

**DENTON INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE**  
**YEAR ENDED JUNE 30, 2007**

DENTON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2007

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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, 2007, at a meeting of the Board of Trustees of such school district on the \_\_\_\_ day of November, 2007.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

Independent Auditor's Report

Board of Trustees  
Denton Independent School District  
Denton, TX 76201

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denton Independent School District (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on them based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denton Independent School District as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and the budgetary comparison information on pages 7 through 15 and 29, 88 and 89 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Denton Independent School District's basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

In addition, the combining and individual nonmajor fund financial statements and the TEA required schedules listed in the table of contents are like presented for additional analysis and are not a part of the basic financial statements. The combining and individual nonmajor fund financial statements and the TEA required schedules (except for Exhibit J-3 The Fund Balance and Cash Flow Calculation Worksheet, which is marked **UNAUDITED** and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2007, on our consideration of the District's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



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

November 4, 2007

**DENTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2007  
(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, 2007. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 19.

**FINANCIAL HIGHLIGHTS**

- The assets of Denton Independent School District exceeded its liabilities at the close of the most recent fiscal period by \$45,771,227 (net assets). Included in the total is \$60,326,946 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 \$5,424,623.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$152,408,710. Over 63% of this total amount (\$97,253,858) is unreserved and available for use within the District's designation and policies.
- At the end of the current fiscal period, unreserved fund balance for the general fund was \$43,272,904 or 29.8% of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



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

## **Reporting the District as a Whole**

### **The Statement of Net Assets and the Statement of Activities**

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

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

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

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

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

## **Reporting the District's Most Significant Funds**

### **Fund Financial Statements**

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

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

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

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's governmental activities increased from \$38,428,249 to \$43,935,996. 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 \$59,076,729 at June 30, 2007. This increase in governmental net assets was the result of several factors. First, the District's revenues exceeded expenses by \$26,668,210 (as adjusted for the effects of capital outlay and debt service payments.) Second, the District recorded depreciation expense, which is a non-cash expense that reduces the value of District assets, in the amount of \$14,639,180. Third, various adjustments totaling \$4,610,726 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 2007, net assets of our business-type activities decreased by \$83,124, less than 5 percent. This decrease is relatively insignificant to the overall operations of the District, but it represents significant services to the community through the Child Nutrition program and the athletic stadium concession activities.

**Table I**  
**NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
Current and other assets	129,279,330	193,412,166	1,432,227	1,332,626	130,711,557	194,744,792
Capital assets	383,345,884	421,992,281	785,325	585,014	384,131,209	422,577,295
Total assets	512,625,214	615,404,447	2,217,552	1,917,640	514,842,766	617,322,087
Long-term liabilities	435,241,097	524,646,827	-	-	435,241,097	524,646,827
Other liabilities	38,955,868	46,821,624	299,197	82,409	39,255,065	46,904,033
Total liabilities	474,196,965	571,468,451	299,197	82,409	474,496,162	571,550,860
Net Assets:						
Invested in capital assets net of related debt	(29,384,189)	(39,996,928)	785,325	585,014	(28,598,864)	(39,411,914)
Restricted	16,977,664	24,856,195	-	-	16,977,664	24,856,195
Unrestricted	50,834,774	59,076,729	1,133,030	1,250,217	51,967,804	60,326,946
Total net assets	38,428,249	43,935,996	1,918,355	1,835,231	40,346,604	45,771,227

**Table II**  
**CHANGES IN NET ASSETS**

	Governmental Activities		Business-type Activities		Total	
	2006	2007	2006	2007	2006	2007
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	1,626,661	1,713,699	2,760,451	3,136,939	4,387,112	4,850,638
Operating grants and contributions	20,355,580	22,792,584	3,092,713	3,434,630	23,448,293	26,227,214
<b>General Revenues:</b>						
Maintenance and operations taxes	101,328,274	107,041,924	-	-	101,328,274	107,041,924
Debt service taxes	24,590,109	30,726,849	-	-	24,590,109	30,726,849
State aid - formula grants	13,873,518	31,103,330	-	-	13,873,518	31,103,330
Grants and Contributions	610,500	3,798,787	-	9,070	610,500	3,807,857
Investment Earnings	5,457,224	7,863,894	53,221	68,392	5,510,445	7,932,286
Miscellaneous	301,145	632,976	-	-	301,145	632,976
<b>Total Revenue</b>	<b>168,143,011</b>	<b>205,674,043</b>	<b>5,906,385</b>	<b>6,649,031</b>	<b>174,049,396</b>	<b>212,323,074</b>
<b>Expenses:</b>						
Instruction, curriculum and media services	95,813,391	115,182,903	-	-	95,813,391	115,182,903
Instructional and school leadership	10,143,745	12,025,796	-	-	10,143,745	12,025,796
Student support services	12,567,363	14,196,356	-	-	12,567,363	14,196,356
Food Services	186,469	231,689	5,729,059	6,598,542	5,915,528	6,830,231
Cocurricular activities	3,194,107	3,748,905	93,542	88,174	3,287,649	3,837,079
General administration	3,835,148	4,421,559	-	-	3,835,148	4,421,559
Plant maintenance, security & data processing	21,502,647	21,935,301	-	-	21,502,647	21,935,301
Community services	273,212	262,414	-	-	273,212	262,414
Debt services	20,375,676	24,610,585	-	-	20,375,676	24,610,585
Facilities acquisition, construction	6,942,914	3,267,398	-	-	6,942,914	3,267,398
Intergovernmental charges	267,486	230,253	-	-	267,486	230,253
<b>Total Expenses</b>	<b>175,102,158</b>	<b>200,113,159</b>	<b>5,822,601</b>	<b>6,686,716</b>	<b>180,924,759</b>	<b>206,799,875</b>
Increase (decrease) in net assets before transfers and special items	(6,959,147)	5,560,884	83,784	(37,685)	(6,875,363)	5,523,199
Transfers	-	15,070	-	(15,070)	-	-
Special Items	31,399	(68,207)	(20,879)	(30,369)	10,520	(98,576)
Net Assets – beginning of year	45,355,997	38,428,249	1,855,450	1,918,355	47,211,447	40,346,604
Net Assets – end of year	38,428,249	43,935,996	1,918,355	1,835,231	40,346,604	45,771,227

- State funding increased \$19,163,758 as a result of House Bill 1, Third Called Session, of 79th Legislature. The Board of Trustees lowered the maintenance and operation property tax rate from \$1.50 to \$1.37 for the fiscal year 2006-2007. This is the maximum allowed by the law. The debt service rate was set at \$0.394. The total tax rate necessary to fund the 2006-2007 budget was \$1.764.
- The District experienced an increase in property values for the twelfth consecutive year. For 2006-2007 the budget was based for an assessed value of \$6.926 billion, for an increase of \$650 million. The actual increase in certified and under review value was \$975,873,458 or 15.26%.
- The Board of Trustees approved \$8,086,866 for 178 new/growth positions. A commitment to competitive salaries for the employees of the District was supported by the increase of 4%. All teachers, librarians, counselors, and nurses received a minimum of \$2,500 as a result of legislative House Bill 1.
- The Advanced Technology Center, Professional Development Center, Savannah Elementary School, and Navo Middle School, opened in 2006-2007. Construction was completed on Phase II of Guyer High School.
- The District received the top rating for the Adequately Yearly Progress for 2006-2007. This is the federal accountability system rating for the US Department of Education.

The cost of all governmental activities for the current fiscal period was \$200,113,159. However, as shown in the Statement of Activities on pages 20 and 21, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$137,768,773 because some of the costs were paid by those who directly benefited from the programs (\$1,713,699) or by other governments and organizations that subsidized certain programs with grants and contributions (\$22,792,584) or by State equalization funding (\$31,103,330).

## **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 \$152,408,710 an increase of \$58,356,286. Approximately 28.3 percent of this total amount (\$43,209,362) constitutes *unreserved, undesignated fund balance*. The remainder of fund balance is *reserved* or *designated* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$245,712), 2) to pay debt service (\$24,503,593), 3) to liquidate purchase orders of the prior period (\$29,971,161), 4) for capital projects (\$53,464,877), and 5) for other miscellaneous designations (\$1,013,005).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unreserved, undesignated fund balance of the general fund was \$42,844,821, while the total fund balance was \$43,933,109. As a measure of the general fund's liquidity, it may be useful to compare both unreserved, undesignated fund balance and total fund balance to the total fund expenditures. Unreserved, undesignated fund balance represents 29.5 percent of the total general fund expenditures, while the total fund balance represents 30.2 percent of that same amount.

The fund balance of the District's general fund increased by \$6,999,141 during the current fiscal year. Key factors related to this change are as follows:

- An increase in the District's taxable value generated an increase in tax revenues of \$6,470,232. The District also realized an increase in general fund interest income of \$1,091,406, and an increase in the state foundation and per capita funding of \$17,607,517. The net total revenue for the general fund increased by \$27,280,865.

The debt service fund has a total fund balance of \$24,503,593, 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 \$7,817,543.

Following are factors contributing to this change:

- The increase in the District's taxable value and in the I & S tax rate generated an increase of \$6,218,471 in tax revenues in the debt service fund.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by \$43,472,696 due to \$92,095,114 in new bond proceeds offset partially by \$52,429,394 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, 2006). 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 \$43,933,109 reported on page 23 differs from the General Fund's budgetary fund balance of \$43,010,902 reported in the budgetary comparison schedule on page 29. This is principally due to cost savings in several functional expenditure categories.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At June 30, 2007, the District had \$422,577,295 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$38,446,086, or 10.0 percent, above last year.

This fiscal year's major additions included:

Continuing construction costs on two new elementary schools, paid for with proceeds of general obligation bonds issued in a prior year.	\$23,552,861
Initial construction costs on a new middle school, paid for with proceeds of general obligation bonds issued in a prior year.	7,771,340
Initial construction costs on two new elementary schools, paid for with proceeds of general obligation bonds issued in a prior year.	4,991,040
Purchase of land for a future school site, paid for with proceeds of general obligation bonds issued in a prior year.	3,300,000
<b>Totaling</b>	<hr/> <b>39,615,241</b> <hr/>

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 \$534,314,667 in bonds outstanding (including accreted interest on bonds) versus \$442,332,435 last year—an increase of 20.8 percent. \$154,092,104 in new debt was incurred during the fiscal period, \$48,329,192 of which was used to defease existing bonds. 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 \$769,248,889, 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 has lowered the tax rate by thirty-three cents for the 2007-08 school year. This is the second time in two years that the district's overall tax rate has decreased. The tax cuts are part of the property tax relief bill created by the 79th Texas Legislature in House Bill 1 which will result in an increase in state funding.

The M&O tax rate of Denton ISD went from \$1.50 to \$1.37 this past year. In 2007-2008, the maintenance and operations tax rate went from \$1.37 to \$1.04. When the debt service rate is added to the new maintenance and operations rate, it brings the new total tax rate per \$100 valuation to \$1.434, compared to the \$1.764 for 2006-2007. The State funded 26.5% of the district's General Fund expenditures last year and is funding 38.6% in 2007-2008.

Local property taxes area projected to decline by \$8,698,057 as a result of House Bill 1.

The District experienced an increase in property values of 14.48% or \$1,047,162,424 for 2007-2008.

The Board of Trustees approved \$8,098,447 for 125 new/growth positions. In a continued effort to remain competitive in the market place, a minimum 5% pay increase was included for paraprofessionals and 3% increase for exempt personnel. All teachers, librarians, counselor, and nurses will receive a minimum 3% pay increase plus an additional salary increase of \$350 as a result of State Rider 86 (Educator Salary Increase). The District will increase its contribution for employee health insurance from \$240 to \$260 per participant per month.

Two new elementary schools and a middle school are under construction and are scheduled to open for the 2008-209 school year.

The Citizens Advisory Committee presented a recommendation to the Board of Trustees for a \$282 Million bond package. The Bond Authorization was approved by voters on November 6, 2007, with a 59.4% approval rate. The bond package will provide facilities for the District's growing population and will refurbish existing facilities.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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



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## BASIC FINANCIAL STATEMENTS

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DENTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

EXHIBIT A-1

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 183,205,376	\$ 1,205,803	\$ 184,411,179
1220 Property Taxes Receivable (Delinquent)	5,800,495	-	5,800,495
1230 Allowance for Uncollectible Taxes	(303,388)	-	(303,388)
1240 Due from Other Governments	6,009,289	38,590	6,047,879
1260 Internal Balances	(9,070)	9,070	-
1290 Other Receivables, net	1,243,774	-	1,243,774
1300 Inventories	250,066	79,163	329,229
1410 Deferred Expenses	392,211	-	392,211
1420 Capitalized Bond and Other Debt Issuance Costs	4,075,908	-	4,075,908
1430 Discount on Issuance of Debt	(7,315,434)	-	(7,315,434)
1490 Other Current Assets	50,000	-	50,000
Capital Assets:			
1510 Land	23,411,673	-	23,411,673
1520 Buildings, Net	351,743,686	-	351,743,686
1530 Furniture and Equipment, Net	8,592,027	585,014	9,177,041
1580 Construction in Progress	38,244,895	-	38,244,895
1900 Other Assets	12,939	-	12,939
1000 Total Assets	<u>615,404,447</u>	<u>1,917,640</u>	<u>617,322,087</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	10,331,974	18,033	10,350,007
2140 Interest Payable	160,952	-	160,952
2150 Payroll Deductions & Withholdings	946,928	-	946,928
2160 Accrued Wages Payable	15,239,634	6,075	15,245,709
2200 Accrued Expenses	8,858,131	-	8,858,131
2300 Deferred Revenues	460,055	58,301	518,356
Noncurrent Liabilities			
2501 Due Within One Year	10,823,950	-	10,823,950
2502 Due in More Than One Year	524,646,827	-	524,646,827
2000 Total Liabilities	<u>571,468,451</u>	<u>82,409</u>	<u>571,550,860</u>
<b>NET ASSETS</b>			
3200 Invested in Capital Assets, Net of Related Debt	(39,996,928)	585,014	(39,411,914)
3850 Restricted for Debt Service	24,503,593	-	24,503,593
3870 Restricted for Campus Activities	352,602	-	352,602
3900 Unrestricted Net Assets	59,076,729	1,250,217	60,326,946
3000 Total Net Assets	<u>\$ 43,935,996</u>	<u>\$ 1,835,231</u>	<u>\$ 45,771,227</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, 2007

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
11 Instruction	\$ 108,188,073	\$ 1,223,431	\$ 14,817,920
12 Instructional Resources and Media Services	3,157,377	-	182,144
13 Curriculum and Instructional Staff Development	3,837,453	-	1,707,206
21 Instructional Leadership	2,505,233	-	202,238
23 School Leadership	9,520,563	-	582,344
31 Guidance, Counseling and Evaluation Services	7,398,859	-	1,159,759
32 Social Work Services	665,386	-	311,843
33 Health Services	1,718,626	-	69,507
34 Student (Pupil) Transportation	4,413,485	-	1,695,343
35 Food Services	231,689	-	222,166
36 Cocurricular/Extracurricular Activities	3,748,905	374,677	199,184
41 General Administration	4,421,559	-	302,479
51 Plant Maintenance and Operations	18,557,882	115,591	541,403
52 Security and Monitoring Services	462,786	-	1,859
53 Data Processing Services	2,914,633	-	121,471
61 Community Services	262,414	-	213,408
72 Debt Service - Interest on Long Term Debt	20,840,217	-	332,584
73 Debt Service - Bond Issuance Cost and Fees	3,770,368	-	-
81 Facilities Acquisition and Construction	3,267,398	-	129,726
93 Payments to Fiscal Agent/Member Districts of SSA	212,557	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	17,696	-	-
[TG] Total Governmental Activities:	200,113,159	1,713,699	22,792,584
<b>BUSINESS-TYPE ACTIVITIES:</b>			
35 Enterprise Fund - National School Breakfast&Lunch	6,598,542	3,029,081	3,434,630
01 Stadium Concessions	88,174	107,858	-
[TB] Total Business-Type Activities:	6,686,716	3,136,939	3,434,630
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 206,799,875</b>	<b>\$ 4,850,638</b>	<b>\$ 26,227,214</b>

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
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S1	Special Item - Surface & Pipeline Easements
S2	Gain (Loss) on Disposition of Capital Assets
E1	Extraordinary Item - Lawsuit Settlement
FR	Transfers In (Out)
TR	Total General Revenues, Special 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
\$ (92,146,722)	\$ -	\$ (92,146,722)
(2,975,233)	-	(2,975,233)
(2,130,247)	-	(2,130,247)
(2,302,995)	-	(2,302,995)
(8,938,219)	-	(8,938,219)
(6,239,100)	-	(6,239,100)
(353,543)	-	(353,543)
(1,649,119)	-	(1,649,119)
(2,718,142)	-	(2,718,142)
(9,523)	-	(9,523)
(3,175,044)	-	(3,175,044)
(4,119,080)	-	(4,119,080)
(17,900,888)	-	(17,900,888)
(460,927)	-	(460,927)
(2,793,162)	-	(2,793,162)
(49,006)	-	(49,006)
(20,507,633)	-	(20,507,633)
(3,770,368)	-	(3,770,368)
(3,137,672)	-	(3,137,672)
(212,557)	-	(212,557)
(17,696)	-	(17,696)
(175,606,876)	-	(175,606,876)
-	(134,831)	(134,831)
-	19,684	19,684
-	(115,147)	(115,147)
(175,606,876)	(115,147)	(175,722,023)
107,041,924	-	107,041,924
30,726,849	-	30,726,849
31,103,330	-	31,103,330
3,798,787	9,070	3,807,857
7,863,894	68,392	7,932,286
632,976	-	632,976
108,888	-	108,888
22,905	(30,369)	(7,464)
(200,000)	-	(200,000)
15,070	(15,070)	-
181,114,623	32,023	181,146,646
5,507,747	(83,124)	5,424,623
38,428,249	1,918,355	40,346,604
\$ 43,935,996	\$ 1,835,231	\$ 45,771,227

DENTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2007

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 60,163,160	\$ 24,656,132	\$ 90,341,929
1220 Property Taxes - Delinquent	4,579,688	1,220,807	-
1230 Allowance for Uncollectible Taxes (Credit)	(244,143)	(59,245)	-
1240 Due from Other Governments	1,799,400	-	-
1260 Due from Other Funds	145,328	-	-
1290 Other Receivables	128,473	-	-
1300 Inventories	245,712	-	-
1410 Deferred Expenditures	383,386	8,825	-
1490 Other Current Assets	-	-	50,000
1900 Other Assets	-	-	-
1000 Total Assets	<u>\$ 67,201,004</u>	<u>\$ 25,826,519</u>	<u>\$ 90,391,929</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
2110 Accounts Payable	\$ 2,342,561	\$ 412	\$ 6,936,998
2140 Interest Payable - Current	-	160,952	-
2150 Payroll Deductions and Withholdings Payable	946,928	-	-
2160 Accrued Wages Payable	14,194,578	-	-
2170 Due to Other Funds	1,391,369	-	-
2300 Deferred Revenues	4,392,459	1,161,562	-
2000 Total Liabilities	<u>\$ 23,267,895</u>	<u>\$ 1,322,926</u>	<u>\$ 6,936,998</u>
<b>Fund Balances:</b>			
<b>Reserved For:</b>			
3410 Investments in Inventory	\$ 245,712	\$ -	\$ -
3420 Retirement of Long Term Debt	-	24,503,593	-
3430 Prepaid Items	383,386	-	50,000
3440 Outstanding Encumbrances	31,107	-	29,940,054
3490 Other Purposes	-	-	-
<b>Unreserved Designated For:</b>			
3510 Construction	-	-	53,464,877
3590 Other Purposes	428,083	-	-
<b>Unreserved and Undesignated:</b>			
3600 Reported in the General Fund	42,844,821	-	-
3610 Reported in Special Revenue Funds	-	-	-
3630 Reported in Permanent Funds	-	-	-
3000 Total Fund Balances	<u>\$ 43,933,109</u>	<u>\$ 24,503,593</u>	<u>\$ 83,454,931</u>
4000 Total Liabilities and Fund Balances	<u>\$ 67,201,004</u>	<u>\$ 25,826,519</u>	<u>\$ 90,391,929</u>

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

Other Funds	Total Governmental Funds
\$ (2,730,319)	\$ 172,430,902
-	5,800,495
-	(303,388)
4,209,889	6,009,289
1,382,299	1,527,627
48,559	177,032
-	245,712
-	392,211
-	50,000
12,939	12,939
<u>\$ 2,923,367</u>	<u>\$ 186,342,819</u>
\$ 815,379	\$ 10,095,350
-	160,952
-	946,928
1,042,442	15,237,020
145,328	1,536,697
403,141	5,957,162
<u>\$ 2,406,290</u>	<u>\$ 33,934,109</u>
\$ -	\$ 245,712
-	24,503,593
-	433,386
-	29,971,161
1,000	1,000
-	53,464,877
151,536	579,619
-	42,844,821
352,602	352,602
11,939	11,939
<u>\$ 517,077</u>	<u>\$ 152,408,710</u>
<u>\$ 2,923,367</u>	<u>\$ 186,342,819</u>



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DENTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2007

<b>Total Fund Balances - Governmental Funds</b>	\$	152,408,710
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.	9,432,038	
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$460,933,092 and the accumulated depreciation was \$77,587,208 resulting in a net addition of \$383,345,884. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds resulting in a net decrease of \$443,464,033. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	(60,118,149)	
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2007 capital outlays and debt principal payments is to increase net assets.	61,222,598	
4 The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(14,639,180)	
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	(104,370,021)	
<b>19 Net Assets of Governmental Activities</b>	<b>\$</b>	<b>43,935,996</b>

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, 2007

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 112,690,054	\$ 31,478,433	\$ 4,394,590
5800 State Program Revenues	38,576,762	332,584	-
5900 Federal Program Revenues	560,168	-	-
5020 Total Revenues	151,826,984	31,811,017	4,394,590
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	88,319,336	-	-
0012 Instructional Resources and Media Services	2,842,765	-	-
0013 Curriculum and Instructional Staff Development	2,059,658	-	-
0021 Instructional Leadership	2,186,909	-	-
0023 School Leadership	8,473,607	-	-
0031 Guidance, Counseling and Evaluation Services	5,925,397	-	-
0032 Social Work Services	348,967	-	-
0033 Health Services	1,540,852	-	-
0034 Student (Pupil) Transportation	4,029,841	-	-
0035 Food Services	169,321	-	-
0036 Cocurricular/Extracurricular Activities	3,471,542	-	-
0041 General Administration	4,180,510	-	-
0051 Facilities Maintenance and Operations	17,677,567	-	-
0052 Security and Monitoring Services	462,786	-	-
0053 Data Processing Services	2,656,669	-	-
0061 Community Services	54,948	-	-
<b>Debt Service:</b>			
0071 Debt Service - Principal on Long Term Debt	-	7,937,021	-
0072 Debt Service - Interest on Long Term Debt	-	16,800,106	-
0073 Debt Service - Bond Issuance Cost and Fees	-	182,191	-
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	670,569	-	52,429,394
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	212,557	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	17,696	-	-
6030 Total Expenditures	145,301,497	24,919,318	52,429,394
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	6,525,487	6,891,699	(48,034,804)
<b>OTHER FINANCING SOURCES (USES):</b>			
7911 Capital Related Debt Issued (Regular Bonds)	-	63,743,186	92,095,114
7912 Sale of Real and Personal Property	22,905	-	-
7915 Transfers In	515,070	-	-
7949 Other Resources	39,537	-	-
8911 Transfers Out (Use)	(3,676)	-	-
8949 Other (Uses)	(9,070)	(62,817,342)	(587,614)
7080 Total Other Financing Sources (Uses)	564,766	925,844	91,507,500
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>			
7918 Special Item - Surface & Pipeline Easements	108,888	-	-
8913 Extraordinary Item - Lawsuit Settlement	(200,000)	-	-
1200 Net Change in Fund Balances	6,999,141	7,817,543	43,472,696
0100 Fund Balance - July 1 (Beginning)	36,933,968	16,686,050	39,982,235
3000 Fund Balance - June 30 (Ending)	\$ 43,933,109	\$ 24,503,593	\$ 83,454,931

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

	Other Funds	Total Governmental Funds
\$	1,475,983	\$ 150,039,060
	3,310,184	42,219,530
	9,640,534	10,200,702
	14,426,701	202,459,292
	10,695,416	99,014,752
	71,089	2,913,854
	1,578,410	3,638,068
	84,099	2,271,008
	154,100	8,627,707
	849,338	6,774,735
	283,787	632,754
	4,114	1,544,966
	2,948	4,032,789
	62,368	231,689
	31,441	3,502,983
	8,371	4,188,881
	199,040	17,876,607
	-	462,786
	4,823	2,661,492
	204,401	259,349
	-	7,937,021
	-	16,800,106
	-	182,191
	129,726	53,229,689
	-	212,557
	-	17,696
	14,363,471	237,013,680
	63,230	(34,554,388)
	-	155,838,300
	-	22,905
	3,676	518,746
	-	39,537
	-	(3,676)
	-	(63,414,026)
	3,676	93,001,786
	-	108,888
	-	(200,000)
	66,906	58,356,286
	450,171	94,052,424
\$	517,077	\$ 152,408,710

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, 2007

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	58,356,286
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.		1,200,285
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2007 capital outlays and debt principal payments is to increase net assets.		61,222,598
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.		(14,639,180)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(100,632,242)
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b>5,507,747</b>

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

DENTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2007

EXHIBIT C-5

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
	<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 104,412,133	\$ 112,336,453	\$ 112,690,054	\$ 353,601
5800	State Program Revenues	38,007,157	43,619,085	38,576,762	(5,042,323)
5900	Federal Program Revenues	403,377	524,221	560,168	35,947
5020	Total Revenues	142,822,667	156,479,759	151,826,984	(4,652,775)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	84,465,392	90,355,320	88,319,336	2,035,984
0012	Instructional Resources and Media Services	2,524,188	2,916,586	2,842,765	73,821
0013	Curriculum and Instructional Staff Development	1,692,919	2,178,746	2,059,658	119,088
0021	Instructional Leadership	1,860,961	2,274,078	2,186,909	87,169
0023	School Leadership	7,600,969	8,830,314	8,473,607	356,707
0031	Guidance, Counseling and Evaluation Services	5,583,525	6,156,234	5,925,397	230,837
0032	Social Work Services	308,487	351,535	348,967	2,568
0033	Health Services	1,417,426	1,562,570	1,540,852	21,718
0034	Student (Pupil) Transportation	4,455,377	4,768,225	4,029,841	738,384
0035	Food Services	1,063	173,401	169,321	4,080
0036	Cocurricular/Extracurricular Activities	3,123,756	3,649,295	3,471,542	177,753
0041	General Administration	4,579,512	4,415,587	4,180,510	235,077
0051	Facilities Maintenance and Operations	19,967,882	18,944,043	17,677,567	1,266,476
0052	Security and Monitoring Services	370,577	491,815	462,786	29,029
0053	Data Processing Services	2,513,918	2,721,498	2,656,669	64,829
0061	Community Services	69,972	89,042	54,948	34,094
Capital Outlay:					
0081	Facilities Acquisition and Construction	600,002	702,327	670,569	31,758
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	197,600	212,739	212,557	182
0095	Payments to Juvenile Justice Alternative Ed. Prg.	30,000	21,300	17,696	3,604
6030	Total Expenditures	141,363,526	150,814,655	145,301,497	5,513,158
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	1,459,141	5,665,104	6,525,487	860,383
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	500	26,005	22,905	(3,100)
7915	Transfers In	500,000	500,000	515,070	15,070
7949	Other Resources	3,000	39,537	39,537	-
8911	Transfers Out (Use)	-	-	(3,676)	(3,676)
8949	Other (Uses)	-	-	(9,070)	(9,070)
7080	Total Other Financing Sources (Uses)	503,500	565,542	564,766	(776)
<b>SPECIAL AND EXTRAORDINARY ITEMS:</b>					
7918	Special Item - Surface & Pipeline Easements	-	46,288	108,888	62,600
8913	Extraordinary Item - Lawsuit Settlement	-	(200,000)	(200,000)	-
1200	Net Change in Fund Balances	1,962,641	6,076,934	6,999,141	922,207
0100	Fund Balance - July 1 (Beginning)	36,933,968	36,933,968	36,933,968	-
3000	Fund Balance - June 30 (Ending)	\$ 38,896,609	\$ 43,010,902	\$ 43,933,109	\$ 922,207

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, 2007

EXHIBIT D-1

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 1,205,803	\$ 10,774,474
Due from Other Governments	38,590	-
Due from Other Funds	9,070	-
Other Receivables	-	1,066,742
Inventories	79,163	4,354
Total Current Assets	1,332,626	11,845,570
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	3,118,666	27,762
Depreciation on Furniture and Equipment	(2,533,652)	(20,911)
Total Noncurrent Assets	585,014	6,851
Total Assets	1,917,640	11,852,421
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	18,033	236,624
Accrued Wages Payable	6,075	2,614
Accrued Expenses	-	2,174,294
Deferred Revenues	58,301	-
Total Liabilities	82,409	2,413,532
<b>NET ASSETS</b>		
Investments in Capital Assets, Net of Debt	585,014	6,851
Unrestricted Net Assets	1,250,217	9,432,038
Total Net Assets	\$ 1,835,231	\$ 9,438,889

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, 2007

EXHIBIT D-2

	Business-Type Activities -	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<b>OPERATING REVENUES:</b>		
Local and Intermediate Sources	\$ 3,089,434	\$ 15,443,614
State Program Revenues	47,505	-
Total Operating Revenues	<u>3,136,939</u>	<u>15,443,614</u>
<b>OPERATING EXPENSES:</b>		
Payroll Costs	2,636,779	293,532
Professional and Contracted Services	220,325	1,389,204
Supplies and Materials	3,616,510	77,755
Other Operating Costs	213,102	12,384,767
Total Operating Expenses	<u>6,686,716</u>	<u>14,145,258</u>
Operating Income (Loss)	<u>(3,549,777)</u>	<u>1,298,356</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>		
National School Breakfast Program	596,179	-
National School Lunch Program	2,611,412	-
Donated Commodities (USDA)	227,039	-
Earnings from Temporary Deposits & Investments	68,392	399,687
(Loss) on Sale of Real and Personal Property	(30,369)	-
Total Nonoperating Revenue (Expenses)	<u>3,472,653</u>	<u>399,687</u>
Income (Loss) Before Contributions & Transfers	<u>(77,124)</u>	<u>1,698,043</u>
Contributed Capital	9,070	-
Transfers Out	(15,070)	(500,000)
Change in Net Assets	<u>(83,124)</u>	<u>1,198,043</u>
Total Net Assets - July 1 (Beginning)	<u>1,918,355</u>	<u>8,240,846</u>
Total Net Assets - June 30 (Ending)	<u>\$ 1,835,231</u>	<u>\$ 9,438,889</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, 2007

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	\$ -	\$ 9,355,406
Cash Received from Charges and Fees	3,158,641	328,541
Cash Received from Employees	-	4,765,438
Cash Payments for Payroll Costs	(2,891,865)	(293,362)
Cash Payments for Purchased Services	(220,325)	(1,360,078)
Cash Payments for Supplies and Materials	(3,644,707)	(77,754)
Cash Payments for Other Expenses	(26,374)	(1,375,881)
Cash Payments for Claims	-	(10,863,988)
Net Cash Provided by (Used for) Operating Activities	<u>(3,624,630)</u>	<u>478,322</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>		
Cash Received from Federal Programs	3,434,630	-
Operating Transfer (In) Out	(15,070)	(500,000)
Net Cash Provided by (Used for) Non-Capital Financing Activities	<u>3,419,560</u>	<u>(500,000)</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>		
Acquisition of Capital Assets	(16,786)	-
Contributed Capital	9,070	-
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>(7,716)</u>	<u>-</u>
<u>Cash Flows from Investing Activities:</u>		
Interest and Dividends on Investments	68,392	399,687
Net Increase(Decrease) in Cash and Cash Equivalents	(144,394)	378,009
Cash and Cash Equivalents at Beginning of the Year:	1,350,197	10,396,465
Cash and Cash Equivalents at the End of the Year:	<u>\$ 1,205,803</u>	<u>\$ 10,774,474</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, 2007

EXHIBIT D-3

	Business-Type Activities	Governmental Activities -
	Total Enterprise Funds	Total Internal Service Funds
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used for) Operating Activities:</u>		
Operating Income (Loss):	\$ (3,549,777)	\$ 1,298,356
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:		
Depreciation	186,728	2,242
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Other Receivables	-	(1,066,742)
Decrease (increase) in Due from Other Gov.	(38,590)	-
Decrease (increase) in Due from Other Funds	(9,070)	72,513
Decrease (increase) in Inventories	2,867	-
Increase (decrease) in Accounts Payable	16,596	184,630
Increase (decrease) in Accrued Wages Payable	(255,086)	170
Increase (decrease) in Accrued Expenses	-	(12,847)
Increase (decrease) in Deferred Revenues	21,702	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (3,624,630)</u>	<u>\$ 478,322</u>

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, 2007

EXHIBIT E-1

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	Agency Funds
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ASSETS	
Cash and Cash Equivalents	\$ 685,954
Other Receivables	1,502
Total Assets	<u>\$ 687,456</u>
LIABILITIES	
Accounts Payable	\$ 1,069
Due to Student Groups	686,387
Total Liabilities	<u>\$ 687,456</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, 2007

**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, 2007

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, 2007

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 one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

DENTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2007

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, 2007
	<u>Fund Balance</u>
Appropriated Budget Funds	\$ -0-
Nonappropriated Budget Funds	<u>504,138</u>
All Special Revenue Funds	<u>\$504,138</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

**E. PREPAID ITEMS**

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

**F. INVENTORIES**

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

**G. INTERFUND RECEIVABLES AND PAYABLES**

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

**H. CAPITAL ASSETS**

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

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

Buildings	20-40 Years
Furniture and Equipment	10 Years

**I. COMPENSATED ABSENCES**

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



DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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

The District classifies fund balances as follows:

- A. Reserves – Used to denote that portion of fund balance, which is not appropriable for expenditure or is legally segregated for specific future use.
  - 1. Reserve for encumbrances represents commitments for expenditures through purchase orders.
  - 2. Reserve for funded indebtedness represents that portion of fund balance legally restricted to debt service.
  - 3. Reserve for inventories represents that portion of fund balance already expended on supplies held for consumption in a future period.
  - 4. Reserve for prepaid costs represents that portion of fund balance already disbursed on insurance premiums, lease contracts and other items which are expenditures of a future period.
  - 5. Reserve for other purposes represents the portion of fund balance held in a permanent trust, the earnings on which are to be used for playground equipment within the District.
- B. Designations – Used to indicate tentative plans for financial resource utilization:
  - 1. Designated for future construction represents management’s intent to utilize resources for construction.
  - 2. Designated for other purposes represents management’s intent to utilize resources for specific purposes identified and already approved by the Board.
- C. Undesignated – Used to denote that portion of fund balance which is available for appropriation.

**K. CASH EQUIVALENTS**

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

**L. NET ASSETS**

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

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

**M. LONG-TERM OBLIGATIONS**

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

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

**N. IMPLEMENTATION OF NEW ACCOUNTING PRINCIPLES**

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

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

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

**O. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2007, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**P. ESTIMATES**

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

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

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

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The details of this \$61,222,598 adjustment are as follows:

Current year capital outlay	\$ 53,285,577
Bond principal payments	<u>7,937,021</u>
Net adjustment	<u>\$ 61,222,598</u>

Another element of that reconciliation state that: "Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest" The details of this \$(104,370,021) adjustment are as follows:

Bond sale proceeds	\$(154,092,104)
Deferred tax revenue recognized as revenue	5,497,107
Accrued interest payable on bonds and leases	(6,683,837)
Change in accreted interest on bonds	5,843,659
Change in accrued vacation and special termination benefits	(24,512)
Capitalization of net bond issuance costs/premiums	(3,239,526)
Bonds refunded	<u>48,329,192</u>
Net adjustment	<u>\$(104,370,021)</u>

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

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

These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest." The details of this \$(100,632,242) adjustment are as follows:

Bond sale proceeds	\$(154,092,104)
Current year change in deferred tax revenue	(13,389)
Current year change in accrued interest payable on bonds	(826,077)
Change in accreted interest on bonds	5,843,659
Change in accrued vacation and special termination benefits	(24,512)
Capitalization of current year bond issuance costs/premiums	(133,079)
Amortization of bond issuance costs/premiums	284,068
Bonds refunded	<u>48,329,192</u>
Net adjustment	<u>\$(100,632,242)</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

**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, 2007, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$5,611,887 and the bank balance was \$6,788,091. The District's cash deposits at June 30, 2007 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, 2007, the District's cash balances totaled \$6,788,091. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2007, the District held all of its investments in three public funds investment pools (TexPool, Lone Star and TexStar). Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk - This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool and TexStar at year-end was AAAM (Standard & Poor's), and the credit quality rating for Lone Star was AA Af (Standard & Poor's).

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- 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 both the TexPool and TexStar investments is less than 30 days, and the weighted average maturity for the 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, 2007, 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, 2007, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Market Value</u>
TexPool	\$ 62,467,673	\$ 62,464,785
TexStar	52,063,917	52,065,054
Lone Star	<u>64,741,357</u>	<u>64,738,298</u>
Total	<u>\$ 179,272,947</u>	<u>\$ 179,268,137</u>

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**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Balance</u> July 1	<u>Additions/</u> <u>Completions</u>	<u>Retirement/</u> <u>Adjustments</u>	<u>Balance</u> June 30
<b>Governmental Activities:</b>				
Land	\$ 16,478,711	\$ 6,932,962	\$ -	\$ 23,411,673
Construction in Progress	57,471,130	36,394,226	(55,620,461)	38,244,895
Buildings and Improvements	361,994,954	69,460,734	-	431,455,688
Furniture and Equipment	<u>24,988,297</u>	<u>2,565,198</u>	<u>(6,447,082)</u>	<u>21,106,413</u>
Totals at historic cost	<u>460,933,092</u>	<u>115,353,120</u>	<u>(62,067,543)</u>	<u>514,218,669</u>
Less accumulated depreciation for:				
Buildings and Improvements	(66,739,486)	(12,972,516)	-	(79,712,002)
Furniture and Equipment	<u>(10,847,722)</u>	<u>(1,666,664)</u>	<u>-</u>	<u>(12,514,386)</u>
Total accumulated depreciation	<u>(77,587,208)</u>	<u>(14,639,180)</u>	<u>-</u>	<u>(92,226,388)</u>
Governmental activities capital assets, net	<u>\$383,345,884</u>	<u>\$ 100,713,940</u>	<u>\$ (62,067,543)</u>	<u>\$421,992,281</u>
<b>Business-type activities:</b>				
Furniture and Equipment	<u>\$ 3,253,298</u>	<u>\$ 21,119</u>	<u>\$ (155,751)</u>	<u>\$ 3,118,666</u>
Totals at historic cost	<u>3,253,298</u>	<u>21,119</u>	<u>(155,751)</u>	<u>3,118,666</u>
Less accumulated depreciation for:				
Furniture and Equipment	<u>(2,467,973)</u>	<u>(186,728)</u>	<u>121,049</u>	<u>(2,533,652)</u>
Total accumulated depreciation	<u>(2,467,973)</u>	<u>(186,728)</u>	<u>121,049</u>	<u>(2,533,652)</u>
Business-type activities capital assets net	<u>\$ 785,325</u>	<u>\$ (165,609)</u>	<u>\$ (34,702)</u>	<u>\$ 585,014</u>

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

<b>Governmental activities:</b>	
Instruction	\$10,088,429
Instructional Resources & Media Services	293,453
Curriculum & Instructional Staff Development	199,385
Instructional Leadership	234,225
School Leadership	979,937
Guidance, Counseling & Evaluation Services	684,995
Social Work Services	32,632
Health Services	173,660
Student (Pupil) Transportation	417,825
Cocurricular/Extracurricular Activities	245,922
General Administration	255,153
Plant Maintenance and Operations	764,260
Data Processing Services	266,239
Community Services	<u>3,065</u>
Total depreciation expense-Governmental activities	<u>\$14,639,180</u>
<b>Business-type activities:</b>	
Food Services	\$ 178,818
Stadium Concessions	<u>7,910</u>
Total depreciation expense Business-type activities	<u>\$ 186,728</u>

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**NOTE 5. LONG-TERM DEBT**

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

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

The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2007:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Outstanding 7/1/06</u>	<u>Additions</u>	<u>Refunded/ Retired</u>	<u>Amounts Outstanding 6/30/07</u>	<u>Due Within One Year</u>
Bonded Indebtedness:						
1992 Refunding	2.90-6.25%	\$ 2,310,000	\$ -	\$ 885,000	\$ 1,425,000	\$ 945,000
1993 Refunding	2.60-5.00%	7,760,000	-	1,560,000	6,200,000	1,645,000
1995 School Bldg.	5.00-7.00%	890,000	-	305,000	585,000	325,000
1996A School Bldg.	5.00-7.00%	280,000	-	280,000	-	-
1996B School Bldg.	3.75%	19,400,000	-	-	19,400,000	-
1998 Bldg/Refunding	4.20-5.50%	4,620,000	-	910,000	3,710,000	185,000
1999 Bldg/Refunding	3.50-5.38%	10,130,000	-	1,170,000	8,960,000	2,125,000
1999 Bldg/Ref CAB	4.60-5.20%	3,571,845	-	352,021	3,219,824	931,340
2000 School Bldg.	3.00%	13,400,000	-	-	13,400,000	-
2001 Bldg/Refunding	3.64-4.40%	46,125,000	-	2,475,000	43,650,000	1,980,000
2001 Bldg/Ref CAB	4.37-4.59%	3,036,903	-	-	3,036,903	940,106
2002 Bldg/Refunding	5.00%	40,235,000	-	-	40,235,000	-
2002 Bldg/Ref CAB	3.58-5.88%	69,195,676	-	48,329,192	20,866,484	-
2004 Bldg/Refunding	2.58-5.00%	84,070,000	-	-	84,070,000	-
2004 Bldg/Ref CAB	2.60-3.04%	1,747,457	-	-	1,747,457	809,767
2005A Building	Variable	46,500,000	-	-	46,500,000	-
2005B Bldg/Refunding	3.00-5.00%	13,315,000	-	-	13,315,000	-
2005B Bldg/Ref CAB	3.45-4.13%	4,045,445	-	-	4,045,445	-
2005C Refunding	3.00-5.00%	49,925,000	-	-	49,925,000	-
2006 Refunding CAB	4.81-5.22%	-	62,670,339	-	62,670,339	-
2006A Building	4.25-5.00%	-	21,580,000	-	21,580,000	-
2006B Building	Variable	-	30,000,000	-	30,000,000	-
2007 Building	4.00-5.00%	-	39,365,000	-	39,365,000	-
2007 Building/CAB	3.86%	-	476,765	-	476,765	-
<b>Total Bonded Indebtedness</b>		<u>420,557,326</u>	<u>154,092,104</u>	<u>56,266,213</u>	<u>518,383,217</u>	<u>9,886,213</u>
Accreted Interest	4.10-5.20%	21,775,109	3,746,743	9,590,402	15,931,450	808,787
Accrued Vacation Benefits		796,283	254,237	150,717	899,803	-
Special Termination Benefits		335,315	73,422	152,430	256,307	128,950
<b>Total Other Obligations</b>		<u>22,906,707</u>	<u>4,074,402</u>	<u>9,893,549</u>	<u>17,087,560</u>	<u>937,737</u>
<b>Total Obligations of District</b>		<u>\$443,464,033</u>	<u>\$158,166,506</u>	<u>\$66,159,762</u>	<u>\$535,470,777</u>	<u>\$10,823,950</u>

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The 1999, 2001, 2002, 2004, 2005 and 2006 bond series include outstanding capital appreciation bonds in the principal amount of \$96,063,217. The bonds mature variously beginning in 2007 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 \$15,931,450 is accounted for in the Statement of Net Assets as Accrued Interest Payable-Capital Appreciation Bonds.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2007.

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").

Under the 2005 Swap Agreements, the District is obligated to make payments to BSFP 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 BSFP 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, 2007, 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>
2008	\$ -	\$ 1,869,300	\$ 1,869,300
2009	-	1,869,300	1,869,300
2010	-	1,869,300	1,869,300
2011	-	1,869,300	1,869,300
2012	-	1,869,300	1,869,300
2013-2017	1,760,000	9,311,124	11,071,124
2018-2022	9,560,000	8,039,598	17,599,598
2023-2027	10,570,000	6,042,663	16,612,663
2028-2032	12,610,000	3,715,083	16,325,083
2033-2035	<u>12,000,000</u>	<u>989,322</u>	<u>12,989,322</u>
Totals	<u>\$ 46,500,000</u>	<u>\$ 37,444,290</u>	<u>\$ 83,944,290</u>



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Note: Interest was calculated at a rate, representing the sum of: (a) the actual fixed payment swap rate of 3.420% pursuant to the 2005 Swap Agreements; (b) the estimated cost of the liquidity facility for the Series 2005-A Bonds (0.200%); (c) the estimated cost of remarketing the Series 2005-A Bonds (0.050%); and (d) 0.350% per year to offset the potential differences between the floating rates payable to the District under the 2005 Swap Agreements and the actual interest rates payable by the District on the Series 2005-A Bonds.

*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").

Under the 2006 Swap Agreement, the District is obligated to make payments to BSFP 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 BSFP 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, 2007, 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>
2008	\$ -	\$ 1,511,100	\$ 1,511,100
2009	-	1,511,100	1,511,100
2010	-	1,511,100	1,511,100
2011	-	1,511,100	1,511,100
2012	-	1,511,100	1,511,100
2013-2017	-	7,555,500	7,555,500
2018-2022	-	7,555,500	7,555,500
2023-2027	3,855,000	7,181,881	11,036,881
2028-2032	5,895,000	5,866,972	11,761,972
2033-2035	<u>20,250,000</u>	<u>2,795,283</u>	<u>23,045,283</u>
Totals	<u>\$ 30,000,000</u>	<u>\$ 38,510,635</u>	<u>\$ 68,510,635</u>

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

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

Arrangements made in respect of the 2005 Swap Agreements and 2006 Swap Agreements (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 a parity with the District's obligation to pay principal and interest on the Series 2005-A Bonds and Series 2006-B Bonds.

As of June 30, 2007, the District was exposed to credit risk with BSFP and UBS on the 2005 Swap Agreements as such agreements had a positive fair value of \$1,615,225. The District was not exposed to credit risk with BSFP on the 2006 Swap Agreement as such agreement had a negative fair value of \$1,085,550. Collectively, as of June 30, 2007, the Swap Agreements had a net positive fair value of \$529,675.

As of June 30, 2007, BSFP was rated "Aaa" and "AAA" by Moody's Investors Service ("Moody's") and Standard & Poor's ("S&P"), respectively, while UBS was rated "Aaa," "AA+" and "AA+" by Moody's, S&P and Fitch Ratings ("Fitch"), respectively.

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

2005 and 2006 Swap Agreement with BSFP: 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 BSFP'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. BSFP 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</u> <u>Requirements</u>
2008	\$ 9,886,213	\$ 20,225,008	\$ 30,111,221
2009	12,527,727	20,445,759	32,973,486
2010	11,592,975	20,038,984	31,631,959
2011	15,590,289	19,086,808	34,677,097
2012	17,258,901	19,648,488	36,907,389
2013-2017	90,358,345	92,541,397	182,899,742
2018-2022	100,452,644	71,493,724	171,946,368
2023-2027	61,567,664	90,115,836	151,683,500
2028-2032	66,633,459	80,517,851	147,151,310
2033-2036	<u>56,015,000</u>	<u>7,016,954</u>	<u>63,031,954</u>
	<u>\$441,883,217</u>	<u>\$441,130,809</u>	<u>\$883,014,026</u>

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**NOTE 7. DEFEASED BONDS OUTSTANDING**

On July 11, 2006 the District issued \$48,329,192 in unlimited tax refunding bonds (capital appreciation bonds) with yields to maturity ranging from 4.81% to 5.22%, to advance refund \$48,329,192 of unlimited tax school building bonds. The unlimited tax refunding bonds were issued at a net premium of \$14,341,147, and, after paying issuance costs of \$878,415, the net proceeds of \$61,791,923 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 bonds mature. 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 \$12,125,000, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$4,861,144.

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, 2007, \$100,999,192 of bonds outstanding are considered defeased.

**NOTE 8. SPECIAL TERMINATION BENEFITS**

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

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

From 1999 through 2006, 102 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, 2007 of all future periodic payments to be made to the 22 former employees currently in the program.

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

Year Ended	Total
<u>June 30</u>	<u>Payments</u>
2007	\$ 128,950
2008	88,511
2009	43,121
2010	<u>16,177</u>
Total	<u>\$ 276,759</u>
Present Value	<u>\$ 256,307</u>

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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, 2006	\$ 796,283
Additions – New Entrants and Salary Increments	254,237
Deductions – Payments to Participants	<u>(150,717)</u>
Balance, June 30, 2007	<u>\$ 899,803</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 \$1,162,015 in fiscal year 2007 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 2006-07 fiscal year was based was \$7,692,488,889. 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, 2007, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.37 and \$0.394 per \$100 valuation, respectively, for a total of \$1.764 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2007 were 97.78% 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, 2007, property taxes receivable, net of estimated uncollectible taxes, totaled \$4,335,545 and \$1,161,562 for the General and Debt Service Funds, respectively.

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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

**NOTE 11. PENSION PLAN OBLIGATIONS**

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

Funding Policy - Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. In certain instances the District is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. The District's employees' contributions to the System for the years ending June 30, 2005, 2006, and 2007 were \$5,250,841, \$5,949,822 and \$7,041,000, 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, 2005, 2006, and 2007 were \$1,087,762, \$1,179,149 and \$1,385,802, respectively, equal to the required contributions for each year. The amounts contributed by the State, for the years ended June 30, 2005, 2006, and 2007 were \$4,228,960, \$4,704,646 and \$6,259,981, 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. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2007, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 145,328	\$1,382,299
Enterprise Fund	-	9,070
Special Revenue Fund:		
General Fund	1,382,299	145,328
Enterprise Fund:		
General Fund	<u>9,070</u>	<u>-</u>
 TOTAL	 <u>\$1,536,697</u>	 <u>\$1,536,697</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

Interfunds transfers for the year ended June 30, 2007 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Internal Service Fund	\$ -	\$500,000
Enterprise Fund	-	15,070
Special Revenue Fund	3,676	-
Special Revenue Fund:		
General Fund	-	3,676
Internal Service Fund:		
General Fund	500,000	-
Enterprise Fund:		
General Fund	<u>15,070</u>	<u>-</u>
 TOTAL	 <u>\$518,746</u>	 <u>\$518,746</u>

**NOTE 13. HEALTH CARE**

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage (the District contributed \$240 monthly for each employee) and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance through United Healthcare who limited annual claims paid from the Fund for the calendar year ended December 31, 2007, to \$175,000 for any individual participant and for aggregate loss of \$12,111,459.

Estimates of claims payable and of claims incurred, but not reported at June 30, 2007, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

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

Changes in the balances of claims liabilities in fiscal 2006 and 2007 are as follows:

	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2007</u>
Unpaid claims, beginning of year	\$ 546,382	\$ 549,316
Incurred claims (including IBNR'S)	7,145,744	10,027,800
Claim payments	<u>7,142,810</u>	<u>9,771,530</u>
Unpaid claims, end of fiscal year	<u>\$ 549,316</u>	<u>\$ 805,586</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 14. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2007, 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	\$4,579,688	\$1,799,400	\$ 145,328	\$128,473	\$ 6,652,889
Debt Service Fund	1,220,807	-	-	-	1,220,807
Capital Projects Fund	-	-	-	-	-
Special Revenue Fund	-	4,209,889	1,382,299	48,559	5,640,747
Total - Governmental Activities	<u>\$5,800,495</u>	<u>\$6,009,289</u>	<u>\$1,527,627</u>	<u>\$177,032</u>	<u>\$13,514,443</u>
Amounts not scheduled for collection during the subsequent year	\$ 303,388	\$ -	\$ -	\$ -	\$ 303,388
Business-type Activities:					
Enterprise Fund	\$ -	\$ 38,590	\$ 9,070	\$ -	\$ 47,660
Total Business-type Activities	<u>\$ -</u>	<u>\$ 38,590</u>	<u>\$ 9,070</u>	<u>\$ -</u>	<u>\$ 47,660</u>

Payables at June 30, 2007, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due To Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:						
General Fund	\$ 2,342,561	\$15,141,506	\$1,391,369	\$ -	\$ -	\$18,875,436
Debt Service Fund	412	-	-	-	160,952	161,364
Capital Projects Fund	6,936,998	-	-	-	-	6,936,998
Special Revenue Funds	815,379	1,042,442	145,328	-	-	2,003,149
Total-Governmental Activities	<u>\$10,095,350</u>	<u>\$16,183,948</u>	<u>\$1,536,697</u>	<u>\$ -</u>	<u>\$160,952</u>	<u>\$27,976,947</u>
Amounts not scheduled for payment during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business-type Activities:						
Enterprise Fund	\$ 18,033	\$ 6,075	\$ -	\$ -	\$ -	\$ 24,108
Total Business-type Activities	<u>\$ 18,033</u>	<u>\$ 6,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,108</u>

**NOTE 15. 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 \$1,368,708 as of June 30, 2007. Claims administration is provided by TASB.

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

The accrued liability for Workers' Compensation self-insurance of \$1,368,708 includes incurred but not reported claims. This liability reported in the fund at June 30, 2007, 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 2007 was \$450,000.

Changes in the workers' compensation claims liability amounts in fiscal 2006 and 2007 are represented below:

	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2007</u>
Unpaid claims, beginning of year	\$1,966,266	\$1,637,825
Incurred claims (including IBNR'S)	133,580	231,145
Claim payments	<u>462,021</u>	<u>500,262</u>
Unpaid claims, end of fiscal year	<u>\$1,637,825</u>	<u>\$1,368,708</u>

**NOTE 16. 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, 2007, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
General	\$1,774,270	\$ 25,130	\$1,799,400
Special Revenue	<u>434,334</u>	<u>3,775,555</u>	<u>4,209,889</u>
Total	<u>\$2,208,604</u>	<u>\$3,800,685</u>	<u>\$6,009,289</u>

**NOTE 17. 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, 2007, the estimated rebate liability on outstanding bond series was \$788,557.

**NOTE 18. 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.



DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2007

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

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

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

**NOTE 19. 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	\$106,010,859	\$ -	\$30,355,045	\$ -	\$136,365,904
Investment Income	3,112,877	-	831,427	3,919,590	7,863,894
Penalties, interest and other tax related income	1,124,297	-	291,961	-	1,416,258
Co-curricular student activities	333,077	768,956	-	-	1,102,033
Tuition and fees	1,223,431	517,744	-	-	1,741,175
Gifts and bequests	120,647	188,882	-	450,000	759,529
Other	764,866	-	-	25,000	789,866
Total	<u>\$112,690,054</u>	<u>\$1,475,582</u>	<u>\$31,478,433</u>	<u>\$4,394,590</u>	<u>\$150,038,659</u>

**NOTE 20. 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	\$4,335,545	\$ -	\$1,161,562	\$ -	\$5,497,107
After-School Program	56,914	-	-	-	56,914
Lunchroom receipts	-	-	-	58,301	58,301
Regional Day School-Deaf	-	35,936	-	-	35,936
High School Allotment	-	119,636	-	-	119,636
Read to Succeed	-	830	-	-	830
Advanced Placement Incentives	-	50,359	-	-	50,359
Technology Grant	-	14,640	-	-	14,640
Deaf Ed Mgmt Board	-	181,740	-	-	181,740
	<u>\$4,392,459</u>	<u>\$403,141</u>	<u>\$1,161,562</u>	<u>\$ 58,301</u>	<u>\$6,015,463</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2007

**NOTE 21. COMMITMENTS UNDER LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of June 30, 2007, as follows:

Year Ending <u>June 30,</u>	
2008	\$ 384,554
2009	162,271
2010	40,353
2011	<u>2,664</u>
Total Minimum Rentals	<u>\$ 589,842</u>
Rental Expenditures in Fiscal Year 2007	<u>\$ 524,620</u>

**NOTE 22. 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	\$ 98,225	\$ 98,225
Impact Aid	84.041	169,753	169,753
Junior ROTC	12.000	141,114	141,114
Indirect Costs	N/A	<u>151,076</u>	<u>151,076</u>
Total for General Fund		<u>\$560,168</u>	<u>\$560,168</u>

**NOTE 23. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended June 30, 2007.

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## COMBINING SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (2,249)	\$ (95,424)	\$ (858,604)	\$ (687,240)
1240	Due from Other Governments	2,249	397,794	1,509,195	1,175,324
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	229
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 302,370</u>	<u>\$ 650,591</u>	<u>\$ 488,313</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 129,790	\$ 284,860	\$ 78,078
2160	Accrued Wages Payable	-	145,483	320,320	357,917
2170	Due to Other Funds	-	27,097	45,411	52,318
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>302,370</u>	<u>650,591</u>	<u>488,313</u>
Fund Balances:					
Reserved For:					
3490	Other Purposes	-	-	-	-
Unreserved Designated For:					
3590	Other Purposes	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3630	Reported in Permanent Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 302,370</u>	<u>\$ 650,591</u>	<u>\$ 488,313</u>

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	272 Medicaid Admin. Claim MAC
\$ (4,786)	\$ (228)	\$ (21,268)	\$ (112,054)	\$ (6,284)	\$ (58,589)	\$ (5,692)	\$ -
9,414	228	31,479	275,142	9,189	104,091	9,135	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,628</u>	<u>\$ -</u>	<u>\$ 10,211</u>	<u>\$ 163,088</u>	<u>\$ 2,905</u>	<u>\$ 45,502</u>	<u>\$ 3,443</u>	<u>\$ -</u>
\$ -	\$ -	\$ 10,211	\$ 97,903	\$ 2,828	\$ 6,166	\$ 3,443	\$ -
4,000	-	-	57,784	70	35,892	-	-
628	-	-	7,401	7	3,444	-	-
-	-	-	-	-	-	-	-
<u>4,628</u>	<u>-</u>	<u>10,211</u>	<u>163,088</u>	<u>2,905</u>	<u>45,502</u>	<u>3,443</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,628</u>	<u>\$ -</u>	<u>\$ 10,211</u>	<u>\$ 163,088</u>	<u>\$ 2,905</u>	<u>\$ 45,502</u>	<u>\$ 3,443</u>	<u>\$ -</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

Data Control Codes	288 Summer School LEP	289 Teaching American History	309 SSA Adult Education	312 SSA - TANF Family Assistance	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ (9,977)	\$ (84,247)	\$ (1,797)
1240	Due from Other Governments	-	88,264	96,476	1,797
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 78,287</u>	<u>\$ 12,229</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 78,287	\$ 6,671	\$ -
2160	Accrued Wages Payable	-	-	5,111	-
2170	Due to Other Funds	-	-	447	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>78,287</u>	<u>12,229</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3490	Other Purposes	-	-	-	-
Unreserved Designated For:					
3590	Other Purposes	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3630	Reported in Permanent Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 78,287</u>	<u>\$ 12,229</u>	<u>\$ -</u>

315 SSA IDEA, Part B Discretionary	316 SSA IDEA, Part B Deaf	317 SSA - IDEA, B Preschool Deaf	331 SSA Vocational Ed Basic Grant	340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired	392 Non-Ed. Community Based Support	394 Pregnancy, Education and Parenting
\$ -	\$ (5,175)	\$ -	\$ (34,057)	\$ (1,121)	\$ (12,612)	\$ (1,626)	\$ (10,169)
-	6,600	-	58,057	1,121	12,612	1,626	11,040
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,425</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 871</u>
\$ -	\$ 1,425	\$ -	\$ 12,711	\$ -	\$ -	\$ -	\$ 871
-	-	-	9,003	-	-	-	-
-	-	-	2,286	-	-	-	-
-	-	-	-	-	-	-	-
-	1,425	-	24,000	-	-	-	871
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 1,425</u>	<u>\$ -</u>	<u>\$ 24,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 871</u>



DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

Data Control Codes	397 Advanced Placement Incentives	399 Investment Capital Funds	401 Optional Extended Year Program	404 Accelerated Reading	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 50,359	\$ (13,492)	\$ -	\$ (36,360)
1240	Due from Other Governments	-	22,194	-	202,824
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1900	Other Assets	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 50,359</u>	<u>\$ 8,702</u>	<u>\$ -</u>	<u>\$ 166,464</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 8,702	\$ -	\$ 54,980
2160	Accrued Wages Payable	-	-	-	105,195
2170	Due to Other Funds	-	-	-	6,289
2300	Deferred Revenues	50,359	-	-	-
2000	<b>Total Liabilities</b>	<u>50,359</u>	<u>8,702</u>	<u>-</u>	<u>166,464</u>
Fund Balances:					
Reserved For:					
3490	Other Purposes	-	-	-	-
Unreserved Designated For:					
3590	Other Purposes	-	-	-	-
Unreserved and Undesignated:					
3610	Reported in Special Revenue Funds	-	-	-	-
3630	Reported in Permanent Funds	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 50,359</u>	<u>\$ 8,702</u>	<u>\$ -</u>	<u>\$ 166,464</u>

409 Texas High School Completion	411 Technology Allotment	418 Employee Health Insurance	427 Tx Educ Excellence Award Prog	428 High School Allotment	429 Read to Succeed	431 Adult Basic Education	432 SSA - TANF Temporary Assistance
\$ -	\$ 27,820	\$ -	\$ (53,029)	\$ (1,262,663)	\$ 830	\$ (12,472)	\$ (3,111)
-	-	-	56,992	-	-	13,274	3,111
-	-	-	-	1,382,299	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 27,820</u>	<u>\$ -</u>	<u>\$ 3,963</u>	<u>\$ 119,636</u>	<u>\$ 830</u>	<u>\$ 802</u>	<u>\$ -</u>
\$ -	\$ 13,180	\$ -	\$ 3,963	\$ -	\$ -	\$ 802	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	14,640	-	-	119,636	830	-	-
-	27,820	-	3,963	119,636	830	802	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 27,820</u>	<u>\$ -</u>	<u>\$ 3,963</u>	<u>\$ 119,636</u>	<u>\$ 830</u>	<u>\$ 802</u>	<u>\$ -</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2007

Data Control Codes	435 SSA Regional Day School - Deaf	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (73,988)	\$ 182,215	\$ 325,561	\$ 151,210
1240	Due from Other Governments	110,661	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	44,915	3,415
1900	Other Assets	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 36,673</u>	<u>\$ 182,215</u>	<u>\$ 370,476</u>	<u>\$ 154,625</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ 737	\$ 475	\$ 17,874	\$ 1,422
2160	Accrued Wages Payable	-	-	-	1,667
2170	Due to Other Funds	-	-	-	-
2300	Deferred Revenues	35,936	181,740	-	-
2000	<b>Total Liabilities</b>	<u>36,673</u>	<u>182,215</u>	<u>17,874</u>	<u>3,089</u>
<b>Fund Balances:</b>					
<b>Reserved For:</b>					
3490	Other Purposes	-	-	-	-
<b>Unreserved Designated For:</b>					
3590	Other Purposes	-	-	-	151,536
<b>Unreserved and Undesignated:</b>					
3610	Reported in Special Revenue Funds	-	-	352,602	-
3630	Reported in Permanent Funds	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>352,602</u>	<u>151,536</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 36,673</u>	<u>\$ 182,215</u>	<u>\$ 370,476</u>	<u>\$ 154,625</u>

Total Nonmajor Special Revenue Funds	479 Permanent Fund	Total Nonmajor Governmental Funds
\$ (2,730,319)	\$ -	\$ (2,730,319)
4,209,889	-	4,209,889
1,382,299	-	1,382,299
48,559	-	48,559
-	12,939	12,939
<u>\$ 2,910,428</u>	<u>\$ 12,939</u>	<u>\$ 2,923,367</u>
\$ 815,379	\$ -	\$ 815,379
1,042,442	-	1,042,442
145,328	-	145,328
403,141	-	403,141
<u>2,406,290</u>	<u>-</u>	<u>2,406,290</u>
-	1,000	1,000
151,536	-	151,536
352,602	-	352,602
-	11,939	11,939
<u>504,138</u>	<u>12,939</u>	<u>517,077</u>
<u>\$ 2,910,428</u>	<u>\$ 12,939</u>	<u>\$ 2,923,367</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	66,049	1,262,728	2,899,635	3,351,979
5020 Total Revenues	<u>66,049</u>	<u>1,262,728</u>	<u>2,899,635</u>	<u>3,351,979</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	-	877,898	2,449,935	2,719,469
0012 Instructional Resources and Media Services	-	-	24,080	-
0013 Curriculum and Instructional Staff Development	-	5,852	172,389	53,348
0021 Instructional Leadership	-	-	41,933	1,674
0023 School Leadership	-	35,362	31,998	-
0031 Guidance, Counseling and Evaluation Services	66,049	81	51,632	577,488
0032 Social Work Services	-	186,197	-	-
0033 Health Services	-	1,367	451	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	26,245	127,217	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	129,726	-	-
6030 Total Expenditures	<u>66,049</u>	<u>1,262,728</u>	<u>2,899,635</u>	<u>3,351,979</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>

225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	242 Summer Feeding Program	255 ESEA II,A Training and Recruiting	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	272 Medicaid Admin. Claim MAC
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
27,765	228	51,130	689,710	26,116	309,641	25,439	10,570
<u>27,765</u>	<u>228</u>	<u>51,130</u>	<u>689,710</u>	<u>26,116</u>	<u>309,641</u>	<u>25,439</u>	<u>10,570</u>
27,765	228	-	-	2,541	224,553	-	-
-	-	-	-	-	-	-	-
-	-	-	683,963	21,500	35,529	25,439	-
-	-	-	-	1,180	7,711	-	-
-	-	-	5,747	-	-	-	-
-	-	-	-	-	-	-	10,570
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	54,806	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	895	-	-	-
-	-	-	-	-	41,848	-	-
-	-	-	-	-	-	-	-
<u>27,765</u>	<u>228</u>	<u>54,806</u>	<u>689,710</u>	<u>26,116</u>	<u>309,641</u>	<u>25,439</u>	<u>10,570</u>
-	-	(3,676)	-	-	-	-	-
-	-	3,676	-	-	-	-	-
-	-	3,676	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<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, 2007

Data Control Codes	288 Summer School LEP	289 Teaching American History	309 SSA Adult Education	312 SSA - TANF Family Assistance
<b>REVENUES:</b>				
5700	\$ -	\$ -	\$ -	\$ -
5800	-	-	-	-
5900	7,379	293,703	313,329	6,393
5020	<u>7,379</u>	<u>293,703</u>	<u>313,329</u>	<u>6,393</u>
<b>EXPENDITURES:</b>				
Current:				
0011	7,379	-	272,986	6,393
0012	-	-	-	-
0013	-	293,703	11,419	-
0021	-	-	16,766	-
0023	-	-	-	-
0031	-	-	-	-
0032	-	-	-	-
0033	-	-	-	-
0034	-	-	-	-
0035	-	-	-	-
0036	-	-	-	-
0041	-	-	-	-
0051	-	-	8,033	-
0053	-	-	-	-
0061	-	-	4,125	-
Capital Outlay:				
0081	-	-	-	-
6030	<u>7,379</u>	<u>293,703</u>	<u>313,329</u>	<u>6,393</u>
1100	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915	-	-	-	-
7080	-	-	-	-
1200	-	-	-	-
0100	-	-	-	-
3000	<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 Vocational Ed Basic Grant	340 SSA - IDEA C Deaf - Early Intervention	385 Visually Impaired	392 Non-Ed. Community Based Support	394 Pregnancy, Education and Parenting
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	12,612	1,626	76,566
74,353	30,231	3,352	189,683	1,121	-	-	-
<u>74,353</u>	<u>30,231</u>	<u>3,352</u>	<u>189,683</u>	<u>1,121</u>	<u>12,612</u>	<u>1,626</u>	<u>76,566</u>
74,353	28,670	3,352	99,645	1,121	12,612	1,626	-
-	-	-	-	-	-	-	-
-	1,425	-	17,256	-	-	-	-
-	-	-	4,807	-	-	-	-
-	-	-	-	-	-	-	-
-	136	-	67,975	-	-	-	-
-	-	-	-	-	-	-	76,566
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>74,353</u>	<u>30,231</u>	<u>3,352</u>	<u>189,683</u>	<u>1,121</u>	<u>12,612</u>	<u>1,626</u>	<u>76,566</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, 2007

Data Control Codes	397 Advanced Placement Incentives	399 Investment Capital Funds	401 Optional Extended Year Program	404 Accelerated Reading
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	27,990	22,194	1,327	592,328
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>27,990</u>	<u>22,194</u>	<u>1,327</u>	<u>592,328</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	17,243	-	1,327	482,580
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	10,747	21,934	-	108,346
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	260	-	987
0031 Guidance, Counseling and Evaluation Services	-	-	-	119
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	296
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>27,990</u>	<u>22,194</u>	<u>1,327</u>	<u>592,328</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

409 Texas High School Completion	411 Technology Allotment	418 Employee Health Insurance	427 Tx Educ Excellence Award Prog	428 High School Allotment	429 Read to Succeed	431 Adult Basic Education	432 SSA - TANF Temporary Assistance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
97,250	514,168	189,146	56,992	1,262,663	1,428	60,591	4,589
-	-	-	-	-	-	-	-
97,250	514,168	189,146	56,992	1,262,663	1,428	60,591	4,589
97,054	247,269	130,876	56,692	1,248,633	-	44,478	3,025
-	33,791	4,084	-	-	1,428	-	-
152	60,744	458	300	14,030	-	9,753	-
44	-	2,551	-	-	-	5,869	1,564
-	-	7,084	-	-	-	-	-
-	-	7,126	-	-	-	-	-
-	-	958	-	-	-	-	-
-	-	2,000	-	-	-	-	-
-	-	2,886	-	-	-	-	-
-	-	7,562	-	-	-	-	-
-	-	417	-	-	-	-	-
-	-	3,125	-	-	-	-	-
-	172,364	15,852	-	-	-	318	-
-	-	3,834	-	-	-	-	-
-	-	333	-	-	-	173	-
-	-	-	-	-	-	-	-
97,250	514,168	189,146	56,992	1,262,663	1,428	60,591	4,589
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

Data Control Codes	435 SSA Regional Day School - Deaf	446 Deaf Educ Management Board	461 Campus Activity Funds	490 Gifts and Bequests
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 517,744	\$ 768,956	\$ 188,882
5800 State Program Revenues	388,714	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>388,714</u>	<u>517,744</u>	<u>768,956</u>	<u>188,882</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	320,896	512,474	585,784	136,559
0012 Instructional Resources and Media Services	-	-	4,749	2,957
0013 Curriculum and Instructional Staff Development	1,101	4,457	12,387	12,178
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	71,687	975
0031 Guidance, Counseling and Evaluation Services	66,717	813	632	-
0032 Social Work Services	-	-	-	20,066
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	62	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	28,014	3,010
0041 General Administration	-	-	2,086	3,160
0051 Facilities Maintenance and Operations	-	-	2,473	-
0053 Data Processing Services	-	-	94	-
0061 Community Services	-	-	-	4,460
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>388,714</u>	<u>517,744</u>	<u>707,968</u>	<u>183,365</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>60,988</u>	<u>5,517</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	60,988	5,517
0100 Fund Balance - July 1 (Beginning)	<u>-</u>	<u>-</u>	<u>291,614</u>	<u>146,019</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,602</u>	<u>\$ 151,536</u>

Total Nonmajor Special Revenue Funds	479 Permanent Fund	Total Nonmajor Governmental Funds
\$ 1,475,582	\$ 401	\$ 1,475,983
3,310,184	-	3,310,184
9,640,534	-	9,640,534
<u>14,426,300</u>	<u>401</u>	<u>14,426,701</u>
10,695,416	-	10,695,416
71,089	-	71,089
1,578,410	-	1,578,410
84,099	-	84,099
154,100	-	154,100
849,338	-	849,338
283,787	-	283,787
4,114	-	4,114
2,948	-	2,948
62,368	-	62,368
31,441	-	31,441
8,371	-	8,371
199,040	-	199,040
4,823	-	4,823
204,401	-	204,401
129,726	-	129,726
<u>14,363,471</u>	<u>-</u>	<u>14,363,471</u>
<u>62,829</u>	<u>401</u>	<u>63,230</u>
3,676	-	3,676
<u>3,676</u>	<u>-</u>	<u>3,676</u>
66,505	401	66,906
<u>437,633</u>	<u>12,538</u>	<u>450,171</u>
<u>\$ 504,138</u>	<u>\$ 12,939</u>	<u>\$ 517,077</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2007

	752 Print Shop	753 Workers Compensation	771 Health Insurance	Total Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 279,613	\$ 3,465,518	\$ 7,029,343	\$ 10,774,474
Other Receivables	13	-	1,066,729	1,066,742
Inventories	4,354	-	-	4,354
Total Current Assets	<u>283,980</u>	<u>3,465,518</u>	<u>8,096,072</u>	<u>11,845,570</u>
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	24,314	3,448	-	27,762
Depreciation on Furniture and Equipment	(17,463)	(3,448)	-	(20,911)
Total Noncurrent Assets	<u>6,851</u>	<u>-</u>	<u>-</u>	<u>6,851</u>
Total Assets	<u>290,831</u>	<u>3,465,518</u>	<u>8,096,072</u>	<u>11,852,421</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	5,128	36,044	195,452	236,624
Accrued Wages Payable	594	131	1,889	2,614
Accrued Expenses	-	1,368,708	805,586	2,174,294
Total Liabilities	<u>5,722</u>	<u>1,404,883</u>	<u>1,002,927</u>	<u>2,413,532</u>
<b>NET ASSETS</b>				
Investments in Capital Assets, Net of Debt	6,851	-	-	6,851
Unrestricted Net Assets	278,258	2,060,635	7,093,145	9,432,038
Total Net Assets	<u>\$ 285,109</u>	<u>\$ 2,060,635</u>	<u>\$ 7,093,145</u>	<u>\$ 9,438,889</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, 2007

	752	753	771	Total
	Print Shop	Workers Compensation	Health Insurance	Internal Service Funds
<b>OPERATING REVENUES:</b>				
Local and Intermediate Sources	\$ 328,554	\$ 1,580,216	\$ 13,534,844	\$ 15,443,614
Total Operating Revenues	<u>328,554</u>	<u>1,580,216</u>	<u>13,534,844</u>	<u>15,443,614</u>
<b>OPERATING EXPENSES:</b>				
Payroll Costs	76,999	56,340	160,193	293,532
Professional and Contracted Services	114,094	37,176	1,237,934	1,389,204
Supplies and Materials	72,927	-	4,828	77,755
Other Operating Costs	2,241	282,680	12,099,846	12,384,767
Total Operating Expenses	<u>266,261</u>	<u>376,196</u>	<u>13,502,801</u>	<u>14,145,258</u>
Operating Income	<u>62,293</u>	<u>1,204,020</u>	<u>32,043</u>	<u>1,298,356</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Earnings from Temporary Deposits & Investments	-	56,535	343,152	399,687
Total Nonoperating Revenue (Expenses)	<u>-</u>	<u>56,535</u>	<u>343,152</u>	<u>399,687</u>
Income Before Transfers	62,293	1,260,555	375,195	1,698,043
Transfers Out	-	(500,000)	-	(500,000)
Change in Net Assets	62,293	760,555	375,195	1,198,043
Total Net Assets - July 1 (Beginning)	<u>222,816</u>	<u>1,300,080</u>	<u>6,717,950</u>	<u>8,240,846</u>
Total Net Assets - June 30 (Ending)	<u>\$ 285,109</u>	<u>\$ 2,060,635</u>	<u>\$ 7,093,145</u>	<u>\$ 9,438,889</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

	752	753	771	Total
	Print Shop	Workers Compensation	Health Insurance	Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from District	\$ -	\$ 1,580,216	\$ 7,775,190	\$ 9,355,406
Cash Received from Charges and Fees	328,541	-	-	328,541
Cash Received from Employees	-	-	4,765,438	4,765,438
Cash Payments for Payroll Costs	(78,849)	(56,209)	(158,304)	(293,362)
Cash Payments for Purchased Services	(110,130)	(12,014)	(1,237,934)	(1,360,078)
Cash Payments for Supplies and Materials	(72,926)	-	(4,828)	(77,754)
Cash Payments for Other Expenses	-	(51,535)	(1,324,346)	(1,375,881)
Cash Payments for Claims	-	(500,262)	(10,363,726)	(10,863,988)
Net Cash Provided by (Used for) Operating Activities	<u>66,636</u>	<u>960,196</u>	<u>(548,510)</u>	<u>478,322</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>				
Operating Transfer (In) Out	-	(500,000)	-	(500,000)
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	-	56,535	343,152	399,687
Net Increase(Decrease) in Cash and Cash Equivalents	66,636	516,731	(205,358)	378,009
Cash and Cash Equivalents at Beginning of the Year:	<u>212,977</u>	<u>2,948,787</u>	<u>7,234,701</u>	<u>10,396,465</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 279,613</u>	<u>\$ 3,465,518</u>	<u>\$ 7,029,343</u>	<u>\$ 10,774,474</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities:</u>				
Operating Income:	\$ 62,293	\$ 1,204,020	\$ 32,043	\$ 1,298,356
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	2,242	-	-	2,242
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Other Receivables	(13)	-	(1,066,729)	(1,066,742)
Decrease (increase) in Due from Other Funds	-	-	72,513	72,513
Increase (decrease) in Accounts Payable	3,964	25,162	155,504	184,630
Increase (decrease) in Accrued Wages Payable	(1,850)	131	1,889	170
Increase (decrease) in Accrued Expenses	-	(269,117)	256,270	(12,847)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 66,636</u>	<u>\$ 960,196</u>	<u>\$ (548,510)</u>	<u>\$ 478,322</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 JUNE 30, 2007

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,145,071	\$ 60,732	\$ 1,205,803
Due from Other Governments	38,590	-	38,590
Due from Other Funds	9,070	-	9,070
Inventories	79,163	-	79,163
Total Current Assets	<u>1,271,894</u>	<u>60,732</u>	<u>1,332,626</u>
Noncurrent Assets:			
Capital Assets:			
Furniture and Equipment	3,063,298	55,368	3,118,666
Depreciation on Furniture and Equipment	(2,511,090)	(22,562)	(2,533,652)
Total Noncurrent Assets	<u>552,208</u>	<u>32,806</u>	<u>585,014</u>
Total Assets	<u>1,824,102</u>	<u>93,538</u>	<u>1,917,640</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	18,033	-	18,033
Accrued Wages Payable	6,075	-	6,075
Deferred Revenues	58,301	-	58,301
Total Liabilities	<u>82,409</u>	<u>-</u>	<u>82,409</u>
<b>NET ASSETS</b>			
Investments in Capital Assets, Net of Debt	552,208	32,806	585,014
Unrestricted Net Assets	1,189,485	60,732	1,250,217
Total Net Assets	<u>\$ 1,741,693</u>	<u>\$ 93,538</u>	<u>\$ 1,835,231</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, 2007

	701 National Breakfast and Lunch Program	749 Stadium Concessions	Total Nonmajor Enterprise Funds
<b>OPERATING REVENUES:</b>			
Local and Intermediate Sources	\$ 2,981,576	\$ 107,858	\$ 3,089,434
State Program Revenues	47,505	-	47,505
Total Operating Revenues	<u>3,029,081</u>	<u>107,858</u>	<u>3,136,939</u>
<b>OPERATING EXPENSES:</b>			
Payroll Costs	2,609,230	27,549	2,636,779
Professional and Contracted Services	213,905	6,420	220,325
Supplies and Materials	3,570,215	46,295	3,616,510
Other Operating Costs	205,192	7,910	213,102
Total Operating Expenses	<u>6,598,542</u>	<u>88,174</u>	<u>6,686,716</u>
Operating Income (Loss)	<u>(3,569,461)</u>	<u>19,684</u>	<u>(3,549,777)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>			
National School Breakfast Program	596,179	-	596,179
National School Lunch Program	2,611,412	-	2,611,412
Donated Commodities (USDA)	227,039	-	227,039
Earnings from Temporary Deposits & Investments	68,392	-	68,392
(Loss) on Sale of Real and Personal Property	(30,369)	-	(30,369)
Total Nonoperating Revenue (Expenses)	<u>3,472,653</u>	<u>-</u>	<u>3,472,653</u>
Income (Loss) Before Contributions & Transfers	<u>(96,808)</u>	<u>19,684</u>	<u>(77,124)</u>
Contributed Capital	9,070	-	9,070
Transfers Out	(15,070)	-	(15,070)
Change in Net Assets	<u>(102,808)</u>	<u>19,684</u>	<u>(83,124)</u>
Total Net Assets - July 1 (Beginning)	<u>1,844,501</u>	<u>73,854</u>	<u>1,918,355</u>
Total Net Assets - June 30 (Ending)	<u>\$ 1,741,693</u>	<u>\$ 93,538</u>	<u>\$ 1,835,231</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	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	\$ 3,050,783	\$ 107,858	\$ 3,158,641
Cash Payments for Payroll Costs	(2,864,316)	(27,549)	(2,891,865)
Cash Payments for Purchased Services	(213,905)	(6,420)	(220,325)
Cash Payments for Supplies and Materials	(3,598,412)	(46,295)	(3,644,707)
Cash Payments for Other Expenses	(26,374)	-	(26,374)
Net Cash Provided by (Used for) Operating Activities	<u>(3,652,224)</u>	<u>27,594</u>	<u>(3,624,630)</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>			
Cash Received from Federal Programs	3,434,630	-	3,434,630
Operating Transfer (In) Out	(15,070)	-	(15,070)
Net Cash Provided by Non-Capital Financing Activities	<u>3,419,560</u>	<u>-</u>	<u>3,419,560</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>			
Acquisition of Capital Assets	(16,786)	-	(16,786)
Contributed Capital	9,070	-	9,070
Net Cash Used For Capital and Related Financing Activities	<u>(7,716)</u>	<u>-</u>	<u>(7,716)</u>
<u>Cash Flows from Investing Activities:</u>			
Interest and Dividends on Investments	68,392	-	68,392
Net Increase(Decrease) in Cash and Cash Equivalents	(171,988)	27,594	(144,394)
Cash and Cash Equivalents at Beginning of the Year:	<u>1,317,059</u>	<u>33,138</u>	<u>1,350,197</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 1,145,071</u>	<u>\$ 60,732</u>	<u>\$ 1,205,803</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u>			
Operating Income (Loss):	\$ (3,569,461)	\$ 19,684	\$ (3,549,777)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:			
Depreciation	178,818	7,910	186,728
Effect of Increases and Decreases in Current Assets and Liabilities:			
Increase (decrease) in Due from Other Gov.	(38,590)	-	(38,590)
Decrease (increase) in Due from Other Funds	(9,070)	-	(9,070)
Decrease (increase) in Inventories	2,867	-	2,867
Increase (decrease) in Accounts Payable	16,596	-	16,596
Increase (decrease) in Accrued Wages Payable	(255,086)	-	(255,086)
Increase (decrease) in Deferred Revenues	21,702	-	21,702
Net Cash Provided by (Used for) Operating Activities	<u>\$ (3,652,224)</u>	<u>\$ 27,594</u>	<u>\$ (3,624,630)</u>

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REQUIRED T.E.A. SCHEDULES

DENTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2007

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1998 and prior years	Various	Various	\$ Various
1999	1.480000	0.370000	2,919,034,703
2000	1.366000	0.334000	3,316,850,647
2001	1.480000	0.364000	3,926,506,291
2002	1.500000	0.354000	4,381,351,996
2003	1.500000	0.364000	4,834,579,560
2004	1.500000	0.364000	5,373,515,343
2005	1.500000	0.364000	5,963,219,528
2006	1.500000	0.364000	6,665,199,839
2007 (School year under audit)	1.370000	0.394000	7,692,488,889
100 TOTALS			

	(10) Beginning Balance 7/1/2006	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2007
\$	240,114	\$ -	\$ 11,352	\$ 3,268	\$ (44,643)	\$ 180,851
	67,626	-	8,086	2,022	(7,548)	49,970
	78,030	-	24,623	6,020	32,409	79,796
	104,712	-	55,256	13,590	115,346	151,212
	131,265	-	75,472	17,811	212,551	250,533
	476,844	-	179,810	43,634	(16,301)	237,099
	488,267	-	129,957	31,536	156,925	483,699
	728,780	-	221,292	53,700	133,160	586,948
	3,483,119	-	2,255,670	547,376	90,239	770,312
	-	135,695,504	103,049,341	29,636,088	-	3,010,075
\$	<u>5,798,757</u>	<u>\$ 135,695,504</u>	<u>\$ 106,010,859</u>	<u>\$ 30,355,045</u>	<u>\$ 672,138</u>	<u>\$ 5,800,495</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2008-2009  
 GENERAL AND SPECIAL REVENUE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2007

## FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 310,012	\$ 2,099,996	\$ -	\$ -	\$ 2,410,008
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	160,022	-	-	160,022
6211	Legal Services	-	-	241,009	-	-	-	241,009
6212	Audit Services	-	-	-	34,250	-	-	34,250
6213	Tax Appraisal and Collection	-	1,203,563	-	-	-	-	1,203,563
621X	Other Professional Services	1,133	-	373	19,463	-	-	20,969
6220	Tuition and Transfer Payments	-	-	-	3,153	-	-	3,153
6230	Education Service Centers	-	-	-	5,152	-	-	5,152
6240	Contr. Maint. and Repair	-	-	-	-	2,223	-	2,223
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	449	13,322	-	-	13,771
6290	Miscellaneous Contr.	1,303	-	4,845	72,689	-	-	78,837
6320	Textbooks and Reading	526	-	678	8,030	-	-	9,234
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,007	-	6,563	105,137	-	-	112,707
6410	Travel, Subsistence, Stipends	32,852	-	10,793	49,980	-	-	93,625
6420	Ins. and Bonding Costs	-	-	-	79,369	-	-	79,369
6430	Election Costs	13,611	-	-	-	-	-	13,611
6490	Miscellaneous Operating	33,000	-	26,335	58,064	-	-	117,399
6500	Debt Service	-	-	-	-	-	5,410	5,410
6600	Capital Outlay	-	-	-	-	-	10,740	10,740
6000	TOTAL	\$ 83,432	\$ 1,203,563	\$ 601,057	\$ 2,708,627	\$ 2,223	\$ 16,150	\$ 4,615,052

Total expenditures/expenses for General and Special Revenue Funds: and Enterprise Fund (9) \$ 166,351,684

LESS: Deductions of Unallowable Costs

## FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,356,713
Total Debt & Lease(6500)	(11)	5,410
Plant Maintenance (Function 51, 6100-6400)	(12)	17,967,062
Food (Function 35, 6341 and 6499)	(13)	3,006,080
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		2,708,627

SubTotal:

25,043,892

Net Allowed Direct Cost

\$ 141,307,792

## CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 431,455,688
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)	\$ 21,106,413
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$266,149 in Function 53 expenditures are included in this report on administrative costs.

DENTON INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 FOR THE YEAR ENDED JUNE 30, 2007

**UNAUDITED**

1	Total General Fund Balance as of 6/30/07 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 43,933,109
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$ 660,205	
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)	428,083	
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	30,516,360	
5	Estimate of one month's average cash disbursements during the regular school session (9/1/06-5/31/07).	12,604,914	
6	Estimate of delayed payments from state sources (58xx) including August payment delays	-	
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
8	Estimate of delayed payments from federal sources (59xx)	-	
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
10	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)		<u>44,209,562</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)		<u>\$ (276,453)</u>



DENTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2007

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,823,798	\$ 3,007,865	\$ 2,981,576	\$ (26,289)
5800	State Program Revenues	-	47,505	47,505	-
5020	Total Revenues	2,823,798	3,055,370	3,029,081	(26,289)
EXPENDITURES:					
0035	Food Services	6,077,762	6,663,479	6,451,932	211,547
0051	Plant Maintenance and Operations	-	146,610	146,610	-
6030	Total Expenditures	6,077,762	6,810,089	6,598,542	211,547
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,253,964)	(3,754,719)	(3,569,461)	185,258
OTHER FINANCING SOURCES (USES):					
7952	National School Breakfast Program	542,281	557,680	596,179	38,499
7953	National School Lunch Program	2,641,683	2,610,124	2,611,412	1,288
7954	Donated Commodities (USDA)	-	227,039	227,039	-
7955	Earnings from Temporary Investments	70,000	68,500	68,392	(108)
7957	Contributed Capital	-	-	9,070	9,070
7961	Transfers Out (Use)	-	-	(15,070)	(15,070)
7963	(Loss) on Sale of Real and Personal Property	-	-	(30,369)	(30,369)
7080	Total Other Financing Sources (Uses)	3,253,964	3,463,343	3,466,653	3,310
1200	Change in Net Assets	-	(291,376)	(102,808)	188,568
0100	Total Net Assets - July 1 (Beginning)	1,844,501	1,844,501	1,844,501	-
3000	Total Net Assets - June 30 (Ending)	\$ 1,844,501	\$ 1,553,125	\$ 1,741,693	\$ 188,568

DENTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED JUNE 30, 2007

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 29,810,589	\$ 31,373,241	\$ 31,478,433	\$ 105,192
5800	State Program Revenues	-	332,584	332,584	-
5020	Total Revenues	29,810,589	31,705,825	31,811,017	105,192
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Debt Service - Principal on Long Term Debt	9,750,000	7,950,000	7,937,021	12,979
0072	Debt Service - Interest on Long Term Debt	19,875,589	16,936,590	16,800,106	136,484
0073	Debt Service - Bond Issuance Cost and Fees	185,000	185,000	182,191	2,809
6030	Total Expenditures	29,810,589	25,071,590	24,919,318	152,272
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	6,634,235	6,891,699	257,464
<b>OTHER FINANCING SOURCES (USES):</b>					
7911	Capital Related Debt Issued (Regular Bonds)	-	63,743,186	63,743,186	-
8949	Other (Uses)	-	(62,825,623)	(62,817,342)	8,281
7080	Total Other Financing Sources (Uses)	-	917,563	925,844	8,281
1200	Net Change in Fund Balances	-	7,551,798	7,817,543	265,745
0100	Fund Balance - July 1 (Beginning)	16,686,050	16,686,050	16,686,050	-
3000	Fund Balance - June 30 (Ending)	\$ 16,686,050	\$ 24,237,848	\$ 24,503,593	\$ 265,745

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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

We have audited the financial statements of the governmental 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, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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  
A Professional Corporation  
Certified Public Accountants

November 4, 2007

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

Board of Trustees  
Denton Independent School District  
Denton, Texas

Compliance

We have audited the compliance of Denton Independent School District (the "District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. 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, 2007.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that a noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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

November 4, 2007



DENTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2007

I. Summary of Auditor's Results

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

93.600	Head Start
10.563, 10.555, 10.556, 10.559	Child Nutrition Cluster
8. Dollar threshold used to distinguish between Type A and Type B programs: \$387,020.
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, 2007

Finding 2006-1	Competitive bidding violation
Criteria	The District is required to obtain competitive bids for purchases of tangible personal property in excess of \$25,000.
Condition Found	During the year ended June 30, 2006, the District contracted to purchase 4 wheel chair lifts for buses and retrofit 4 special education buses with air conditioning from a vendor in excess of \$25,000, without complying with the competitive bid requirements.
Status	The District continued to emphasize to employees involved in the purchasing process that the competitive bid regulations are to be followed at all times when required. We noted no competitive bid violations during the year-ended June 30, 2007.

DENTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2007

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF DEFENSE</b>			
<u>Direct Programs</u>			
ROTC	12.000	01-061901	\$ 141,114
Total Direct Programs			\$ 141,114
<b>TOTAL DEPARTMENT OF DEFENSE</b>			<b>\$ 141,114</b>
 <b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874	84.041	01-061901	\$ 169,753
Total Direct Programs			\$ 169,753
<u>Passed Through State Department of Education</u>			
SSA - Adult Education, Section 231	84.002A	7410001711118	\$ 313,329
SSA - Adult Education, Section 231	84.010A	7610101061901	2,830,765
ESEA, Title I, Part D Subpart 2	84.010A	7610103061901	68,870
Total CFDA Number 84.010A			2,899,635
IDEA - Part B, Formula	84.027	76600010619016600	3,351,979
IDEA - Part B, Discretionary	84.027	01-061901	228
SSA - IDEA - Part B, Discretionary, Deaf	84.027	76600020619016673	37,561
SSA - IDEA - Part B, Discretionary, Deaf	84.027	66600020619016673	36,792
SSA - IDEA - Part B, Formula, Deaf	84.027	76600010619016601	30,231
Total CFDA Number 84.027			3,456,791
SSA - Vocational Education - Basic Grant	84.048	742000606190111	189,683
IDEA - Part B, Preschool	84.173	76610010619016610	27,765
SSA - IDEA - Part B, Preschool Deaf	84.173	76610010619016611	3,352
Total CFDA Number 84.173			31,117
SSA - IDEA, Part C - Deaf	84.181A	73911010619013911	1,121
ESEA Title IV - Safe and Drug-Free Schools	84.186A	7691001061901	66,049
Teaching American History Grants	84.215X	U215X040306	293,703
ESEA Title VI - Innovative Education Strategies	84.298A	7685001061901	25,439
Enhancing Education Through Technology	84.318X	7630001061901	26,116
ESEA Title III, Part A - LEP	84.365A	76710001061901	309,641
ESEA Title II, Part A, Teacher & Principal Training	84.367A	7694501061901	689,710
Title VI, Part A - Summer School LEP	84.369A	01-061901	7,379
Total Passed Through State Department of Education			\$ 8,309,713
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 8,479,466</b>
 <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<u>Direct Programs</u>			
Head Start (net of \$19,522 indirect costs)	93.600	H5416/41	\$ 1,262,728
Total Direct Programs			\$ 1,262,728
<u>Passed Through State Department of Education</u>			
SSA - Temporary Assistance for Needy Families	93.558	73625017110108	\$ 6,393
Total Passed Through State Department of Education			\$ 6,393
<b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 1,269,121</b>

DENTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2007

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555	61901	\$ 3,207,591
Commodities	10.550	61901	227,039
Summer Feeding Program	10.559	61901	51,130
Total Passed Through the State Department of Agriculture			\$ 3,485,760
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 3,485,760</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 13,375,461</b>

\*Clustered Programs as required by Compliance Supplement March, 2007

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2007

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, 2007, 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.