087 or 43.17% of the total budget compared to \$88,392,330 or 46.94% for 2011-2012.

The Board of Trustees approved a 3% pay increase for all employees for the 2012-2013 school year.

The main focus for the 2012-2013 budget was the projected increase in student enrollment of 3.61% while maintaining current programs. Denton ISD will receive approximately \$4,628,243 less in state funding for 2012-2013 than in the prior year's adopted budget, however property tax collections are expected to increase by \$8,357,211. Denton ISD moved from a self-funded health insurance plan to TRS Active Care as of January 1, 2012. As a result of this change, Denton ISD experienced a savings of \$1,900,000. Projected growth in student enrollment provides additional revenue to compensate for the remaining reduction in state funding.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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DENTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

Data Control Codes	1	2	3	
	Primary Government			
	Governmental Activities	Business Type Activities	Total	
ASSETS				
1110	Cash and Cash Equivalents	\$ 217,709,094	\$ 2,226,658	\$ 219,935,752
1220	Property Taxes Receivable (Delinquent)	4,325,142	-	4,325,142
1230	Allowance for Uncollectible Taxes	(216,208)	-	(216,208)
1240	Due from Other Governments	7,771,659	-	7,771,659
1260	Internal Balances	(17,162)	17,162	-
1290	Other Receivables, net	548,489	-	548,489
1300	Inventories	230,268	260,019	490,287
1410	Deferred Expenses	388,850	-	388,850
1420	Capitalized Bond and Other Debt Issuance Costs	4,548,559	-	4,548,559
	Capital Assets:			
1510	Land	28,908,011	-	28,908,011
1520	Buildings, Net	485,664,189	-	485,664,189
1530	Furniture and Equipment, Net	10,644,993	1,438,433	12,083,426
1580	Construction in Progress	9,067,343	-	9,067,343
1990	Other Assets	14,123	-	14,123
1000	Total Assets	<u>769,587,350</u>	<u>3,942,272</u>	<u>773,529,622</u>
LIABILITIES				
2110	Accounts Payable	5,149,881	155,705	5,305,586
2150	Payroll Deductions & Withholdings	2,319,237	-	2,319,237
2160	Accrued Wages Payable	18,973,640	31,122	19,004,762
2200	Accrued Expenses	10,475,390	-	10,475,390
2300	Deferred Revenues	584,238	255,290	839,528
	Noncurrent Liabilities			
2501	Due Within One Year	23,563,354	-	23,563,354
2502	Due in More Than One Year	677,122,556	-	677,122,556
2000	Total Liabilities	<u>738,188,296</u>	<u>442,117</u>	<u>738,630,413</u>
NET ASSETS				
3200	Invested in Capital Assets, Net of Related Debt	(135,195,703)	1,438,433	(133,757,270)
	Restricted for:			
3850	Restricted for Debt Service	47,127,851	-	47,127,851
3870	Restricted for Campus Activities	909,653	-	909,653
3900	Unrestricted Net Assets	118,557,253	2,061,722	120,618,975
3000	Total Net Assets	<u>\$ 31,399,054</u>	<u>\$ 3,500,155</u>	<u>\$ 34,899,209</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, 2012

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 142,879,926	\$ 1,699,448	\$ 19,056,893
12 Instructional Resources and Media Services	4,004,174	-	224,313
13 Curriculum and Staff Development	3,974,083	-	1,231,297
21 Instructional Leadership	2,677,319	273,714	134,936
23 School Leadership	11,380,604	-	531,813
31 Guidance, Counseling and Evaluation Services	10,596,400	-	1,443,568
32 Social Work Services	662,420	-	197,551
33 Health Services	2,354,611	-	1,973,179
34 Student (Pupil) Transportation	5,139,071	-	2,361,124
35 Food Services	212,456	-	206,096
36 Extracurricular Activities	5,678,981	462,348	573,530
41 General Administration	5,485,284	-	1,456,251
51 Facilities Maintenance and Operations	20,947,561	382,137	230,404
52 Security and Monitoring Services	625,486	-	4,232
53 Data Processing Services	3,537,840	-	79,968
61 Community Services	631,841	362,217	143,515
72 Debt Service - Interest on Long Term Debt	27,719,650	-	-
73 Debt Service - Bond Issuance Cost and Fees	610,556	-	-
93 Payments related to Shared Services Arrangements	232,500	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	6,408	-	-
99 Other Intergovernmental Charges	1,231,054	-	-
[TG] Total Governmental Activities:	250,588,225	3,179,864	29,848,670
BUSINESS-TYPE ACTIVITIES:			
35 Enterprise Fund - National School Breakfast&Lunch	8,739,835	3,769,853	5,313,520
01 Enterprise Funds - Stadium Concessions	86,644	109,942	-
[TB] Total Business-Type Activities:	8,826,479	3,879,795	5,313,520
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 259,414,704	\$ 7,059,659	\$ 35,162,190

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

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

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (122,123,585)	\$ -	\$ (122,123,585)
(3,779,861)	-	(3,779,861)
(2,742,786)	-	(2,742,786)
(2,268,669)	-	(2,268,669)
(10,848,791)	-	(10,848,791)
(9,152,832)	-	(9,152,832)
(464,869)	-	(464,869)
(381,432)	-	(381,432)
(2,777,947)	-	(2,777,947)
(6,360)	-	(6,360)
(4,643,103)	-	(4,643,103)
(4,029,033)	-	(4,029,033)
(20,335,020)	-	(20,335,020)
(621,254)	-	(621,254)
(3,457,872)	-	(3,457,872)
(126,109)	-	(126,109)
(27,719,650)	-	(27,719,650)
(610,556)	-	(610,556)
(232,500)	-	(232,500)
(6,408)	-	(6,408)
(1,231,054)	-	(1,231,054)
(217,559,691)	-	(217,559,691)
-	343,538	343,538
-	23,298	23,298
-	366,836	366,836
(217,559,691)	366,836	(217,192,855)
101,470,882	-	101,470,882
47,721,609	-	47,721,609
76,298,049	-	76,298,049
563,453	-	563,453
208,758	4,424	213,182
302,867	-	302,867
21,618	9,555	31,173
(13,500)	-	(13,500)
226,573,736	13,979	226,587,715
9,014,045	380,815	9,394,860
22,385,009	3,119,340	25,504,349
\$ 31,399,054	\$ 3,500,155	\$ 34,899,209

DENTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 93,167,334	\$ 46,850,872	\$ 67,369,789
1220 Property Taxes - Delinquent	3,036,967	1,288,175	-
1230 Allowance for Uncollectible Taxes (Credit)	(150,024)	(66,184)	-
1240 Receivables from Other Governments	4,368,914	-	-
1260 Due from Other Funds	127,311	-	-
1290 Other Receivables	234,285	34,339	33,826
1300 Inventories	206,472	-	-
1410 Deferred Expenditures	332,477	7,457	-
1900 Other Assets	-	-	-
1000 Total Assets	<u>\$ 101,323,736</u>	<u>\$ 48,114,659</u>	<u>\$ 67,403,615</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110 Accounts Payable	\$ 1,746,367	\$ 21,649	\$ 3,018,739
2150 Payroll Deductions and Withholdings Payable	2,319,237	-	-
2160 Accrued Wages Payable	17,488,176	-	-
2170 Due to Other Funds	17,811	-	-
2300 Deferred Revenues	2,324,636	965,159	-
2000 Total Liabilities	<u>23,896,227</u>	<u>986,808</u>	<u>3,018,739</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410 Inventories	206,472	-	-
3425 Endowment Principal	-	-	-
3430 Prepaid Items	332,477	-	-
Restricted Fund Balance:			
3470 Capital Acquisition and Contractual Obligation	-	-	64,384,876
3480 Retirement of Long-Term Debt	-	47,127,851	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 Other Assigned Fund Balance	17,615,649	-	-
3600 Unassigned Fund Balance	59,272,911	-	-
3000 Total Fund Balances	<u>77,427,509</u>	<u>47,127,851</u>	<u>64,384,876</u>
4000 Total Liabilities and Fund Balances	<u>\$ 101,323,736</u>	<u>\$ 48,114,659</u>	<u>\$ 67,403,615</u>

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

Other Funds	Total Governmental Funds
\$ (208,612)	\$ 207,179,383
-	4,325,142
-	(216,208)
3,402,745	7,771,659
-	127,311
6,582	309,032
19,744	226,216
48,916	388,850
14,123	14,123
<u>\$ 3,283,498</u>	<u>\$ 220,125,508</u>
\$ 163,758	\$ 4,950,513
-	2,319,237
1,485,464	18,973,640
126,532	144,343
583,968	3,873,763
<u>2,359,722</u>	<u>30,261,496</u>
-	206,472
1,000	1,000
-	332,477
-	64,384,876
-	47,127,851
909,653	909,653
13,123	17,628,772
-	59,272,911
<u>923,776</u>	<u>189,864,012</u>
<u>\$ 3,283,498</u>	<u>\$ 220,125,508</u>

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DENTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	189,864,012
1 Assets and liabilities of the internal service funds are not included in the fund financial statements.		8,630,458
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.		722,725,491
3 Accumulated depreciation is not reported in the fund financial statements.		(188,440,955)
4 Bonds payable are not reported in the fund financial statements.		(642,485,696)
5 Bond premiums and discounts are not recognized in the fund financial statements.		(26,994,543)
6 Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(8,532,126)
7 Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		3,289,525
8 Bond issuance cost is not capitalized in the fund financial statements.		4,548,559
9 Accrued vacation benefits and special termination benefits have not been recorded in the fund financial statements.		(1,596,108)
10 Deferred loss on bond refunding is not recognized in the fund financial statements.		7,260,735
11 Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.		(36,870,298)
19 Net Assets of Governmental Activities	\$	31,399,054

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, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 106,511,100	\$ 48,144,210	\$ 43,109
5800 State Program Revenues	85,950,852	-	-
5900 Federal Program Revenues	3,055,081	-	-
5020 Total Revenues	<u>195,517,033</u>	<u>48,144,210</u>	<u>43,109</u>
EXPENDITURES:			
Current:			
0011 Instruction	112,485,335	-	-
0012 Instructional Resources and Media Services	3,438,522	-	-
0013 Curriculum and Instructional Staff Development	2,542,924	-	-
0021 Instructional Leadership	2,374,424	-	-
0023 School Leadership	9,842,283	-	-
0031 Guidance, Counseling and Evaluation Services	8,371,169	-	-
0032 Social Work Services	433,643	-	-
0033 Health Services	2,065,289	-	-
0034 Student (Pupil) Transportation	4,716,409	-	-
0035 Food Services	138,667	-	-
0036 Extracurricular Activities	4,898,573	-	-
0041 General Administration	4,761,924	-	-
0051 Facilities Maintenance and Operations	19,900,438	-	-
0052 Security and Monitoring Services	623,976	-	-
0053 Data Processing Services	3,590,356	-	-
0061 Community Services	451,968	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	17,713,901	-
0072 Interest on Long Term Debt	-	26,003,427	-
0073 Bond Issuance Cost and Fees	-	937,105	318,030
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	12,818,274
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	232,500	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	6,408	-	-
0099 Other Intergovernmental Charges	1,231,054	-	-
6030 Total Expenditures	<u>182,105,862</u>	<u>44,654,433</u>	<u>13,136,304</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>13,411,171</u>	<u>3,489,777</u>	<u>(13,093,195)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Reg. & Ref. Bonds)	-	60,868,367	40,000,000
7912 Sale of Real and Personal Property	39,904	-	-
7915 Transfers In	140,730	-	-
7916 Premium or Discount on Issuance of Bonds	-	10,400,592	318,030
8911 Transfers Out (Use)	-	-	-
8949 Other (Uses)	(9,207)	(69,773,813)	-
7080 Total Other Financing Sources (Uses)	<u>171,427</u>	<u>1,495,146</u>	<u>40,318,030</u>
EXTRAORDINARY ITEMS:			
8913 Extraordinary Item - Lawsuit Settlement	(13,500)	-	-
1200 Net Change in Fund Balances	13,569,098	4,984,923	27,224,835
0100 Fund Balance - July 1 (Beginning)	<u>63,858,411</u>	<u>42,142,928</u>	<u>37,160,041</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 77,427,509</u>	<u>\$ 47,127,851</u>	<u>\$ 64,384,876</u>

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

Other Funds	Total Governmental Funds
\$ 2,164,096	\$ 156,862,515
1,751,232	87,702,084
13,316,332	16,371,413
17,231,660	260,936,012
13,717,417	126,202,752
92,501	3,531,023
1,140,256	3,683,180
68,709	2,443,133
169,253	10,011,536
1,057,910	9,429,079
167,297	600,940
3,352	2,068,641
82,167	4,798,576
73,789	212,456
372,440	5,271,013
15,511	4,777,435
64,034	19,964,472
1,510	625,486
110	3,590,466
127,895	579,863
-	17,713,901
-	26,003,427
-	1,255,135
-	12,818,274
-	232,500
-	6,408
-	1,231,054
17,154,151	257,050,750
77,509	3,885,262
-	100,868,367
-	39,904
-	140,730
-	10,718,622
(140,730)	(140,730)
-	(69,783,020)
(140,730)	41,843,873
-	(13,500)
(63,221)	45,715,635
986,997	144,148,377
\$ 923,776	\$ 189,864,012

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, 2012

Total Net Change in Fund Balances - Governmental Funds	\$ 45,715,635
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net assets.	13,145,528
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 in the government-wide financial statements.	(21,852,919)
The fund financial statements report the proceeds from the sale of real and personal property. The government-wide financial statements report only the gain or loss from the disposition of real and personal property.	(27,838)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	653,142
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	(1,332,582)
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	1,246,256
Current year amortization of bond issuance costs is not recognized in the fund financial statements, but is shown as a reduction to the bond issuance costs asset in the government-wide financial statements.	(1,186,561)
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(2,369,366)
The net income (loss) of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements.	(1,248,673)
Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	17,713,901

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

DENTON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2012

Bond issuance costs are expenditures in the fund financial statements, but are capitalized in the government-wide financial statements.	818,407
The premium on the current year issuance of bonds is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements.	(10,718,622)
Current year net increases in accrued vacation benefit obligations and special termination benefit obligations are shown as expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	(214,186)
Current year issuances of bonds are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.	(100,868,367)
Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.	69,773,813
Current year amortization of deferred loss on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.	(233,523)
Change in Net Assets of Governmental Activities	\$ 9,014,045

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

DENTON INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2012

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	\$ 99,505,725	\$ 105,767,860	\$ 106,511,100	\$ 743,240
5800	State Program Revenues	88,392,330	88,446,162	85,950,852	(2,495,310)
5900	Federal Program Revenues	419,000	2,782,126	3,055,081	272,955
5020	Total Revenues	188,317,055	196,996,148	195,517,033	(1,479,115)
EXPENDITURES:					
Current:					
0011	Instruction	122,043,518	118,744,314	112,485,335	6,258,979
0012	Instructional Resources and Media Services	2,499,955	3,658,508	3,438,522	219,986
0013	Curriculum and Instructional Staff Development	2,450,394	2,884,504	2,542,924	341,580
0021	Instructional Leadership	3,010,972	2,615,671	2,374,424	241,247
0023	School Leadership	8,233,370	9,986,294	9,842,283	144,011
0031	Guidance, Counseling and Evaluation Services	8,042,213	8,547,910	8,371,169	176,741
0032	Social Work Services	432,238	444,353	433,643	10,710
0033	Health Services	2,019,909	2,104,788	2,065,289	39,499
0034	Student (Pupil) Transportation	4,568,959	7,034,432	4,716,409	2,318,023
0035	Food Services	133,000	170,958	138,667	32,291
0036	Extracurricular Activities	4,395,335	5,286,288	4,898,573	387,715
0041	General Administration	4,382,985	4,780,376	4,761,924	18,452
0051	Facilities Maintenance and Operations	20,504,089	22,069,710	19,900,438	2,169,272
0052	Security and Monitoring Services	588,412	685,202	623,976	61,226
0053	Data Processing Services	3,031,058	3,946,377	3,590,356	356,021
0061	Community Services	432,599	679,587	451,968	227,619
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	232,500	232,500	232,500	-
0095	Payments to Juvenile Justice Alternative Ed. Prg.	27,075	6,581	6,408	173
0099	Other Intergovernmental Charges	1,288,974	1,288,974	1,231,054	57,920
6030	Total Expenditures	188,317,555	195,167,327	182,105,862	13,061,465
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(500)	1,828,821	13,411,171	11,582,350
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	500	48,138	39,904	(8,234)
7915	Transfers In	-	2,129	140,730	138,601
8949	Other (Uses)	-	(9,207)	(9,207)	-
7080	Total Other Financing Sources (Uses)	500	41,060	171,427	130,367
EXTRAORDINARY ITEMS:					
8913	Extraordinary Item - Lawsuit Settlement	-	(13,500)	(13,500)	-
1200	Net Change in Fund Balances	-	1,856,381	13,569,098	11,712,717
0100	Fund Balance - July 1 (Beginning)	63,858,411	63,858,411	63,858,411	-
3000	Fund Balance - June 30 (Ending)	\$ 63,858,411	\$ 65,714,792	\$ 77,427,509	\$ 11,712,717

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, 2012

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 2,226,658	\$ 10,529,711
Due from Other Funds	17,811	205
Other Receivables	-	239,457
Inventories	260,019	4,052
Total Current Assets	2,504,488	10,773,425
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	3,445,697	17,517
Depreciation on Furniture and Equipment	(2,007,264)	(10,110)
Total Noncurrent Assets	1,438,433	7,407
Total Assets	3,942,921	10,780,832
LIABILITIES		
Current Liabilities:		
Accounts Payable	155,705	199,368
Accrued Wages Payable	31,122	-
Due to Other Funds	649	335
Accrued Expenses	-	1,943,264
Deferred Revenues	255,290	-
Total Liabilities	442,766	2,142,967
NET ASSETS		
Investments in Capital Assets, Net of Debt	1,438,433	7,407
Unrestricted Net Assets	2,061,722	8,630,458
Total Net Assets	\$ 3,500,155	\$ 8,637,865

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, 2012

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 3,822,047	\$ 11,757,178
State Program Revenues	57,748	-
Total Operating Revenues	<u>3,879,795</u>	<u>11,757,178</u>
OPERATING EXPENSES:		
Payroll Costs	3,339,262	303,322
Professional and Contracted Services	107,011	978,343
Supplies and Materials	5,160,399	117,179
Other Operating Costs	22,156	11,608,553
Depreciation Expense	197,651	4,707
Total Operating Expenses	<u>8,826,479</u>	<u>13,012,104</u>
Operating Income (Loss)	<u>(4,946,684)</u>	<u>(1,254,926)</u>
NONOPERATING REVENUES (EXPENSES):		
National School Breakfast Program	1,074,918	-
National School Lunch Program	3,815,349	-
Donated Commodities (USDA)	423,253	-
Earnings from Temporary Deposits & Investments	4,424	9,482
Gain (Loss) on Disposition of Personal Property	9,555	(4,633)
Total Nonoperating Revenues (Expenses)	<u>5,327,499</u>	<u>4,849</u>
Change in Net Assets	380,815	(1,250,077)
Total Net Assets - July 1 (Beginning)	<u>3,119,340</u>	<u>9,887,942</u>
Total Net Assets - June 30 (Ending)	<u>\$ 3,500,155</u>	<u>\$ 8,637,865</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, 2012

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	\$ -	\$ 8,838,715
Cash Received from Charges and Fees	3,931,676	321,554
Cash Received from Employees	-	3,949,090
Cash Payments for Payroll Costs	(3,343,112)	(303,322)
Cash Payments for Purchased Services	(107,011)	(754,359)
Cash Payments for Supplies and Materials	(4,605,795)	(115,073)
Cash Payments for Other Expenses	(31,711)	(3,033,518)
Cash Payments for Claims	-	(10,263,172)
Net Cash Used for Operating Activities	(4,155,953)	(1,360,085)
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Cash Received from Federal Programs	5,313,520	-
<u>Cash Flows from Capital & Related Financing Activities:</u>		
Sale of Capital Assets	9,555	820
Acquisition of Capital Assets	(898,322)	(8,756)
Net Cash Provided by (Used for) Capital & Related Financing Activities	(888,767)	(7,936)
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	4,424	9,482
Net Increase (Decrease) in Cash and Cash Equivalents	273,224	(1,358,539)
Cash and Cash Equivalents at Beginning of Year	1,953,434	11,888,250
Cash and Cash Equivalents at End of Year	\$ 2,226,658	\$ 10,529,711

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, 2012

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>Used for Operating Activities:</u>		
Operating Income (Loss):	\$ (4,946,684)	\$ (1,254,926)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:		
Depreciation	197,651	4,707
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Other Receivables	1,509	90,042
Decrease (increase) in Inventories	21,223	2,238
Decrease (increase) in Due from Other Funds	633,020	1,351,896
Increase (decrease) in Accounts Payable	6,510	102,430
Increase (decrease) in Accrued Wages Payable	1,001	-
Increase (decrease) in Due to Other Funds	(4,851)	335
Increase (decrease) in Accrued Expenses	-	(1,656,807)
Increase (decrease) in Deferred Revenues	(65,332)	-
Net Cash Used for Operating Activities	\$ (4,155,953)	\$ (1,360,085)

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, 2012

EXHIBIT E-1

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 988,603
Due from Other Governments	727
Other Receivables	4,143
Total Assets	<u>\$ 993,473</u>
LIABILITIES	
Accounts Payable	\$ 5,744
Accrued Wages Payable	150
Due to Student Groups	987,579
Total Liabilities	<u>\$ 993,473</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, 2012

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, 2012

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, 2012

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, 2012

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, 2012 <u>Fund Balance</u>	
Appropriated Budget Funds	\$ -0-
Nonappropriated Budget Funds	<u>909,653</u>
All Special Revenue Funds	<u>\$909,653</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. At June 30, 2012 the District had the following encumbrances as significant commitments for which resources had not already been restricted, committed or assigned.

General Fund	\$511,363
Child Nutrition Fund	<u>162,374</u>
Total	<u>\$673,737</u>

F. 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.

G. INVENTORIES

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

H. INTERFUND RECEIVABLES AND PAYABLES

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

I. CAPITAL ASSETS

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

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

Buildings	20-40 Years
Furniture and Equipment	10 Years

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

J. COMPENSATED ABSENCES

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

K. CASH EQUIVALENTS

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

L. NET 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.

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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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 2012, 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. FUND BALANCE

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash and has classified the Lewis Price Memorial Fund principal as being nonspendable as these funds are contractually required to remain intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2012 for campus activities.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes but it has also delegated authority to assign fund balance to the Superintendent and the Executive Director of Administrative Services. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2012 for several purposes as detailed below.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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

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

Beginning fund balances for the District's governmental funds have been restated to reflect the above classifications. The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 20 and 21) and are described below:

General Fund

The General Fund has unassigned fund balance of \$59,272,911 at June 30, 2012. Deferred expenditures (prepaid items) of \$332,477 and inventories of \$206,472 are considered nonspendable fund balance. The District has assigned general fund fund balance resources for the following purposes as of June 30, 2012:

2012-2013 deficit budget	\$ 2,858,809
Extended School Day program	1,064,633
Non-bond new campus startup	1,000,000
Staffing phase-in for new campuses	1,000,000
Per pupil campus allotment	1,198,478
Instructional supplement funds	328,151
2012-2013 at-risk students	534,045
Telephone system	535,379
21 st Century grant - District contribution	287,000
Local grant fund	196,453
Career and Technology program	506,926
Bilingual program	12,448
Elementary and secondary curriculum	3,236
Fine Arts program	567,229
Major maintenance projects	1,393,835
Technology	637,609
Districtwide equipment	<u>5,491,418</u>
	<u>\$17,615,649</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Other Major Funds

The Debt Service Fund has restricted funds of \$47,127,851 at June 30, 2012 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. The Capital Projects Fund has restricted funds of \$64,384,876 at June 30, 2012 consisting primarily of unspent bond funds.

Other Funds

The fund balance of \$909,653 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The Lewis Trust Memorial Fund permanent endowment fund principal of \$1,000 is shown as nonspendable at June 30, 2012, while the accumulated unspent earnings of \$13,123 are shown as assigned fund balance.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At June 30, 2012, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$8,775,060 and the bank balance was \$10,120,712. The District's cash deposits at June 30, 2012 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, 2012, the District's cash balances totaled \$10,120,712. 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.

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- 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, 2012, the District held all of its investments in three public funds investment pools (TexPool, Lone Star and TexStar). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool and TexStar at year-end was AAAm (Standard & Poor's), and the credit quality rating for Lone Star was AAAf (Standard & Poor's).
- d. Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, TexStar, and Lone Star investments is less than 60 days.
- e. Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2012, 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, 2012, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$ 70,938,301	\$ 70,938,301
TexStar	65,579,541	65,579,541
Lone Star	<u>75,645,251</u>	<u>75,645,251</u>
Total	<u>\$212,163,093</u>	<u>\$212,163,093</u>

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NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, 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	\$ 28,908,011	\$ -	\$ -	\$ 28,908,011
Construction in Progress	<u>1,446,214</u>	<u>7,911,730</u>	<u>(290,601)</u>	<u>9,067,343</u>
Total capital assets, not being depreciated	<u>30,354,225</u>	<u>7,911,730</u>	<u>(290,601)</u>	<u>37,975,354</u>
Capital assets, being depreciated:				
Buildings and Improvements	643,491,470	4,591,399	-	648,082,869
Furniture and Equipment	<u>35,770,877</u>	<u>933,000</u>	<u>(36,609)</u>	<u>36,667,268</u>
Total capital assets, being depreciated	<u>679,262,347</u>	<u>5,524,399</u>	<u>(36,609)</u>	<u>684,750,137</u>
Less accumulated depreciation for:				
Buildings and Improvements	(143,484,779)	(18,933,901)	-	(162,418,680)
Furniture and Equipment	<u>(23,112,028)</u>	<u>(2,919,018)</u>	<u>8,771</u>	<u>(26,022,275)</u>
Total accumulated depreciation	<u>(166,596,807)</u>	<u>(21,852,919)</u>	<u>8,771</u>	<u>(188,440,955)</u>
Total capital assets being depreciated, net	<u>512,665,540</u>	<u>(16,328,520)</u>	<u>(27,838)</u>	<u>496,309,182</u>
Governmental activities capital assets, net	<u>\$ 543,019,765</u>	<u>\$ (8,416,790)</u>	<u>\$ (318,439)</u>	<u>\$ 534,284,536</u>
Business-type activities:				
Furniture and Equipment	<u>\$ 2,935,116</u>	<u>\$ 898,323</u>	<u>\$ (387,742)</u>	<u>\$ 3,445,697</u>
Totals at historic cost	<u>2,935,116</u>	<u>898,323</u>	<u>(387,742)</u>	<u>3,445,697</u>
Less accumulated depreciation for:				
Furniture and Equipment	<u>(2,197,355)</u>	<u>(197,651)</u>	<u>387,742</u>	<u>(2,007,264)</u>
Total accumulated depreciation	<u>(2,197,355)</u>	<u>(197,651)</u>	<u>387,742</u>	<u>(2,007,264)</u>
Business-type activities capital assets net	<u>\$ 737,761</u>	<u>\$ 700,672</u>	<u>\$ -</u>	<u>\$ 1,438,433</u>

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

Governmental activities:	
Instruction	\$15,405,852
Instructional Resources & Media Services	473,151
Curriculum & Instructional Staff Development	290,903
Instructional Leadership	234,186
School Leadership	1,369,068
Guidance, Counseling & Evaluation Services	1,167,321
Social Work Services	61,480
Health Services	285,970
Student (Pupil) Transportation	537,135
Cocurricular/Extracurricular Activities	407,968
General Administration	523,513
Plant Maintenance and Operations	743,452
Data Processing Services	300,942
Community Services	51,978
Total depreciation expense-Governmental activities	<u>\$21,852,919</u>
Business-type activities:	
Food Services	\$ 197,199
Stadium Concessions	<u>452</u>
Total depreciation expense Business-type activities	<u>\$ 197,651</u>

DENTON INDEPENDENT SCHOOL DISTRICT
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NOTE 5. LONG-TERM DEBT

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

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

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2012:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 7/1/11	Additions	Refunded/ Retired	Amounts Outstanding 6/30/12	Due Within One Year
Bonded Indebtedness:							
1993 Refunding	2.60-5.00%	\$13,745,000	\$ 505,000	\$ -	\$ 505,000	\$ -	\$ -
1998 Bldg/Refunding	4.20-5.50%	28,900,000	1,895,000	-	185,000	1,710,000	630,000
2001 Bldg/Refunding	3.64-4.40%	60,920,000	21,915,000	-	3,485,000	18,430,000	-
2002 Bldg/Refunding	5.00%	40,235,000	40,235,000	-	40,235,000	-	-
2002 Bldg/Ref CAB	3.58-5.88%	69,195,675	20,509,335	-	5,919,169	14,590,166	3,576,447
2004 Bldg/Refunding	2.58-5.00%	84,070,000	64,220,000	-	17,365,000	46,855,000	1,940,000
2005A Building	Variable	46,500,000	46,500,000	-	-	46,500,000	-
2005B Bldg/Refunding	3.00-5.00%	13,315,000	12,410,000	-	2,290,000	10,120,000	2,365,000
2005B Bldg/Ref CAB	3.45-4.13%	4,045,445	3,156,339	-	849,515	2,306,824	810,600
2005C Refunding	3.00-5.00%	50,240,000	48,715,000	-	8,900,000	39,815,000	4,410,000
2006 Refunding CAB	4.81-5.22%	62,670,339	62,670,339	-	-	62,670,339	-
2006A Building	4.25-5.00%	21,580,000	21,280,000	-	515,000	20,765,000	535,000
2006B Building	Variable	30,000,000	30,000,000	-	-	30,000,000	-
2007 Building	4.00-5.00%	39,365,000	37,035,000	-	1,415,000	35,620,000	3,805,000
2008 Building	3.375-5.0%	158,215,000	156,700,000	-	-	156,700,000	-
2009 Refunding	4.00-5.25%	31,875,000	31,875,000	-	-	31,875,000	-
2011 Refunding	2.00-5.00%	24,325,000	24,325,000	-	665,000	23,660,000	210,000
2012A Building	Variable	40,000,000	-	40,000,000	-	40,000,000	-
2012B Refunding	2.00-5.00%	57,210,000	-	57,210,000	-	57,210,000	930,000
2012B Refunding CAB	0.85%	3,658,367	-	3,658,367	-	3,658,367	-
Total Bonded Indebtedness			<u>623,946,013</u>	<u>100,868,367</u>	<u>82,328,684</u>	<u>642,485,696</u>	<u>19,212,047</u>
Accreted Interest	4.10-5.20%		34,500,933	4,250,464	1,881,099	36,870,298	2,117,953
Premiums on Bond Issuance			17,522,177	10,718,622	1,246,256	26,994,543	1,650,277
Deferred loss on Bond Refunding			(2,335,229)	(5,159,029)	(233,523)	(7,260,735)	479,191
Accrued Vacation Benefits			1,250,437	204,685	174,835	1,280,287	-
Special Termination Benefits			131,485	246,309	61,973	315,821	103,886
Total Other Obligations			<u>51,069,803</u>	<u>10,261,051</u>	<u>3,130,640</u>	<u>58,200,214</u>	<u>4,351,307</u>
Total Obligations of District			<u>\$675,015,816</u>	<u>\$111,129,418</u>	<u>\$85,459,324</u>	<u>\$700,685,910</u>	<u>\$23,563,354</u>

The 2002, 2005, 2006 and 2012 bond series include outstanding capital appreciation bonds in the principal amount of \$83,225,696. The bonds mature variously beginning in 2012 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 \$36,870,298 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, 2012.

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, 2012, 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>
2013	\$ -	\$ 2,032,050	\$ 2,032,050
2014	-	2,032,050	2,032,050
2015	-	2,032,050	2,032,050
2016	-	2,032,050	2,032,050
2017	1,760,000	1,993,594	3,753,594
2018-2022	9,560,000	8,739,563	18,299,563
2023-2027	10,570,000	6,568,765	17,138,765
2028-2032	12,610,000	4,038,535	16,648,535
2033-2036	<u>12,000,000</u>	<u>1,075,458</u>	<u>13,075,458</u>
Totals	<u>\$ 46,500,000</u>	<u>\$ 30,544,115</u>	<u>\$ 77,044,115</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT
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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, 2012, 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>
2013	\$ -	\$ 1,526,100	\$ 1,526,100
2014	-	1,526,100	1,526,100
2015	-	1,526,100	1,526,100
2016	-	1,526,100	1,526,100
2017	-	1,526,100	1,526,100
2018-2022	-	7,630,500	7,630,500
2023-2027	3,855,000	7,253,172	11,108,172
2028-2032	5,895,000	5,925,210	11,820,210
2033-2036	<u>20,250,000</u>	<u>2,823,031</u>	<u>23,073,031</u>
Totals	<u>\$ 30,000,000</u>	<u>\$ 31,262,413</u>	<u>\$ 61,262,413</u>

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

Other Information Common To Both The 2005 And 2006 Swap Agreements

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

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As of June 30, 2012, 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 \$12,474,856. The District was not exposed to credit risk with JPMCB on the 2006 Swap Agreement as such agreement had a negative fair value of \$9,751,481. Collectively, as of June 30, 2012, the Swap Agreements had a net negative fair value of \$22,226,337.

As of June 30, 2012, 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>
2013	\$ 19,212,047	\$ 22,767,884	\$ 41,979,931
2014	19,651,366	23,142,318	42,793,684
2015	20,169,304	22,633,614	42,802,918
2016	20,734,487	22,673,503	43,407,990
2017	17,519,508	24,833,957	42,353,465
2018-2022	110,246,854	100,977,697	211,224,551
2023-2027	94,585,300	114,749,400	209,334,700
2028-2032	108,241,830	98,727,511	206,969,341
2033-2037	106,775,000	22,198,100	128,973,100
2038-2042	43,490,000	5,380,250	48,870,250
2043	5,360,000	134,000	5,494,000
	<u>\$565,985,696</u>	<u>\$458,218,234</u>	<u>\$1,024,203,930</u>

DENTON INDEPENDENT SCHOOL DISTRICT
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 FOR THE YEAR ENDED JUNE 30, 2012

NOTE 7. DEFEASED BONDS OUTSTANDING

On May 22, 2012, the District issued \$57,210,000 (par value) in unlimited tax refunding bonds (current interest bonds) with interest rates ranging from 2.0% to 5.0% and \$3,658,367 (principal amount) in unlimited tax refunding bonds (capital appreciation bonds) with an interest rate of 0.85% to advance refund \$64,614,784 of unlimited tax school building bonds. The unlimited tax refunding bonds were issued at a net premium of \$9,405,822, and, after paying issuance costs of \$500,377, the net proceeds were \$69,773,812. The net proceeds from the issuance of the unlimited tax refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bond matures. The advance refunding met the requirements of an in-substance debt defeasance and the unlimited tax school building bonds were removed from the District's long-term liabilities.

As a result of the advance refunding, the District decreased its total debt service requirements by \$13,196,404, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$9,639,859.

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

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, 2012, \$128,618,976 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 2011, 116 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, 2012 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>
2013	\$ 70,369
2014	58,367
2015	30,387
2016	<u>26,404</u>
Total	<u>\$ 185,527</u>
Present Value	<u>\$ 181,756</u>

DENTON INDEPENDENT SCHOOL DISTRICT
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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, 2011	\$1,250,437
Additions – New Entrants and Salary Increments	204,685
Deductions – Payments to Participants	<u>(174,835)</u>
Balance, June 30, 2012	<u>\$1,280,287</u>

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

NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Denton Central Appraisal District (DCAD) is responsible for the appraisal of property for all taxing units in Denton County, including the District. Under the terms of a contract for appraisal services, the District paid DCAD \$1,231,054 in fiscal year 2012 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 2011-12 fiscal year was based was \$9,701,066,797. 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, 2012, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.49 per \$100 valuation, respectively, for a total of \$1.53 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2012 were 98.75% 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, 2012, property taxes receivable, net of estimated uncollectible taxes, totaled \$2,886,943 and \$1,221,991 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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11. PENSION PLAN OBLIGATIONS

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

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% 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, 2010, 2011, and 2012 were \$9,371,326, \$9,451,274 and \$9,112,417, 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, 2010, 2011, and 2012 were \$2,470,285, \$2,536,117 and \$2,160,002, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended June 30, 2010, 2011, and 2012 were \$7,737,384, \$7,862,951 and \$7,061,497, 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.

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012

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 2012, 2011 and 2010. 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, 2012, 2011, and 2010, the State's contributions to the TRS-Care were \$1,024,239, \$1,062,327, and \$1,043,762, respectively, the active member contributions were \$665,755, \$690,513, and \$678,445, respectively, and the school district's contribution were \$563,331, \$584,280, and \$574,069, 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, 2012, the contribution made on behalf of the District was \$333,999.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor. This temporary program is available to help employers continue to provide coverage to early retirees. TRS has been certified for this program and received funds from the ERRP program. These funds are considered on-behalf payments and are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2012, the contribution made on behalf of the District was \$361,622.

NOTE 13. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2012, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 126,532	\$ -
Internal Service Fund	130	-
Enterprise Fund	649	17,811
Special Revenue Fund:		
General Fund	-	126,532
Internal Service Fund:		
General Fund	-	130
Enterprise Fund:		
General Fund	<u>17,811</u>	<u>649</u>
TOTAL	<u>\$ 145,122</u>	<u>\$ 145,122</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012

Interfunds transfers for the year ended June 30, 2012 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Special Revenue Fund	\$ -	\$140,730
Special Revenue Fund:		
General Fund	<u>140,730</u>	<u>-</u>
TOTAL	<u>\$140,730</u>	<u>\$140,730</u>

The \$140,730 consists of two transfers. The purpose of a \$138,601 transfer was to transfer remaining unspent local grant funds from a special revenue fund to the general fund for accounting in that fund in the future. The purpose of a \$2,129 transfer was to transfer grant funds no longer being tracked in the campus activity fund to the general fund.

NOTE 14. HEALTH CARE

For many years the District sponsored a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan were accounted for in the Health Insurance Fund, and internal service fund of the District.

Effective January 1, 2012, the District changed to the State-sponsored TRS Active-Care health insurance plan. The District contributed \$235 monthly for each employee to the Health Insurance Fund through December, 2011 and to the TRS Active Care plan beginning January, 2012. Employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents.

Up until January 1, 2012, health claim payments were processed by a third party administrator acting on behalf of the District. The District insurer was United Healthcare and excess loss insurance was obtained through them that limited annual claims paid from the Health Insurance Fund. The latest financial statements of United Healthcare are available for the year ended December 31, 2011 through the Texas State Board of Insurance in Austin, Texas and are public record.

NOTE 15. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at June 30, 2012, 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	\$3,036,967	\$4,368,914	\$127,311	\$234,285	\$ 7,767,477
Debt Service Fund	1,288,175	-	-	34,339	1,322,514
Capital Projects Fund	-	-	-	33,826	33,826
Special Revenue Fund	<u>-</u>	<u>3,402,745</u>	<u>-</u>	<u>6,582</u>	<u>3,409,327</u>
Total - Governmental Activities	<u>\$4,325,142</u>	<u>\$7,771,659</u>	<u>\$127,311</u>	<u>\$309,032</u>	<u>\$12,533,144</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 216,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,608</u>
Business-type Activities:					
Enterprise Fund	\$ -	\$ -	\$ 17,811	\$ -	\$ 17,811
Internal Service Fund	<u>-</u>	<u>-</u>	<u>205</u>	<u>239,457</u>	<u>239,662</u>
Total Business-type Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,016</u>	<u>\$239,457</u>	<u>\$ 257,473</u>

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Payables at June 30, 2012, 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	\$ 1,746,377	\$19,807,413	\$ 17,811	\$ -	\$21,571,601
Debt Service Fund	21,649	-	-	-	21,649
Capital Projects Fund	3,018,739	-	-	-	3,018,739
Special Revenue Funds	<u>163,758</u>	<u>1,485,464</u>	<u>126,532</u>	-	<u>1,775,754</u>
Total-Governmental Activities	<u>\$ 4,950,523</u>	<u>\$21,292,877</u>	<u>\$ 144,343</u>	<u>\$ -</u>	<u>\$26,387,743</u>
Amounts not scheduled for payment during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type Activities:					
Enterprise Fund	\$ 155,704	\$ 31,122	\$ 649	\$ -	\$ 187,475
Internal Service Fund	<u>199,368</u>	-	<u>335</u>	<u>1,943,264</u>	<u>2,142,967</u>
Total Business-type Activities	<u>\$ 355,072</u>	<u>\$ 31,122</u>	<u>\$ 984</u>	<u>\$1,943,264</u>	<u>\$ 2,330,442</u>

NOTE 16. SELF-INSURED WORKERS' COMPENSATION

The District has also established a self-funding Workers' Compensation program. Texas Association of School Boards (TASB) through an actuarial review of the self-insurance program, projected an estimated outstanding loss of \$1,930,091 as of June 30, 2012. Claims administration is provided by TASB.

The accrued liability for Workers' Compensation self-insurance of \$1,930,091 includes incurred but not reported claims. This liability reported in the fund at June 30, 2012, 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 2012 was \$500,000.

Changes in the workers' compensation claims liability amounts in fiscal 2012 and 2011 are represented below:

	<u>Year Ended June 30, 2012</u>	<u>Year Ended June 30, 2011</u>
Unpaid claims, beginning of year	\$2,319,140	\$2,149,910
Incurred claims (including IBNR'S)	98,610	767,787
Claim payments	<u>487,659</u>	<u>598,557</u>
Unpaid claims, end of fiscal year	<u>\$1,930,091</u>	<u>\$2,319,140</u>

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DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	State Grants & Entitlements	Federal Grants	Total
General	\$4,195,013	\$ 173,901	\$4,368,914
Special Revenue	<u>144,002</u>	<u>3,258,743</u>	<u>3,402,745</u>
Total	<u>\$4,339,015</u>	<u>\$3,432,644</u>	<u>\$7,771,659</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, 2012, the estimated rebate liability on outstanding bond series was \$72,519.

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.

DENTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

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	\$101,582,259	\$ -	\$47,811,645	\$ -	\$149,393,904
Investment Income	129,517	-	36,132	43,109	208,758
Penalties, interest and other tax related income	845,179	-	295,197	-	1,140,376
Co-curricular student activities	462,348	1,323,219	-	-	1,785,567
Tuition and fees	2,335,379	679,757	-	-	3,015,136
Gifts and bequests	563,453	161,049	-	-	724,502
Facilities rentals	233,166	-	-	-	233,166
Insurance recovery	148,971	-	-	-	148,971
Other	210,828	-	1,236	-	212,064
Total	<u>\$106,511,100</u>	<u>\$2,164,025</u>	<u>\$48,144,210</u>	<u>\$ 43,109</u>	<u>\$156,862,444</u>

NOTE 21. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Enterprise Fund	Total
Net Tax Revenue	\$2,324,366	\$ -	\$965,159	\$ -	\$3,289,525
After-School Program	270	-	-	-	270
Lunchroom receipts	-	-	-	85,968	85,968
Food Commodities	-	-	-	169,322	169,322
ESEA, Title I, Pt A	-	1,849	-	-	1,849
Summer School LEP	-	33,419	-	-	33,419
Adult Basic Education	-	16,335	-	-	16,335
Read to Succeed	-	722	-	-	722
Advanced Placement Incentives	-	74,457	-	-	74,457
Technology Grant	-	288,828	-	-	288,828
Deaf Ed Mgmt Board	-	168,358	-	-	168,358
	<u>\$2,324,636</u>	<u>\$583,968</u>	<u>\$965,159</u>	<u>\$255,290</u>	<u>\$4,129,053</u>

NOTE 22. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2012, as follows:

Year Ending <u>June 30,</u>	
2013	\$ 270,308
2014	270,308
2015	<u>135,154</u>
Total Minimum Rentals	<u>\$ 675,770</u>
Rental Expenditures in Fiscal Year 2012	<u>\$ 270,308</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2012

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	\$1,884,174	\$1,884,174
Junior ROTC	12.000	195,276	195,276
Impact Aid	84.041	90,803	90,803
Indirect Costs	N/A	642,234	642,234
SECO Grant	81.041	67,696	67,696
i3 Grant	84.411	5,301	5,301
Federal Excise Tax Rebate	N/A	<u>169,597</u>	<u>169,597</u>
Total for General Fund		<u>\$3,055,081</u>	<u>\$3,055,081</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 category for the year ended June 30, 2012.

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, 2012, the District contributed \$6,408 to the fiscal agent as its share of the costs of the joint venture.

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COMBINING SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110 Cash and Cash Equivalents	\$ (125,959)	\$ (619,853)	\$ (303,563)	\$ (4,626)
1240 Receivables from Other Governments	306,213	876,443	585,126	12,930
1290 Other Receivables	-	593	-	-
1300 Inventories	-	-	-	-
1410 Deferred Expenditures	-	31,504	2,883	-
1900 Other Assets	-	-	-	-
1000 Total Assets	<u>\$ 180,254</u>	<u>\$ 288,687</u>	<u>\$ 284,446</u>	<u>\$ 8,304</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 202	\$ 31,552	\$ 17,351	\$ -
2160 Accrued Wages Payable	156,256	233,915	248,746	7,600
2170 Due to Other Funds	23,796	21,371	18,349	704
2300 Deferred Revenues	-	1,849	-	-
2000 Total Liabilities	<u>180,254</u>	<u>288,687</u>	<u>284,446</u>	<u>8,304</u>
Fund Balances:				
Nonspendable Fund Balance:				
3425 Endowment Principal	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 180,254</u>	<u>\$ 288,687</u>	<u>\$ 284,446</u>	<u>\$ 8,304</u>

242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program
\$ (25,269)	\$ 5,936	\$ (22,595)	\$ (23,605)	\$ (18,052)	\$ -	\$ -	\$ -
50,388	47,879	77,830	23,605	18,052	-	-	-
-	17	-	-	-	-	-	-
19,744	-	-	-	-	-	-	-
-	1,110	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 44,863</u>	<u>\$ 54,942</u>	<u>\$ 55,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 42,888	\$ 13,280	\$ 787	\$ -	\$ -	\$ -	\$ -	\$ -
1,975	39,900	52,071	-	-	-	-	-
-	1,762	2,377	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>44,863</u>	<u>54,942</u>	<u>55,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 44,863</u>	<u>\$ 54,942</u>	<u>\$ 55,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

Data Control Codes	287 Education Jobs Fund	288 Summer School LEP	309 SSA Adult Basic Education	312 SSA - TANF Family Assistance	
ASSETS					
1110	Cash and Cash Equivalents	\$ (409,621)	\$ 33,419	\$ (132,484)	\$ (1,598)
1240	Receivables from Other Governments	1,015,725	-	182,487	1,598
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 606,104</u>	<u>\$ 33,419</u>	<u>\$ 50,003</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ 40,588	\$ -
2160	Accrued Wages Payable	562,225	-	8,653	-
2170	Due to Other Funds	43,879	-	762	-
2300	Deferred Revenues	-	33,419	-	-
2000	Total Liabilities	<u>606,104</u>	<u>33,419</u>	<u>50,003</u>	<u>-</u>
Fund Balances:					
Nonspendable Fund Balance:					
3425	Endowment Principal	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 606,104</u>	<u>\$ 33,419</u>	<u>\$ 50,003</u>	<u>\$ -</u>

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	385 Visually Impaired SSVI	394 Life Skills Program	397 Advanced Placement Incentives
\$ -	\$ (4,514)	\$ -	\$ (35,118)	\$ -	\$ -	\$ -	\$ 76,347
-	6,746	-	53,721	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 2,232</u>	<u>\$ -</u>	<u>\$ 18,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,347</u>
\$ -	\$ -	\$ -	\$ 6,307	\$ -	\$ -	\$ -	\$ 1,890
-	1,913	-	10,836	-	-	-	-
-	319	-	1,460	-	-	-	-
-	-	-	-	-	-	-	74,457
-	2,232	-	18,603	-	-	-	76,347
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 2,232</u>	<u>\$ -</u>	<u>\$ 18,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,347</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

Data Control Codes	404 Student Success Initiative	410 State Textbook Fund	425 Read to Succeed	431 SSA - ABE Educational Technology	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 288,828	\$ 722	\$ 16,984
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 288,828</u>	<u>\$ 722</u>	<u>\$ 16,984</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 16
2160	Accrued Wages Payable	-	-	-	633
2170	Due to Other Funds	-	-	-	-
2300	Deferred Revenues	-	288,828	722	16,335
2000	Total Liabilities	<u>-</u>	<u>288,828</u>	<u>722</u>	<u>16,984</u>
Fund Balances:					
Nonspendable Fund Balance:					
3425	Endowment Principal	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 288,828</u>	<u>\$ 722</u>	<u>\$ 16,984</u>

435 SSA Regional Day School - Deaf	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests	Total Nonmajor Special Revenue Funds	479 Permanent Fund	Total Nonmajor Governmental Funds
\$ (39,458)	\$ 231,972	\$ 903,495	\$ -	\$ (208,612)	\$ -	\$ (208,612)
95,374	46,500	2,128	-	3,402,745	-	3,402,745
-	-	5,972	-	6,582	-	6,582
-	-	-	-	19,744	-	19,744
-	3,260	10,159	-	48,916	-	48,916
-	-	-	-	-	14,123	14,123
<u>\$ 55,916</u>	<u>\$ 281,732</u>	<u>\$ 921,754</u>	<u>\$ -</u>	<u>\$ 3,269,375</u>	<u>\$ 14,123</u>	<u>\$ 3,283,498</u>
\$ -	\$ 2,200	\$ 6,697	\$ -	\$ 163,758	\$ -	\$ 163,758
53,233	102,104	5,404	-	1,485,464	-	1,485,464
2,683	9,070	-	-	126,532	-	126,532
-	168,358	-	-	583,968	-	583,968
<u>55,916</u>	<u>281,732</u>	<u>12,101</u>	<u>-</u>	<u>2,359,722</u>	<u>-</u>	<u>2,359,722</u>
-	-	-	-	-	1,000	1,000
-	-	909,653	-	909,653	-	909,653
-	-	-	-	-	13,123	13,123
-	-	909,653	-	909,653	14,123	923,776
<u>\$ 55,916</u>	<u>\$ 281,732</u>	<u>\$ 921,754</u>	<u>\$ -</u>	<u>\$ 3,269,375</u>	<u>\$ 14,123</u>	<u>\$ 3,283,498</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	1,223,463	2,783,474	3,053,569	48,804
5020 Total Revenues	<u>1,223,463</u>	<u>2,783,474</u>	<u>3,053,569</u>	<u>48,804</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,002,346	2,194,134	2,196,314	48,804
0012 Instructional Resources and Media Services	-	33,877	-	-
0013 Curriculum and Instructional Staff Development	-	336,173	41,760	-
0021 Instructional Leadership	-	4,434	57,036	-
0023 School Leadership	31,230	45,747	14,401	-
0031 Guidance, Counseling and Evaluation Services	2,161	122,593	742,086	-
0032 Social Work Services	158,470	6,298	-	-
0033 Health Services	772	-	1,907	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	155	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	28,484	40,063	65	-
6030 Total Expenditures	<u>1,223,463</u>	<u>2,783,474</u>	<u>3,053,569</u>	<u>48,804</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>

242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	265 Title IV, B Community Learning	272 Medicaid Admin. Claim MAC	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
73,789	416,707	406,697	80,580	93,133	392,816	10,478	19,929
<u>73,789</u>	<u>416,707</u>	<u>406,697</u>	<u>80,580</u>	<u>93,133</u>	<u>392,816</u>	<u>10,478</u>	<u>19,929</u>
-	39,558	132,122	-	39,608	336,050	9,626	671
-	-	-	-	-	-	-	-
-	376,230	225,636	-	-	55,146	852	19,258
-	-	517	-	-	1,620	-	-
-	919	6,434	-	-	-	-	-
-	-	-	-	53,525	-	-	-
-	-	-	-	-	-	-	-
-	-	-	80,580	-	-	-	-
73,789	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	41,988	-	-	-	-	-
<u>73,789</u>	<u>416,707</u>	<u>406,697</u>	<u>80,580</u>	<u>93,133</u>	<u>392,816</u>	<u>10,478</u>	<u>19,929</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, 2012

Data Control Codes	287 Education Jobs Fund	288 Summer School LEP	309 SSA Adult Basic Education	312 SSA - TANF Family Assistance
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	3,930,185	7,956	439,982	14,041
5020 Total Revenues	<u>3,930,185</u>	<u>7,956</u>	<u>439,982</u>	<u>14,041</u>
EXPENDITURES:				
Current:				
0011 Instruction	3,930,185	7,956	383,906	13,786
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	12,380	-
0021 Instructional Leadership	-	-	-	255
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	4,847	-
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	-	-	29,097	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	9,752	-
6030 Total Expenditures	<u>3,930,185</u>	<u>7,956</u>	<u>439,982</u>	<u>14,041</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	385 Visually Impaired SSVI	394 Life Skills Program	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	10,582	2,358	19,938
32,288	56,579	4,226	225,242	2,394	-	-	-
<u>32,288</u>	<u>56,579</u>	<u>4,226</u>	<u>225,242</u>	<u>2,394</u>	<u>10,582</u>	<u>2,358</u>	<u>19,938</u>
32,288	32,429	4,226	154,241	2,394	10,582	-	14,974
-	-	-	-	-	-	-	-
-	47	-	23,892	-	-	-	4,964
-	-	-	4,368	-	-	-	-
-	-	-	-	-	-	-	-
-	24,103	-	42,741	-	-	-	-
-	-	-	-	-	-	2,358	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>32,288</u>	<u>56,579</u>	<u>4,226</u>	<u>225,242</u>	<u>2,394</u>	<u>10,582</u>	<u>2,358</u>	<u>19,938</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, 2012

Data Control Codes	404 Student Success Initiative	410 State Textbook Fund	425 Read to Succeed	431 SSA - ABE Educational Technology
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	2,194	1,165,955	190,201
5900	Federal Program Revenues	-	-	-
5020	Total Revenues	<u>2,194</u>	<u>1,165,955</u>	<u>190,201</u>
EXPENDITURES:				
Current:				
0011	Instruction	1,259	1,163,485	163,834
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	-	2,470	17,872
0021	Instructional Leadership	-	-	479
0023	School Leadership	935	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	2,888
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	-	-	299
0052	Security and Monitoring Services	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	-	-	4,829
6030	Total Expenditures	<u>2,194</u>	<u>1,165,955</u>	<u>190,201</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
8911	Transfers Out (Use)	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

435 SSA Regional Day School - Deaf	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests	Total Nonmajor Special Revenue Funds	479 Permanent Fund	Total Nonmajor Governmental Funds
\$ -	\$ 679,757	\$ 1,484,268	\$ -	\$ 2,164,025	\$ 71	\$ 2,164,096
360,004	-	-	-	1,751,232	-	1,751,232
-	-	-	-	13,316,332	-	13,316,332
<u>360,004</u>	<u>679,757</u>	<u>1,484,268</u>	<u>-</u>	<u>17,231,589</u>	<u>71</u>	<u>17,231,660</u>
343,947	631,343	827,349	-	13,717,417	-	13,717,417
-	-	58,624	-	92,501	-	92,501
85	1,320	22,171	-	1,140,256	-	1,140,256
-	-	-	-	68,709	-	68,709
-	-	69,587	-	169,253	-	169,253
15,972	46,994	-	-	1,057,910	-	1,057,910
-	-	171	-	167,297	-	167,297
-	-	673	-	3,352	-	3,352
-	-	1,587	-	82,167	-	82,167
-	-	-	-	73,789	-	73,789
-	-	372,440	-	372,440	-	372,440
-	-	15,511	-	15,511	-	15,511
-	-	34,483	-	64,034	-	64,034
-	-	1,510	-	1,510	-	1,510
-	-	110	-	110	-	110
-	100	2,614	-	127,895	-	127,895
<u>360,004</u>	<u>679,757</u>	<u>1,406,830</u>	<u>-</u>	<u>17,154,151</u>	<u>-</u>	<u>17,154,151</u>
-	-	77,438	-	77,438	71	77,509
-	-	(2,129)	(138,601)	(140,730)	-	(140,730)
-	-	(2,129)	(138,601)	(140,730)	-	(140,730)
-	-	75,309	(138,601)	(63,292)	71	(63,221)
-	-	834,344	138,601	972,945	14,052	986,997
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 909,653</u>	<u>\$ -</u>	<u>\$ 909,653</u>	<u>\$ 14,123</u>	<u>\$ 923,776</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 JUNE 30, 2012

	752	753	771	
	Print Shop	Workers Compensation	Health Insurance	Total Internal Service Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 381,027	\$ 5,298,394	\$ 4,850,290	\$ 10,529,711
Due from Other Funds	205	-	-	205
Other Receivables	-	-	239,457	239,457
Inventories	4,052	-	-	4,052
Total Current Assets	<u>385,284</u>	<u>5,298,394</u>	<u>5,089,747</u>	<u>10,773,425</u>
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	17,517	-	-	17,517
Depreciation on Furniture and Equipment	<u>(10,110)</u>	<u>-</u>	<u>-</u>	<u>(10,110)</u>
Total Noncurrent Assets	<u>7,407</u>	<u>-</u>	<u>-</u>	<u>7,407</u>
Total Assets	<u>392,691</u>	<u>5,298,394</u>	<u>5,089,747</u>	<u>10,780,832</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	2,182	11,017	186,169	199,368
Due to Other Funds	-	-	335	335
Accrued Expenses	-	1,930,091	13,173	1,943,264
Total Liabilities	<u>2,182</u>	<u>1,941,108</u>	<u>199,677</u>	<u>2,142,967</u>
NET ASSETS				
Investments in Capital Assets, Net of Debt	7,407	-	-	7,407
Unrestricted Net Assets	<u>383,102</u>	<u>3,357,286</u>	<u>4,890,070</u>	<u>8,630,458</u>
Total Net Assets	<u>\$ 390,509</u>	<u>\$ 3,357,286</u>	<u>\$ 4,890,070</u>	<u>\$ 8,637,865</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, 2012

	752 Print Shop	753 Workers Compensation	771 Health Insurance	Total Internal Service Funds
OPERATING REVENUES:				
Local and Intermediate Sources	\$ 321,474	\$ 1,043,362	\$10,392,342	\$11,757,178
Total Operating Revenues	<u>321,474</u>	<u>1,043,362</u>	<u>10,392,342</u>	<u>11,757,178</u>
OPERATING EXPENSES:				
Payroll Costs	76,686	60,206	166,430	303,322
Professional and Contracted Services	152,943	37,824	787,576	978,343
Supplies and Materials	89,121	17,500	10,558	117,179
Other Operating Costs	500	123,990	11,484,063	11,608,553
Depreciation Expense	4,707	-	-	4,707
Total Operating Expenses	<u>323,957</u>	<u>239,520</u>	<u>12,448,627</u>	<u>13,012,104</u>
Operating Income (Loss)	<u>(2,483)</u>	<u>803,842</u>	<u>(2,056,285)</u>	<u>(1,254,926)</u>
NONOPERATING REVENUES (EXPENSES):				
Earnings from Temporary Deposits & Investments	-	2,387	7,095	9,482
Gain (Loss) on Disposition of Personal Property	(4,633)	-	-	(4,633)
Total Nonoperating Revenues (Expenses)	<u>(4,633)</u>	<u>2,387</u>	<u>7,095</u>	<u>4,849</u>
Change in Net Assets	(7,116)	806,229	(2,049,190)	(1,250,077)
Total Net Assets - July 1 (Beginning)	<u>397,625</u>	<u>2,551,057</u>	<u>6,939,260</u>	<u>9,887,942</u>
Total Net Assets - June 30 (Ending)	<u>\$ 390,509</u>	<u>\$ 3,357,286</u>	<u>\$ 4,890,070</u>	<u>\$ 8,637,865</u>

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	752	753	771	Total
	Print Shop	Workers Compensation	Health Insurance	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from District	\$ -	\$ 1,043,362	\$ 7,795,353	\$ 8,838,715
Cash Received from Charges and Fees	321,554	-	-	321,554
Cash Received from Employees	-	-	3,949,090	3,949,090
Cash Payments for Payroll Costs	(76,686)	(60,206)	(166,430)	(303,322)
Cash Payments for Purchased Services	(152,943)	(37,824)	(563,592)	(754,359)
Cash Payments for Supplies and Materials	(87,015)	(17,500)	(10,558)	(115,073)
Cash Payments for Other Expenses	(500)	(56,980)	(2,976,038)	(3,033,518)
Cash Payments for Claims	-	(487,659)	(9,775,513)	(10,263,172)
Net Cash Provided by (Used for) Operating Activities	<u>4,410</u>	<u>383,193</u>	<u>(1,747,688)</u>	<u>(1,360,085)</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>				
Sale of Capital Assets	820	-	-	820
Acquisition of Capital Assets	(8,756)	-	-	(8,756)
Net Cash Used For Capital and Related Financing Activities	<u>(7,936)</u>	<u>-</u>	<u>-</u>	<u>(7,936)</u>
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	-	2,387	7,095	9,482
Net Increase (Decrease) in Cash and Cash Equivalents	(3,526)	385,580	(1,740,593)	(1,358,539)
Cash and Cash Equivalents at Beginning of Year	384,553	4,912,814	6,590,883	11,888,250
Cash and Cash Equivalents at End of Year	<u>\$ 381,027</u>	<u>\$ 5,298,394</u>	<u>\$ 4,850,290</u>	<u>\$ 10,529,711</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income (Loss):	\$ (2,483)	\$ 803,842	\$ (2,056,285)	\$ (1,254,926)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	4,707	-	-	4,707
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Other Receivables	80	-	89,962	90,042
Decrease (increase) in Inventories	2,238	-	-	2,238
Decrease (increase) in Due from Other Funds	(205)	-	1,352,101	1,351,896
Increase (decrease) in Accounts Payable	73	(31,600)	133,957	102,430
Increase (decrease) in Due to Other Funds	-	-	335	335
Increase (decrease) in Accrued Expenses	-	(389,049)	(1,267,758)	(1,656,807)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 4,410</u>	<u>\$ 383,193</u>	<u>\$ (1,747,688)</u>	<u>\$ (1,360,085)</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR ENTERPRISE FUNDS
 JUNE 30, 2012

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 2,135,093	\$ 91,565	\$ 2,226,658
Due from Other Funds	17,811	-	17,811
Inventories	260,019	-	260,019
Total Current Assets	<u>2,412,923</u>	<u>91,565</u>	<u>2,504,488</u>
Noncurrent Assets:			
Capital Assets:			
Furniture and Equipment	3,390,329	55,368	3,445,697
Depreciation on Furniture and Equipment	<u>(1,951,896)</u>	<u>(55,368)</u>	<u>(2,007,264)</u>
Total Noncurrent Assets	<u>1,438,433</u>	<u>-</u>	<u>1,438,433</u>
Total Assets	<u>3,851,356</u>	<u>91,565</u>	<u>3,942,921</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	155,705	-	155,705
Accrued Wages Payable	31,122	-	31,122
Due to Other Funds	649	-	649
Deferred Revenues	<u>255,290</u>	<u>-</u>	<u>255,290</u>
Total Liabilities	<u>442,766</u>	<u>-</u>	<u>442,766</u>
NET ASSETS			
Investments in Capital Assets, Net of Debt	1,438,433	-	1,438,433
Unrestricted Net Assets	<u>1,970,157</u>	<u>91,565</u>	<u>2,061,722</u>
Total Net Assets	<u>\$ 3,408,590</u>	<u>\$ 91,565</u>	<u>\$ 3,500,155</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, 2012

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
OPERATING REVENUES:			
Local and Intermediate Sources	\$ 3,712,105	\$ 109,942	\$ 3,822,047
State Program Revenues	57,748	-	57,748
Total Operating Revenues	<u>3,769,853</u>	<u>109,942</u>	<u>3,879,795</u>
OPERATING EXPENSES:			
Payroll Costs	3,303,657	35,605	3,339,262
Professional and Contracted Services	102,691	4,320	107,011
Supplies and Materials	5,114,307	46,092	5,160,399
Other Operating Costs	21,981	175	22,156
Depreciation Expense	197,199	452	197,651
Total Operating Expenses	<u>8,739,835</u>	<u>86,644</u>	<u>8,826,479</u>
Operating Income (Loss)	<u>(4,969,982)</u>	<u>23,298</u>	<u>(4,946,684)</u>
NONOPERATING REVENUES (EXPENSES):			
National School Breakfast Program	1,074,918	-	1,074,918
National School Lunch Program	3,815,349	-	3,815,349
Donated Commodities (USDA)	423,253	-	423,253
Earnings from Temporary Deposits & Investments	4,424	-	4,424
Gain (Loss) on Disposition of Personal Property	9,555	-	9,555
Total Nonoperating Revenues (Expenses)	<u>5,327,499</u>	<u>-</u>	<u>5,327,499</u>
Change in Net Assets	357,517	23,298	380,815
Total Net Assets - July 1 (Beginning)	<u>3,051,073</u>	<u>68,267</u>	<u>3,119,340</u>
Total Net Assets - June 30 (Ending)	<u>\$ 3,408,590</u>	<u>\$ 91,565</u>	<u>\$ 3,500,155</u>

DENTON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$ 3,821,734	\$ 109,942	\$ 3,931,676
Cash Payments for Payroll Costs	(3,307,507)	(35,605)	(3,343,112)
Cash Payments for Purchased Services	(102,691)	(4,320)	(107,011)
Cash Payments for Supplies and Materials	(4,559,703)	(46,092)	(4,605,795)
Cash Payments for Other Expenses	(31,536)	(175)	(31,711)
Net Cash Provided by (Used for) Operating Activities	<u>(4,179,703)</u>	<u>23,750</u>	<u>(4,155,953)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Cash Received from Federal Programs	<u>5,313,520</u>	<u>-</u>	<u>5,313,520</u>
<u>Cash Flows from Capital & Related Financing Activities:</u>			
Sale of Capital Assets	9,555	-	9,555
Acquisition of Capital Assets	(898,322)	-	(898,322)
Net Cash Used For Capital and Related Financing Activities	<u>(888,767)</u>	<u>-</u>	<u>(888,767)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	<u>4,424</u>	<u>-</u>	<u>4,424</u>
Net Increase in Cash and Cash Equivalents	249,474	23,750	273,224
Cash and Cash Equivalents at Beginning of Year	1,885,619	67,815	1,953,434
Cash and Cash Equivalents at End of Year	<u>\$ 2,135,093</u>	<u>\$ 91,565</u>	<u>\$ 2,226,658</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss):	\$ (4,969,982)	\$ 23,298	\$ (4,946,684)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	197,199	452	197,651
Effect of Increases and Decreases in Current Assets and Liabilities:			
Decrease (increase) in Other Receivables	1,509	-	1,509
Decrease (increase) in Inventories	21,223	-	21,223
Decrease (increase) in Due from Other Funds	633,020	-	633,020
Increase (decrease) in Accounts Payable	6,510	-	6,510
Increase (decrease) in Accrued Wages Payable	1,001	-	1,001
Increase (decrease) in Due to Other Funds	(4,851)	-	(4,851)
Increase (decrease) in Deferred Revenues	(65,332)	-	(65,332)
Net Cash Provided by (Used for) Operating Activities	<u>\$ (4,179,703)</u>	<u>\$ 23,750</u>	<u>\$ (4,155,953)</u>

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REQUIRED T.E.A. SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2012

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
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	1.040000	0.450000	9,549,766,309
2011	1.040000	0.490000	9,760,324,966
2012 (School year under audit)	1.040000	0.490000	9,701,066,797
1000 TOTALS			

(10) Beginning Balance 7/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2012
\$ 322,549	\$ -	\$ 34,138	\$ 8,506	\$ (31,491)	\$ 248,414
65,558	-	11,848	2,875	14,239	65,074
95,924	-	12,375	3,003	(16,712)	63,834
139,356	-	14,668	3,559	(31,396)	89,733
175,453	-	57,946	16,665	31,773	132,615
439,136	-	48,353	18,319	(162,845)	209,619
660,018	-	91,300	39,505	(1,494)	527,719
710,629	-	149,091	64,510	(28,738)	468,290
2,285,747	-	965,387	454,846	(194,790)	670,724
-	148,426,322	99,634,177	46,943,025	-	1,849,120
<u>\$ 4,894,370</u>	<u>\$ 148,426,322</u>	<u>\$ 101,019,283</u>	<u>\$ 47,554,813</u>	<u>\$ (421,454)</u>	<u>\$ 4,325,142</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED JUNE 30, 2012

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 380,176	\$ 3,652,664	\$ -	\$ -	\$ 4,032,840
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	-	305,387	-	-	305,387
6212	Audit Services	-	-	-	53,000	-	-	53,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	1,231,054	-	-	-	-	1,231,054
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	51,520	-	23,128	-	-	74,648
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	44,879	-	44,879
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	1,816	7,985	-	-	9,801
6290	Miscellaneous Contr.	132	-	2,618	84,512	-	-	87,262
6320	Textbooks and Reading	30	-	1,436	24,137	-	-	25,603
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	954	-	7,001	77,036	-	-	84,991
6410	Travel, Subsistence, Stipends	43,133	-	14,361	54,343	-	-	111,837
6420	Ins. and Bonding Costs	-	-	-	168,362	-	-	168,362
6430	Election Costs	9,529	-	-	-	-	-	9,529
6490	Miscellaneous Operating	32,345	-	34,409	61,588	-	-	128,342
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	<u>\$ 86,123</u>	<u>\$ 1,282,574</u>	<u>\$ 441,817</u>	<u>\$ 4,512,142</u>	<u>\$ 44,879</u>	<u>\$ -</u>	<u>\$ 6,367,535</u>

Total expenditures/expenses for General and Special Revenue Funds: and Enterprise (9) \$ 208,000,001

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 914,911
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	19,902,594
Food (Function 35, 6341 and 6499)	(13)	4,205,892
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		4,512,142

SubTotal: 29,535,539

Net Allowed Direct Cost \$ 178,464,462

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 648,082,869
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)	\$ 36,667,268
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$359,046 in Function 53 expenditures are included in this report on administrative costs.
 \$1,231,054 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, 2012

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 6/30/12 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 77,427,509
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 538,949	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	17,615,649	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	28,775,651	
7	Estimate of two month's average cash disbursements during the fiscal year.	32,812,505	
8	Estimate of delayed payments from state sources (58xx).	4,368,914	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>84,111,668</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u>\$ (6,684,159)</u>

DENTON INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT J-4

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,150,992	\$ 3,711,118	\$ 3,712,105	\$ 987
5800	State Program Revenues	55,000	57,748	57,748	-
5020	Total Revenues	4,205,992	3,768,866	3,769,853	987
EXPENDITURES:					
0035	Food Services	8,828,103	9,173,802	8,739,835	433,967
6030	Total Expenditures	8,828,103	9,173,802	8,739,835	433,967
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,622,111)	(5,404,936)	(4,969,982)	434,954
OTHER FINANCING SOURCES (USES):					
7912	Sale of Personal Property	-	-	9,555	9,555
7952	National School Breakfast Program	933,538	1,074,918	1,074,918	-
7953	National School Lunch Program	3,688,573	3,490,348	3,815,349	325,001
7954	Donated Commodities (USDA)	-	510,753	423,253	(87,500)
7955	Investment Income	-	3,917	4,424	507
7080	Total Other Financing Sources (Uses)	4,622,111	5,079,936	5,327,499	247,563
1200	Change in Net Assets	-	(325,000)	357,517	682,517
0100	Total Net Assets - July 1 (Beginning)	3,051,073	3,051,073	3,051,073	-
3000	Total Net Assets - June 30 (Ending)	\$ 3,051,073	\$ 2,726,073	\$ 3,408,590	\$ 682,517

DENTON INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

EXHIBIT J-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 45,519,839	\$ 47,864,571	\$ 48,144,210	\$ 279,639
5020	Total Revenues	45,519,839	47,864,571	48,144,210	279,639
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	17,713,901	17,713,901	17,713,901	-
0072	Interest on Long Term Debt	27,405,338	26,003,427	26,003,427	-
0073	Bond Issuance Cost and Fees	1,500,000	1,378,956	937,105	441,851
6030	Total Expenditures	46,619,239	45,096,284	44,654,433	441,851
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,099,400)	2,768,287	3,489,777	721,490
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Reg. & Ref. Bonds)	1,099,400	60,868,367	60,868,367	-
7916	Premium or Discount on Issuance of Bonds	-	10,400,592	10,400,592	-
8949	Other (Uses)	-	(69,773,813)	(69,773,813)	-
7080	Total Other Financing Sources (Uses)	1,099,400	1,495,146	1,495,146	-
1200	Net Change in Fund Balances	-	4,263,433	4,984,923	721,490
0100	Fund Balance - July 1 (Beginning)	42,142,928	42,142,928	42,142,928	-
3000	Fund Balance - June 30 (Ending)	\$ 42,142,928	\$ 46,406,361	\$ 47,127,851	\$ 721,490

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FEDERAL AWARDS SECTION

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

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 1, 2012. 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

Management of the District is responsible for establishing and maintaining effective 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

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

November 1, 2012

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

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

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (940) 383-4746

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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, 2012.

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

November 1, 2012

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

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:

10.553, 10.555, 10.559	Child Nutrition Cluster
84.010	ESEA, Title I Cluster
84.410	Education Jobs Fund

8. Dollar threshold used to distinguish between Type A and Type B programs: \$569,667.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

DENTON INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

No prior year findings.

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(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	\$ 195,276
Total Direct Programs			\$ 195,276
TOTAL DEPARTMENT OF DEFENSE			\$ 195,276
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	01-061901	\$ 90,803
Total Direct Programs			\$ 90,803
<u>Passed through Texas Woman's University</u>			
Investing in Innovation (i3) Fund - ARRA	84.411	01-061901	\$ 5,301
Total Passed through Texas Woman's University			\$ 5,301
<u>Passed Through State Department of Education</u>			
SSA - Adult Education (ABE) - Federal	84.002	124100017110440	\$ 439,982
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101061901	33,494
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12610101061901	2,514,586
*ESEA, Title I, Part D, Subpart 2	84.010A	11610103061901	24,397
*ESEA, Title I, Part D, Subpart 2	84.010A	12610103061901	210,997
Total CFDA Number 84.010A			2,783,474
Total Title I, Part A Cluster			2,783,474
*IDEA - Part B, Formula	84.027	116600010619016600	28,175
*IDEA - Part B, Formula	84.027	126600010619016600	3,025,394
*SSA - IDEA - Part B, Discretionary, Deaf	84.027	126600020619016673	32,288
*SSA - IDEA - Part B, Deaf	84.027	116600010619016601	9,128
*SSA - IDEA - Part B, Deaf	84.027	126600010619016601	47,451
Total CFDA Number 84.027			3,142,436
Total Special Education Cluster (IDEA)			3,142,436
SSA - Career and Technical - Basic Grant	84.048	12420006061901	225,242
IDEA - Part B, Preschool	84.173	116610010619016610	5
IDEA - Part B, Preschool	84.173	126610010619016610	48,799
SSA - IDEA - Part B, Preschool Deaf	84.173	126610010619016611	4,226
Total CFDA Number 84.173			53,030
SSA - IDEA, Part C - Early Intervention (Deaf)	84.181A	113911010619013911	2,394
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	01-061901	80,580
Title III, Part A - English Language Acquisition	84.365A	11671001061901	20,331
Title III, Part A - English Language Acquisition	84.365A	12671001061901	386,366
Total CFDA Number 84.365A			406,697
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501061901	37,753
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	12694501061901	378,954
Total CFDA Number 84.367A			416,707
Summer School LEP	84.369A	69551002	7,956
ESEA, Title I, A - ARRA - Improving Basic Programs	84.389	10551003061901	19,929
IDEA, Part B, Formula - ARRA	84.391	10554001061901	392,816
IDEA, Part B, Preschool ARRA	84.392	10555001061901	10,478
Education Jobs Fund- ARRA	84.410	11550101061901	3,930,185

DENTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
Total Passed Through State Department of Education			\$ 11,911,906
TOTAL DEPARTMENT OF EDUCATION			\$ 12,008,010
U.S. DEPARTMENT OF ENERGY			
<u>Passed through State Energy Conservation Office</u>			
State Energy Program	81.041	CS0009	\$ 67,696
Total Passed through State Energy Conservation Office			\$ 67,696
TOTAL DEPARTMENT OF ENERGY			\$ 67,696
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Direct Programs</u>			
Head Start	93.600	06CH5416/45	\$ 1,223,463
Medicaid Administrative Claiming Program - MAC	93.778	01-061901	93,133
Total Direct Programs			\$ 1,316,596
<u>Passed Through State Department of Education</u>			
SSA - Temporary Assistance for Needy Families	93.558	113625017110326	\$ 1,547
SSA - Temporary Assistance for Needy Families	93.558	123625017110440	12,494
Total CFDA Number 93.558			14,041
Total Passed Through State Department of Education			\$ 14,041
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 1,330,637
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401001	\$ 1,074,918
*National School Lunch Program - Cash Assistance	10.555	71301001	3,815,349
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301001	423,253
Total CFDA Number 10.555			4,238,602
*Summer Feeding Program - Cash Assistance	10.559	TX061-1001	73,789
Total Child Nutrition Cluster			5,387,309
Total Passed Through the State Department of Agriculture			\$ 5,387,309
TOTAL DEPARTMENT OF AGRICULTURE			\$ 5,387,309
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 18,988,928

*Clustered Programs

DENTON INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2012

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, 2012, 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	\$18,988,928
Indirect Costs	642,234
Federal Excise Tax Rebate	169,597
Medicaid Reimbursement	<u>1,884,174</u>
 Federal Revenues per Financial Statements	 <u>\$21,684,933</u>