

# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017



DENTON INDEPENDENT SCHOOL DISTRICT  
1307 N. LOCUST STREET | DENTON, TEXAS 76201

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

of the

**DENTON INDEPENDENT SCHOOL DISTRICT**

for the

Fiscal Year Ended June 30, 2017



Prepared by:

Division of Administrative Services

Deborah Monschke

Assistant Superintendent of Administrative Services

1307 N. Locust Street • Denton, Texas 76201







DENTON INDEPENDENT SCHOOL DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED JUNE 30, 2017

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# *INTRODUCTORY SECTION*

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DENTON INDEPENDENT SCHOOL DISTRICT  
Office of the Assistant Superintendent  
Administrative Services  
P.O. Box 2387  
Denton, Texas 76202

December 18, 2017

To the Board of Trustees and the Citizens of the Denton  
Independent School District:

The Comprehensive Annual Financial Report (CAFR) of the Denton Independent School District (“DISD” or the “District”) for the year ended June 30, 2017, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the DISD. All disclosures necessary to enable the reader to gain an understanding of the District’s financial activities have been included.

The DISD is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 as amended in 1996 and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Information relating to this single audit, including the schedule of expenditures of federal awards, findings and recommendations and independent auditors’ reports on internal controls and compliance with applicable laws and regulations, is included in the single audit section.

This report includes all funds of the Denton Independent School District. The DISD maintains a fully accredited early childhood through grade twelve program and is accredited by both the Texas Education Agency and AdvancED. The District provides a full range of services. These services include general education for grades pre-kindergarten through twelve, special education for students from birth through twenty-one years of age, accelerated education for students requiring remediation, a variety of technical courses and a number of elective and advanced placement courses for those students who wish additional experiences or challenges.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District’s MD&A can be found immediately following the report of the independent auditors.

## **GOVERNING BODY**

The seven members of the Board of Trustees serve - without compensation - a three-year term of office. On a rotating basis, two or three places are filled during annual elections held in May. Vacancies may be filled by appointment until the next election. Candidates must be qualified voters of the District.

Regular meetings are typically scheduled the second and fourth Tuesdays of the month and are held in the District's administration building. Special meetings and study sessions are scheduled as needed and announced in compliance with public notice requirements.

The Board has final control over local school matters limited only by the state legislature, by the courts and by the will of the people as expressed in school Board elections. Board decisions are based on a majority vote of the quorum present. Generally, the Board adopts policies, sets direction for curriculum, employs the Superintendent and oversees the operations of the District and its schools. Besides general Board business, Trustees are charged with numerous statutory regulations including appointing the tax assessor/collector, calling trustee and other school elections and canvassing the results, organizing the Board and electing its officers. The Board is also responsible for setting the tax rate, setting salary schedules and acting as a board of appeals in personnel and student matters, confirming recommendations for textbook adoptions and adopting and amending the annual budget.

## **ECONOMIC CONDITION AND OUTLOOK**

The Denton Independent School District is located in the city of Denton, in Denton County of North Central Texas and encompasses approximately 180 square miles. While the major portion of the District boundaries includes the 97.411 square miles of the City of Denton, all or part of the following additional cities, communities or major developments in Denton County comprise the 180 square miles: Argyle, Bartonville, Copper Canyon, Corinth, Cross Roads, Cross Oaks Ranch, Double Oak, Lantana, Little Elm, Oak Point, Paloma Creek, Pecan Creek, Providence, Robson Ranch, Savannah and Shady Shores. According to the U.S. Census Bureau and the City of Denton, Denton County's population increased 3.28 percent from 2015 to 2016 census estimate, which resulted in a population of 806,180 in 2016 compared to 780,612 in 2015. The city of Denton reported a growth rate of 2.11 percent for the same period of time with a population of 133,808 compared to 131,044 in 2015. Denton has a diverse labor pool of both skilled and professional workers. At June 30, 2017, the Texas Workforce Commission reported an available workforce in the City of Denton of 72,815 with an unemployment rate of 3.60%.

Denton is located 38 miles northwest of Dallas and 36 miles northeast of Fort Worth. Denton businesses have easy access to air, rail and highways. The area has four airports: Alliance Airport, Dallas/Fort Worth International Airport, Dallas Love Field, and Denton Municipal Airport. The Kansas City Southern and Union Pacific railroads also provide service to Denton. The Denton County Transportation Authority (DCTA) provides public transportation within the City of Denton and between Denton and Dallas. Transportation offerings include passenger rail via the A-Train (connects to Dallas Area Rapid Transit rail in Carrollton), bus service via Connect, and a commuter vanpool program.

Denton is home to two universities and one college: The University of North Texas, Texas Woman's University and North Central Texas College. This access to higher education enhances the quality of life in Denton. These three institutions are a major source of public employment for Denton and the surrounding area. In the private sector, more than 100 private companies distribute, manufacture, produce goods and provide employment to area residents.

The student population has steadily increased over the past five years at an average growth rate of approximately 2.79 percent annually. The school district plans its budget based on estimated student enrollment and state aid earned based on student attendance. Total enrollment for the year ended June 30, 2017 was 28,382 with an average daily attendance rate of 94.33%. Enrollment is projected to be 28,750 for the 2017-2018 school year.

The Denton Independent School District continues to be the district of choice in Denton County. As Charter Schools expand throughout the state, DISD enrollment has continued to rise with little effect from the Charter movement. In 2017 student enrollment grew over 1000 students. As the district of choice, Denton ISD has a stable future, and an opportunity to contribute to the economic vitality of the community by providing specialized, high-level education.

The school district's facilities are in excellent condition and its major maintenance plan continues to improve all of its facilities and operations. The average age of instructional campuses in the District is twenty-five years. Thirteen of the twenty-three elementary campuses have been built since 2001. Of the thirteen secondary campuses in the District, seven campuses have been built since 2001, and both early childhood campuses were built since 2001. The district's eighth middle school, Rodriquez Middle School, opened in August 2017. Renovations and an addition to Guyer High School, as well as the administrative support services building are currently under construction. The 2017 total tax rate for the school district is \$1.54/\$100 valuation. The tax rate has two components: maintenance and operations and debt service. The maintenance and operations portion funds the daily operations of the school district. The debt service portion funds the principal and interest on general obligation long-term debt.

## **MAJOR INITIATIVES**

The Denton Independent School District (DISD) continues to meet the standards of the Texas Accountability System outlined by the Texas Education Agency. In 2016-2017, all DISD campuses met these standards with many campuses receiving several distinctions. This assessment is more rigorous, and the accountability standards have risen with the rigor. In addition, the graduation rate of DISD students per the latest Texas Academic Performance Report is 97.1%.

Under the new assessment system, the district and all of its campuses were rated by the Texas Education Agency for the fifth year. While there is no comparative data for the newly developed assessment, the performance of district students continues to outpace both the state and the region in all grade levels in all content areas.

All of the schools in the Denton ISD are accredited by the Texas Education Agency. In addition, the high schools are accredited through AdvancED. The district and Board of Trustees are committed to providing the best educational programs possible in the critical areas of Science, Technology, Engineering, Arts and Math. These content areas are integrated so students are better prepared for 21st century challenges and careers.

Another strong commitment of the district is its International Baccalaureate Programme (IB), an elite universal educational program. Denton ISD is one of a handful of districts nationwide to offer IB programs at all grade levels. The IB program is offered at two elementary schools, one middle school, and one high school.

The district continues to focus on early childhood education by not only committing physical and financial

resources to our youngest learners, but also by partnering with local nonprofits to bring Ready Rosie a parenting enrichment program to parents, grandparents, and care givers within the community. The district continues its partnership with two local non-profit child care centers, Fred Moore Day Nursery School and Denton City County Day School to expand early childhood education to our families.

The district is also committed to engaging the community with district students through a community partnership known as Mentor Denton. The purpose of the program is to provide mentors to work one-on-one with students at each Denton ISD campus. The program has grown to over 2,000 mentor volunteers, offers a human library designed for one time engagements and provides internship opportunities for high school students who are considered most “at-risk” of not completing high school.

## **DISTRICT ACCOMPLISHMENTS**

Denton ISD’s quest for excellence extends beyond the classroom. The district offers top academic, artistic, and technological programs.

- Students from three Denton ISD high schools were honored by being named to the Texas Music Educators Association’s all-state choir, all-state orchestra and all-state band. One Denton High School student was selected four consecutive years for the all-state choir.
- Several students from the LaGrone Advanced Technology Complex placed first in several categories at the Texas Association of Future Educators (TAFE) state-wide conference. The organization is sponsored by the Texas Association of Secondary School Principals and seeks to provide the best and brightest high school and middle school student with the necessary knowledge to make informed decisions about pursuing careers in education.
- Two members of the Guyer High School One Act Play group were named to the All-Star Cast at the state level competition.
- The Denton High School Spelling and Vocabulary team placed second in 5A state competition.
- A Guyer High School student placed fourth in 6A state competition for news writing and editorial writing.
- For the third consecutive year, Ryan High School i-Tech club students had five individual first place finishes at the Technology Students Association State Competition. The Metal Manufacturing Team placed first in the team division.
- Two elementary students from Adkins and Stephens elementary schools had their artwork displayed at the State Capitol and Bob Bullock Texas State History Museum in Austin, Texas as part of the Texas Art Education Association’s Youth Art Month Capitol Celebration.
- The Guyer High School Rhapsody Orchestra placed eighth at the annual Texas Honor Orchestra Competition. The mission of the Texas Honor Orchestra is to recognize and honor quality musicianship in the performance of advanced literature at the highest level.
- The Denton High School Lab Band 1 and the Percussion Ensemble were named winners in the 2016 Mark of Excellence competition by The Foundation for Music Education. The programs were selected from among a collection of more than 230 entries from 36 states and are the top quarter of entries chosen on a national level.

Other honors and recognitions that have been bestowed on Denton ISD staff include:



- Three Denton ISD campuses earned the prestigious CREST Award which recognizes the top counseling staffs in the state by the Texas School Counselor Association. CREST stands for Counselors Reinforcing Excellence for Students in Texas and is a program that focuses on ten areas that leave the greatest impact school counselors have on the achievement, career aspirations, personal gains and social aspects of students' lives. The program helps counselors evaluate their current counseling guidelines and techniques while also promoting their services to students and parents. This is the seventh consecutive year that a Denton ISD campus was recognized.
- The Guys/Girls Operating as Leaders (GOAL) program was named an honorable mention recipient of the prestigious Magna Award by the National Association of School Boards. Recipients of the award are selected based on their advancement of student learning, promotion of the district's mission, collaboration between school board and district staff and capability of being replicated by other districts. The GOAL program is a proactive enrichment program that develops leadership skills in and out of the classroom through academic exercises, team work activities and soccer.
- A seventh grade math teacher was a state finalist in the Samsung Solve for Tomorrow contest. The contest requires students to use science, technology, engineering, art and math principals to create a four-dimensional design that could be used in the real world. The middle school team worked on a proposal for a disaster relief pod.

### **RELEVANT FINANCIAL POLICIES**

The District's financial policies address accounting and fiscal operations of the District with emphasis on asset management, operating reserves and fund balances. The District's financial policies are reviewed annually to comply with internal accounting issues, Federal and State laws and the governing body's directives.

The Board and administration of the Denton ISD are responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

The Denton Independent School District reports a significant amount of data to the State of Texas through the state's Public Education Information Management System (PEIMS). The state then uses this data in compiling its Texas Academic Performance Report. The state also produces a summary of this data in the form of a School Report Card. The data covers such items as "per pupil" revenues and expenditures for each campus and district, a comparison of district and campus test scores, various demographic information and a comparison of each campus with forty peer group members of similar socio-economic and ethnic demographics. The Texas Academic Performance Report is used to rate campuses and school districts with various levels of accreditation depending upon district and campus test scores. This system functions in a similar capacity to "Service Efforts and Accomplishments."

Two factors that impact the District significantly are the tax rate and property value. In 2016-2017 the maintenance and operations tax rate was \$1.04. The debt service tax rate was \$0.50 for a total rate of

\$1.54. The District's certified property values increased 8.08% for 2015-2016 and 10.06% for 2016-2017. The certified property values for 2017-2018 increased by \$1,762,711,922 or 13.82%.

The Board of Trustees held a tax ratification election on September 9, 2017. The proposal to increase the maintenance and operations tax rate by \$.02 was approved with an 80.27% approval rating. In addition, the board reduced the debt service tax rate from \$.50 to \$.48 for the 2017-2018 fiscal year.

*Single Audit.* As a recipient of federal, state and local financial assistance, the District is also responsible for ensuring that an adequate internal control structure is in place to assure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the audit staff of the District.

As part of the District's single audit, tests were made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance awards, as well as to determine that the District has complied with applicable laws and regulations. The results of the District's single audit for the year ended June 30, 2017, provided no instances of material weaknesses in the internal control structure and no instances of noncompliance that are required to be reported under Government Auditing Standards.

*Budgetary Controls.* In addition, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the District's governing body. Activities of the general fund, child nutrition fund and debt service fund are included in the annual appropriated budget. Project-length financial plans are adopted for the capital projects funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by fund and function. Budgetary control is enhanced by an encumbrance accounting system that includes an on-line purchasing system for all campuses and departments. The purchasing system will not allow a purchase exceeding legally appropriated budgetary amounts. Outstanding encumbrances at the end of a fiscal year generally are rolled forward into the subsequent fiscal period with the subsequent budget amended accordingly. As demonstrated by the statements and schedules included in the financial section of this report, the school district continues to meet its responsibility for sound financial management.

## **INDEPENDENT AUDIT**

State law and District policy require an annual audit by independent certified public accountants. The District's Board of Trustees selected the accounting firm of Hankins, Eastup, Deaton, Tonn and Seay P.C. In addition to meeting the requirements set forth in state statutes, the audit was designed to meet the requirements of the federal Single Audit Act of 1984 as amended in 1996 and the Uniform Guidance. The auditors' report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report.

## **AWARDS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Denton Independent School District for its comprehensive annual financial report (CAFR) for the year ending June 30, 2016. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Denton Independent School District has received a Certificate of Achievement for the last thirty-one consecutive years. We believe our current comprehensive report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Association of School Business Officials International (ASBO) awards its Certificate of Excellence in Financial Reporting (CEO) to governmental entities whose comprehensive annual financial report has been judged to meet the standards required of this award. The ASBO award program is intended to help governmental units prepare reports in such a format and with such content as to greatly enhance the ability of users of these reports (trustees, citizens, management, regulatory agencies, investors, etc.) to better understand the District's activity.

The Denton Independent School District has received the ASBO Certificate of Excellence Award for its comprehensive annual financial report for thirty-two consecutive years. We believe this report may also qualify for this award and we are submitting it to ASBO to determine its eligibility for another certificate.

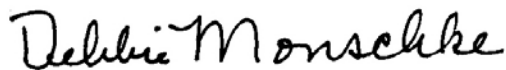
#### **ACKNOWLEDGMENTS**

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the business office. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Without the leadership and support of the Board of Trustees of the Denton Independent School District, the preparation of this report would not have been possible.

Respectfully submitted,



Dr. Jamie Wilson  
Superintendent



Debbie Monschke  
Assistant Superintendent of Administrative Services



ASSOCIATION OF  
SCHOOL BUSINESS OFFICIALS  
INTERNATIONAL

**The Certificate of Excellence in Financial Reporting  
is presented to**

## **Denton Independent School District**

**for its Comprehensive Annual Financial Report (CAFR)  
for the Fiscal Year Ended June 30, 2016.**

The CAFR has been reviewed and met or exceeded  
ASBO International's Certificate of Excellence standards.



A handwritten signature in black ink, appearing to read 'Anthony N. Dragona', written over a horizontal line.

**Anthony N. Dragona, Ed.D., RSBA**  
President

A handwritten signature in black ink, appearing to read 'John D. Musso', written over a horizontal line.

**John D. Musso, CAE, RSBA**  
Executive Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

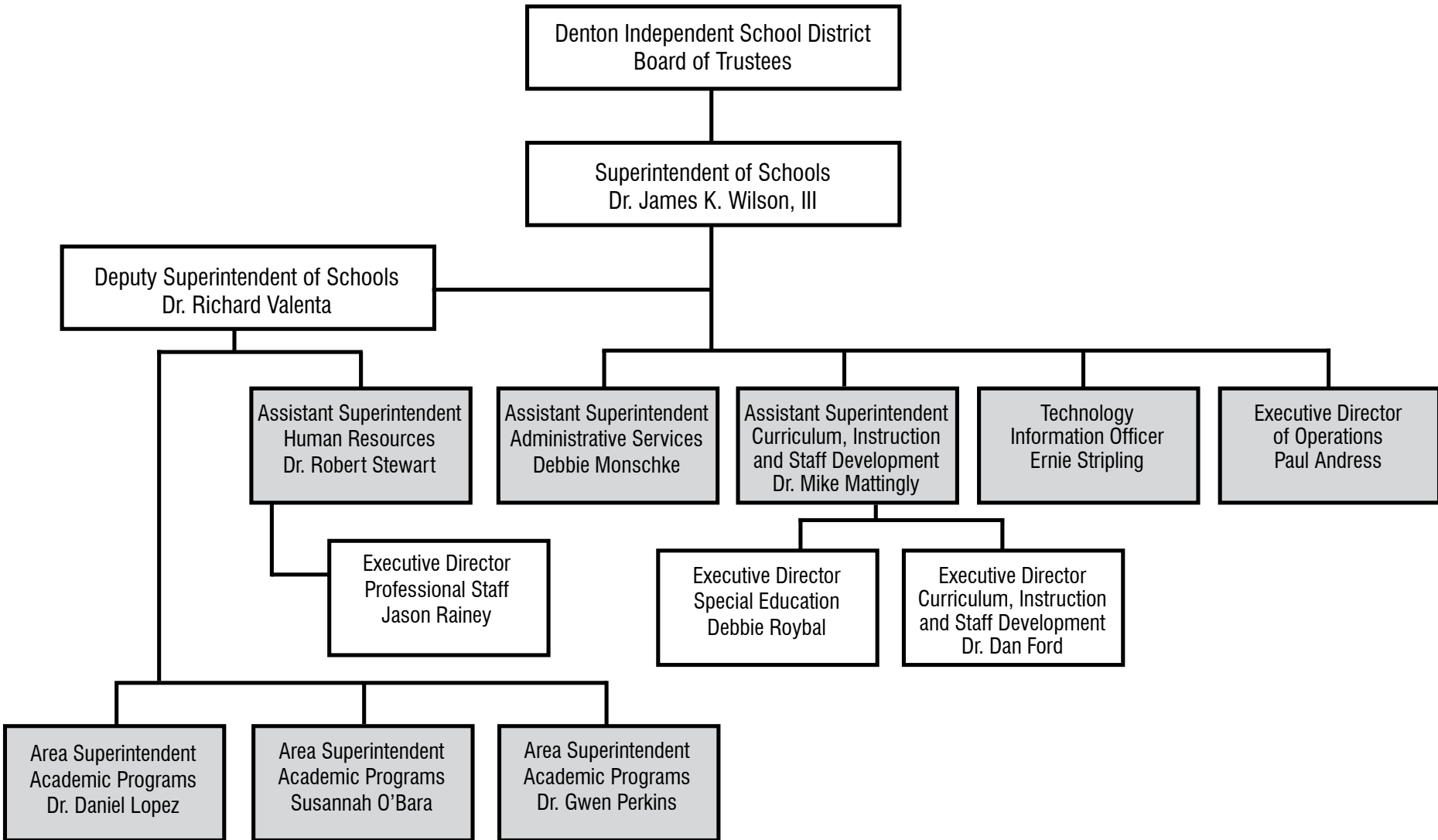
**Denton Independent School District  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

# Denton Independent School District's *Organizational Chart*



**DENTON INDEPENDENT SCHOOL DISTRICT**

**ELECTED OFFICIALS**

**BOARD OF TRUSTEES**

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>
Ms. Mia Price, President	May, 2019	Financial Manager
Ms. Dorothy Martinez, Vice President	May, 2020	Retired Educator
Dr. Jeanetta Smith, Secretary	May, 2018	Retired Educator
Dr. Jim Alexander, Member	May, 2020	College Professor
Ms. Barbara Burns, Member	May, 2018	Retired Educator
Mr. Charles Stafford, Member	May, 2019	Real Estate Professional
Mr. Doug Chadwick, Member	May, 2019	Retired Foundation Director

## DENTON INDEPENDENT SCHOOL DISTRICT

### APPOINTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Years in District</u>
Dr. Jamie Wilson	Superintendent	11 years
Dr. Richard Valenta	Deputy Superintendent	4 years
Dr. Mike Mattingly	Assistant Superintendent Curriculum, Instruction and Staff Development	9 years
Ms. Debbie Monschke	Assistant Superintendent Administrative Services	21 years
Dr. Robert Stewart	Assistant Superintendent Human Resources	9 years
Mr. Ernie Stripling	Chief Technology Officer	16 years
Mr. Paul Andress	Executive Director Operations	21 years
Dr. Dan Ford	Executive Director Curriculum, Instruction and Staff Development	5 years
Mr. Jason Rainey	Executive Director Professional Staff	7 years
Ms. Debbie Roybal	Executive Director Special Education	6 years
Ms. Susannah O'Bara	Area Superintendent	24 years
Dr. Gwen Perkins	Area Superintendent	10 years
Dr. Daniel Lopez	Area Superintendent	1 year



**DENTON INDEPENDENT SCHOOL DISTRICT**

Consultants and Advisors

**ARCHITECTS**

**VLK Architects**

2821 West 7<sup>th</sup> Street, Suite 300  
Fort Worth, Texas 76107

**Stantec Architecture, Inc.**

5717 Legacy Drive, Suite 250  
Plano, Texas 75024

**Corgan Associates, Inc.**

401 North Houston Street  
Dallas, Texas 75202

**AUDIT FIRM**

**Hankins, Eastup, Deaton, Tonn & Seay P.C.**

A Professional Corporation  
902 N. Locust Street  
Denton, Texas 76201

**BOND ATTORNEYS**

**McCall, Parkhurst & Horton L.L.P.**

717 North Harwood Suite 900  
Dallas, Texas 75201-6587

**FISCAL AGENT**

**BOK Financial Securities, Inc.**

333 W Campbell Road, Suite 350  
Richardson, Texas 75080

**OFFICIAL DEPOSITORY**

**BBVA Compass**

729 Fort Worth Drive  
Denton, Texas 76201

**TAX COLLECTION ATTORNEY**

**Sawko & Burroughs, P.C.**

1172 Bent Oaks Drive  
Denton, Texas 76210

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# *FINANCIAL SECTION*

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

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

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**CERTIFIED PUBLIC ACCOUNTANTS**

902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977  
TEL. (940) 387-8563  
FAX (940) 383-4746

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denton Independent School District (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Denton Independent School District as of June 30, 2017, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 17 through 25 and the Teacher Retirement System schedules on pages 80 through 82 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017 on our consideration of Denton Independent School District's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Denton Independent School District's internal control over financial reporting and compliance.



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

November 14, 2017

**DENTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(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, 2017. Please read this narrative in conjunction with the independent auditors' report on page 15, and the District's Basic Financial Statements that begin on page 27.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of Denton Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$38,426,511 (net position).
- The District's total net position decreased by \$26,772,115 during the fiscal year.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$309,397,471. Over 22% of this total amount (\$70,709,230) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, the unassigned fund balance of the general fund of \$70,709,230 was 29.35% of the total general fund expenditures.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 27 through 29). 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 30) 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 43) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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

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

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

The analysis of the District's overall financial condition and operations begins on page 27. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

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

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

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

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

### **Fund Financial Statements**

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

The fund financial statements begin on page 30 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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



- Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains thirty-two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, each of which are considered to be major funds. Data from the other twenty-nine 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 27 through 34 of this report.
- Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's workers compensation program 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 assets and liabilities that can be found on page 41. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

## **Governmental Activities**

**Net Position.** The net position of the District's governmental activities at June 30, 2017 was \$36,958,239. Investment in capital assets (e.g. land, building, furniture, vehicles and equipment) less any related debt used to acquire those assets that is still outstanding was a deficit of \$16,839,370 at June 30, 2017. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's governmental activities net position (\$63,951,678) represents resources that are subject to external restrictions on how they may be used.

**Changes in Net Position.** The District's total revenues of its governmental activities were \$337,750,859. A significant portion, approximately 65.5 percent, of the revenue comes from property taxes. Another 20.2 percent comes from state aid - formula grants while only 1.2 percent relates to charges for services. This reflects a \$22.4 million increase in revenues from 2015-2016, primarily from increases in property taxes. The total revenues were used to fund the cost of all programs and services in the amount of \$364,387,942, and to pay down the District's debt. This reflects a \$15.9 million increase in expenses from 2015-2016, or approximately 5.9%.

**Governmental Activities.** The District's total net position of its governmental activities decreased \$26,650,401 from the results of current year operations. The total cost of all government activities for the fiscal year ended June 30, 2017 was \$364,387,942. Funding for these governmental activities is by specific program revenue or through general revenues such as property taxes, state aid and investment earnings. Program revenues directly attributable to specific activities funded some of the governmental activities costs. These program revenues amounted to \$44,437,308 (grant revenues, tuition and facility leasing, for example). The remaining cost of governmental activities not directly funded by program revenues was \$319,950,634, which were primarily funded by property taxes in the amount of \$221,282,800 and state revenue plus grants and contributions of \$69,863,037.

## **Business-type Activities**

**Net Position.** The net position of the District's business-type activities at June 30, 2017 were \$1,468,272. Investment in capital assets (e.g. furniture, vehicles and equipment) was \$653,907 at June 30, 2017. The remaining balance of unrestricted net position is \$814,365 which may be used to meet the District's ongoing obligations in the child nutrition program and stadium concessions operations.

**Changes in Net Position.** The District's total revenues of its business-type activities were \$10,775,791. The revenues come from two primary sources - approximately 63.0 percent from federal reimbursements for the school breakfast and lunch program, and approximately 37.0 percent from charges for services. The total revenues were used to fund program costs that totaled \$10,910,823.

**Business-type Activities.** The District's total net position of its business-type activities decreased \$121,714 from the results of current year operations. The total cost of all business-type activities for the fiscal year ended June 30, 2017 was \$10,910,823. Funding for these business-type activities is primarily by specific program revenue. Program revenues directly attributable to the two activities funded virtually of the costs. These program revenues amounted to \$10,770,203. The volume of activity in the District's business-type activities during the year was comparable to the prior year.

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 358,747,242	\$ 433,476,718	\$ 3,389,832	\$ 2,922,841	\$ 362,137,074	\$ 436,399,559
Capital assets	722,558,557	674,499,498	653,907	856,186	723,212,464	675,355,684
Total assets	1,081,305,799	1,107,976,216	4,043,739	3,779,027	1,085,349,538	1,111,755,243
Deferred outflows of resources	97,507,498	102,149,015	1,548,199	1,598,217	99,055,697	103,747,232
Total assets and deferred outflows of resources	1,178,813,297	1,210,125,231	5,591,938	5,377,244	1,184,405,235	1,215,502,475
Long-term liabilities	1,075,987,588	1,081,933,955	3,035,337	2,838,997	1,079,022,925	1,084,772,952
Other liabilities	55,729,051	53,626,318	585,420	402,245	56,314,471	54,028,563
Total liabilities	1,131,716,639	1,135,560,273	3,620,757	3,241,242	1,135,337,396	1,138,801,515
Deferred inflows of resources	10,138,419	10,956,318	502,909	546,016	10,641,328	11,502,334
Total liabilities and deferred inflows of resources	1,141,855,058	1,146,516,591	4,123,666	3,787,258	1,145,978,724	1,150,303,849
Net Position:						
Net investments in capital assets	(16,839,370)	(43,470,538)	653,907	856,186	(16,185,463)	(42,614,352)
Restricted	63,951,678	68,831,583	-	-	63,951,678	68,831,583
Unrestricted	(10,154,069)	38,247,595	814,365	733,800	(9,339,704)	38,981,395
Total Net Position	\$ 36,958,239	\$ 63,608,640	\$ 1,468,272	\$ 1,589,986	\$ 38,426,511	\$ 65,198,626

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 3,990,947	\$ 3,809,526	\$ 3,785,007	\$ 3,622,571	\$ 7,775,954	\$ 7,432,097
Operating grants and contributions	40,446,361	41,233,445	6,985,196	6,651,997	47,431,557	47,885,442
<b>General Revenues:</b>						
Maintenance and operations taxes	149,513,725	132,703,343	-	-	149,513,725	132,703,343
Debt service taxes	71,769,075	63,686,766	-	-	71,769,075	63,686,766
State aid - formula grants	68,177,794	71,913,273	-	-	68,177,794	71,913,273
Grants and contributions	1,685,243	790,934	-	-	1,685,243	790,934
Interest earnings	1,948,489	961,891	5,588	2,096	1,954,077	963,987
Miscellaneous	219,225	201,487	-	-	219,225	201,487
<b>Total Revenue</b>	<b>337,750,859</b>	<b>315,300,665</b>	<b>10,775,791</b>	<b>10,276,664</b>	<b>348,526,650</b>	<b>325,577,329</b>
<b>Expenses:</b>						
Instruction, curriculum and media services	190,046,959	185,460,142	-	-	190,046,959	185,460,142
Instructional and school leadership	18,527,501	17,396,386	-	-	18,527,501	17,396,386
Student support services	24,236,170	23,580,972	-	-	24,236,170	23,580,972
Food services	242,248	273,787	10,832,909	10,493,682	11,075,157	10,767,469
Cocurricular activities	7,851,159	6,951,874	77,914	72,309	7,929,073	7,024,183
General administration	7,820,126	6,666,153	-	-	7,820,126	6,666,153
Plant maintenance, security and data processing	38,540,000	30,887,092	-	-	38,540,000	30,887,092
Community services	2,328,665	2,243,724	-	-	2,328,665	2,243,724
Debt services	73,046,623	(4,817,555)	-	-	73,046,623	(4,817,555)
Intergovernmental charges	1,748,491	1,625,227	-	-	1,748,491	1,625,227
<b>Total Expenses</b>	<b>364,387,942</b>	<b>270,267,802</b>	<b>10,910,823</b>	<b>10,565,991</b>	<b>375,298,765</b>	<b>280,833,793</b>
Increase (Decrease) in Net Position before transfers and special items	(26,637,083)	45,032,863	(135,032)	(289,327)	(26,772,115)	44,743,536
Transfers in (out)	(13,318)	-	13,318	-	-	-
Increase (Decrease) in Net Position	(26,650,401)	45,032,863	(121,714)	(289,327)	(26,772,115)	44,743,536
Net Position - beginning of year	63,608,640	18,575,777	1,589,986	1,879,313	65,198,626	20,455,090
Prior period adjustment	-	-	-	-	-	-
<b>Net Position - end of year</b>	<b>\$ 36,958,239</b>	<b>\$ 63,608,640</b>	<b>\$ 1,468,272</b>	<b>\$ 1,589,986</b>	<b>\$ 38,426,511</b>	<b>\$ 65,198,626</b>

- The Board of Trustees maintained the maintenance and operation property tax rate of \$1.04 for the fiscal year 2016-2017. This is the maximum rate allowed by law without a rollback election. The debt service rate was set at \$0.50. The total tax rate necessary to fund the 2016-2017 budget was \$1.54.
- The District continues to experience an increase in property values over the prior year. The actual increase in certified and under review values for 2016 was \$1,166,061,761 or 10.06%.
- The District has worked with Texas Association of School Boards (TASB) over the past few years to examine pay equity for employees and to determine if pay practices were internally fair and externally competitive. Several adjustments were implemented during the 2013-2014, 2014-2015, 2015-2016, and 2016-2017 school years. The 2016-2017 Salary Compensation Plan included salaries for new campuses Bell Elementary and Braswell High School in the amounts of \$2,488,678 and \$5,916,119 respectively. Also included were preliminary staffing amounts for the startup of Rodriguez Middle School.

The cost of all governmental activities for the current fiscal period was \$364,387,942. However, as shown in the Statement of Activities on pages 28 and 29, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$221,282,800 because some of the costs were paid by those who directly benefited from the programs (\$3,990,947) or by other governments and organizations that subsidized certain programs with grants and contributions (\$40,446,361) or by State equalization funding (\$68,177,794).

## 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 \$309,397,471 a decrease of \$74,002,747 from the prior year. Approximately 29 percent of this total amount (\$89,356,824) constitutes *committed, assigned and unassigned fund balance*, which is available for spending at the District's discretion. The remainder of fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$62,642,822), or for capital projects (\$156,987,796), or already spent on prepaid items (\$251,097), inventories (\$157,932) or endowment principal (\$1,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$70,709,230, while the total fund balance was \$84,035,676. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 29.35 percent of the total general fund expenditures, while the total fund balance represents 34.89 percent of that same amount.

The fund balance of the District's general fund increased by \$2,295,373 during the current fiscal year, compared to a \$55,027 decrease in the previous year. Key factors related to this change are as follows:

- A \$16,616,165 increase in property tax revenues offset by a \$3,736,480 decrease in state per capita and foundation revenue contributed to a \$15,116,051 overall increase in total revenues. Expenditures increased \$16,169,142 or 7.19% with increases in most functional categories.
- \$825,218 of general fund monies were transferred to the capital projects fund to set aside for future capital replacement needs, compared to \$4,864,647 transferred in the previous year.

The debt service fund has a total fund balance of \$62,651,625, all of which is reserved for the payment of debt service. The net decrease in fund balance during the period in the debt service fund was \$4,991,004, compared to a \$8,089,749 increase in the previous year. Tax revenues were \$8,131,552 higher than the previous year, but debt service expenditures were \$10,651,047 higher as well. In addition, the current fiscal year includes an \$8,800,000 bond defeasement financed out of fund balance reserves.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund decreased by \$71,433,593 due primarily to \$73,298,759 spent on construction-related costs. Although these and other capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 5 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in June, 2016). 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 \$84,035,676 reported on page 34 differs from the General Fund's budgetary fund balance of \$72,609,264 reported in the budgetary comparison schedule on page 79. For the year ended June 30, 2017, actual general fund expenditures on a budgetary basis were \$240,882,424, above the original budget expenditures of \$234,912,261. The actual expenditures were below the revised final budget of \$251,377,053. The majority of the actual variance of \$10,494,629 consists of savings achieved in payroll costs in the instructional area and savings achieved in utilities costs in the facilities maintenance and operations area. Actual revenue on a budgetary basis was \$242,157,108 compared to the original budget of \$225,077,594 and a revised budget of \$241,232,426. The actual variance of \$924,682 was due primarily to higher than expected tax revenue offset by lower than expected State revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2017, the District had \$722,558,577 (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 \$48,059,079, or 7.13 percent, above last year.

This fiscal year's major additions included:

Final construction costs on a new high school, paid for with proceeds of general obligation bonds issued in a prior year.	\$14,102,456
Continuing construction costs on a new middle school, paid for with proceeds of general obligation bonds issued in a prior year.	29,773,575
Initial construction costs on renovations and additions to an existing high school, paid for with proceeds of general obligation bonds	6,079,330
Totaling	\$49,955,361

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 \$885,993,259 in bonds outstanding (including accreted interest on bonds) versus \$888,335,192 last year—a decrease of 0.26 percent. New debt was incurred during the fiscal period through the issuance of one refunding bond series. The District's underlying rating for unlimited tax bonds is "AA" by S&P, and "AA-" by Fitch but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$1,424,531,720, which is significantly in excess of the District's outstanding general obligation debt.

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

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

The Board of Trustees of the Denton Independent School District adopted a total tax rate of \$1.54 per \$100 of assessed value for 2017-2018. The M & O tax rate will increase to \$1.06 and the debt service tax rate will decrease to \$0.48 for a total rate of \$1.54 per voter approval in the rollback election that occurred on September 9, 2017. The district's certified values increased \$1,762,711,922 or 13.82% for 2017.

State funding for 2017-2018 is projected to be \$80,308,247 or 31.32% of the total budget compared to \$74,615,842 or 32.88% for 2016-2017.

During the 2012-2013 school year the district worked with TASB to examine pay equity for employees and to determine if pay practices were internally fair and externally competitive. Several adjustments have been implemented since the 2013-2014 school year. The 2017-2018 compensation plan includes an increase in the amount of \$5,938,677. This includes \$3,872,500 for staffing of the new Rodriguez Middle School opening in August 2017.

The main focus for the 2017-2018 budget was the projected increase in student enrollment of 2.87% while maintaining current programs. Denton ISD will receive approximately \$5,692,405 more in state funding for 2017-2018 than in the prior year's adopted budget. Property tax collections are expected to increase by \$24,893,857.

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

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

**BASIC FINANCIAL STATEMENTS**



DENTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 338,466,607	\$ 3,066,294	\$ 341,532,901
Property Taxes Receivable (Delinquent)	3,717,431	-	3,717,431
Allowance for Uncollectible Taxes	(180,825)	-	(180,825)
Due from Other Governments	16,241,864	4,485	16,246,349
Internal Balances	(6,787)	6,787	-
Other Receivables, net	28,794	4,306	33,100
Inventories	162,660	307,960	470,620
Prepayments	303,256	-	303,256
Capital Assets:			
Land	51,396,865	-	51,396,865
Buildings, Net	613,797,711	-	613,797,711
Furniture and Equipment, Net	10,743,570	653,907	11,397,477
Construction in Progress	46,620,431	-	46,620,431
Other Assets	14,222	-	14,222
Total Assets	<u>1,081,305,799</u>	<u>4,043,739</u>	<u>1,085,349,538</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Charge for Refunding	66,296,517	-	66,296,517
Deferred Outflow Related to TRS	31,210,981	1,548,199	32,759,180
Total Deferred Outflows of Resources	<u>97,507,498</u>	<u>1,548,199</u>	<u>99,055,697</u>
<b>LIABILITIES</b>			
Accounts Payable	13,146,210	149,406	13,295,616
Payroll Deductions & Withholdings	2,106,356	-	2,106,356
Accrued Wages Payable	25,015,973	50,975	25,066,948
Accrued Expenses	14,620,520	-	14,620,520
Unearned Revenue	839,992	385,039	1,225,031
Noncurrent Liabilities			
Due Within One Year	33,297,562	-	33,297,562
Due in More Than One Year	981,499,025	3,035,337	984,534,362
Net Pension Liability (District's Share)	61,191,001	-	61,191,001
Total Liabilities	<u>1,131,716,639</u>	<u>3,620,757</u>	<u>1,135,337,396</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to TRS	10,138,419	502,909	10,641,328
Total Deferred Inflows of Resources	<u>10,138,419</u>	<u>502,909</u>	<u>10,641,328</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	(16,839,370)	653,907	(16,185,463)
Restricted:			
Restricted for Debt Service	62,642,822	-	62,642,822
Restricted for Campus Activities	1,294,634	-	1,294,634
Restricted (nonexpendable) for Corpus	1,000	-	1,000
Restricted (expendable) for Playground Equipment	13,222	-	13,222
Unrestricted	(10,154,069)	814,365	(9,339,704)
Total Net Position	<u>\$ 36,958,239</u>	<u>\$ 1,468,272</u>	<u>\$ 38,426,511</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, 2017

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
Instruction	\$ 179,220,317	\$ 492,926	\$ 21,307,682
Instructional Resources and Media Services	4,678,744	-	302,143
Curriculum and Staff Development	6,147,898	-	1,963,004
Instructional Leadership	2,963,824	-	336,398
School Leadership	15,563,677	-	682,440
Guidance, Counseling and Evaluation Services	14,331,163	-	3,188,256
Social Work Services	791,191	-	199,045
Health Services	2,789,542	4,721,227	108,866
Student (Pupil) Transportation	6,324,274	-	2,593,458
Food Services	242,248	-	245,522
Extracurricular Activities	7,851,159	593,511	904,783
General Administration	7,820,126	716,551	1,072,802
Facilities Maintenance and Operations	31,266,422	371,668	216,141
Security and Monitoring Services	938,861	-	4,270
Data Processing Services	6,334,717	-	101,599
Community Services	2,328,665	2,532,842	236,908
Debt Service - Interest on Long Term Debt	68,414,301	-	1,545,266
Debt Service - Bond Issuance Cost and Fees	4,632,322	-	-
Payments related to Shared Services Arrangements	426,400	-	-
Other Intergovernmental Charges	1,322,091	-	-
<b>Total Governmental Activities:</b>	<b>364,387,942</b>	<b>9,428,725</b>	<b>35,008,583</b>
<b>BUSINESS-TYPE ACTIVITIES:</b>			
National School Breakfast&Lunch	10,832,909	3,695,365	6,985,196
Stadium Concessions	77,914	89,642	-
<b>Total Business-Type Activities:</b>	<b>10,910,823</b>	<b>3,785,007</b>	<b>6,985,196</b>
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 375,298,765</b>	<b>\$ 13,213,732</b>	<b>\$ 41,993,779</b>

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

State Aid - Formula Grants

Grants and Contributions not Restricted

Investment Earnings

Miscellaneous Local and Intermediate Revenue

Transfers In (Out)

Total General Revenues & Transfers

Change in Net Position

Net Position - Beginning

Net Position--Ending

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

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business Type Activities	Total
\$ (157,419,709)	\$ -	\$ (157,419,709)
(4,376,601)	-	(4,376,601)
(4,184,894)	-	(4,184,894)
(2,627,426)	-	(2,627,426)
(14,881,237)	-	(14,881,237)
(11,142,907)	-	(11,142,907)
(592,146)	-	(592,146)
2,040,551	-	2,040,551
(3,730,816)	-	(3,730,816)
3,274	-	3,274
(6,352,865)	-	(6,352,865)
(6,030,773)	-	(6,030,773)
(30,678,613)	-	(30,678,613)
(934,591)	-	(934,591)
(6,233,118)	-	(6,233,118)
441,085	-	441,085
(66,869,035)	-	(66,869,035)
(4,632,322)	-	(4,632,322)
(426,400)	-	(426,400)
(1,322,091)	-	(1,322,091)
(319,950,634)	-	(319,950,634)
-	(152,348)	(152,348)
-	11,728	11,728
-	(140,620)	(140,620)
(319,950,634)	(140,620)	(320,091,254)
149,513,725	-	149,513,725
71,769,075	-	71,769,075
68,177,794	-	68,177,794
1,685,243	-	1,685,243
1,948,489	5,588	1,954,077
219,225	-	219,225
(13,318)	13,318	-
293,300,233	18,906	293,319,139
(26,650,401)	(121,714)	(26,772,115)
63,608,640	1,589,986	65,198,626
\$ 36,958,239	\$ 1,468,272	\$ 38,426,511

DENTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

	General Fund	Debt Service Fund	Capital Projects
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 96,915,277	\$ 62,518,513	\$ 171,757,284
Property Taxes - Delinquent	2,532,433	1,184,998	-
Allowance for Uncollectible Taxes (Credit)	(122,384)	(58,441)	-
Receivables from Other Governments	12,840,081	1,480	-
Due from Other Funds	1,693,630	-	-
Other Receivables	26,502	336	-
Inventories	157,932	-	-
Prepayments	203,630	8,803	17,874
Other Assets	-	-	-
<b>Total Assets</b>	<b>\$ 114,247,101</b>	<b>\$ 63,655,689</b>	<b>\$ 171,775,158</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 2,511,600	\$ 36,068	\$ 10,394,634
Payroll Deductions and Withholdings Payable	2,106,356	-	-
Accrued Wages Payable	23,500,514	-	-
Due to Other Funds	12,466	-	-
Unearned Revenues	2,500	-	-
<b>Total Liabilities</b>	<b>28,133,436</b>	<b>36,068</b>	<b>10,394,634</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Property Taxes	2,077,989	967,996	-
<b>Total Deferred Inflows of Resources</b>	<b>2,077,989</b>	<b>967,996</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
Inventories	157,932	-	-
Endowment Principal	-	-	-
Prepaid Items	203,630	8,803	17,874
Restricted Fund Balance:			
Capital Acquisition and Contractual Obligation	-	-	156,987,796
Retirement of Long-Term Debt	-	62,642,822	-
Committed Fund Balance:			
Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
Other Assigned Fund Balance	12,964,884	-	4,374,854
Unassigned Fund Balance	70,709,230	-	-
<b>Total Fund Balances</b>	<b>84,035,676</b>	<b>62,651,625</b>	<b>161,380,524</b>
<b>Total Liabilities, Deferred Inflows &amp; Fund Balances</b>	<b>\$ 114,247,101</b>	<b>\$ 63,655,689</b>	<b>\$ 171,775,158</b>

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

Other Funds	Total Governmental Funds
\$ 2,046,110	\$ 333,237,184
-	3,717,431
-	(180,825)
3,400,303	16,241,864
-	1,693,630
1,846	28,684
-	157,932
58,140	288,447
14,222	14,222
<u>\$ 5,520,621</u>	<u>\$ 355,198,569</u>
\$ 144,424	\$ 13,086,726
-	2,106,356
1,515,429	25,015,943
1,693,630	1,706,096
837,492	839,992
<u>4,190,975</u>	<u>42,755,113</u>
-	3,045,985
<u>-</u>	<u>3,045,985</u>
-	157,932
1,000	1,000
20,790	251,097
-	156,987,796
-	62,642,822
1,294,634	1,294,634
13,222	17,352,960
-	70,709,230
<u>1,329,646</u>	<u>309,397,471</u>
<u>\$ 5,520,621</u>	<u>\$ 355,198,569</u>

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DENTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2017

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>309,397,471</b>
Assets and liabilities of the internal service funds are not included in the fund financial statements.		3,883,099
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.		1,017,920,680
Accumulated depreciation is not reported in the fund financial statements.		(295,362,103)
Bonds payable are not reported in the fund financial statements.		(839,287,749)
Bond premiums and discounts are not recognized in the fund financial statements.		(127,787,239)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.		(13,308,384)
Property tax revenue reported as deferred revenue in the fund financial statements was recognized as revenue in the government-wide financial statements.		3,045,985
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$61,191,001, a Deferred Resource Inflow related to TRS in the amount of \$10,138,419, and a Deferred Resource Outflow related to TRS in the amount of \$31,210,981. This amounted to a decrease in Net Position in the amount of \$40,118,439.		(40,118,439)
Accrued vacation benefits and special termination benefits have not been recorded in the fund financial statements.		(1,016,089)
Deferred charge on bond refundings is not recognized in the fund financial statements.		66,296,517
Accreted interest on capital appreciation bonds has not been recorded in the fund financial statements.		(46,705,510)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>36,958,239</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, 2017

	General Fund	Debt Service Fund	Capital Projects
<b>REVENUES:</b>			
Total Local and Intermediate Sources	\$ 155,913,981	\$ 71,998,277	\$ 1,091,529
State Program Revenues	80,289,056	1,416,976	-
Federal Program Revenues	5,954,071	-	-
Total Revenues	242,157,108	73,415,253	1,091,529
<b>EXPENDITURES:</b>			
<b>Current:</b>			
Instruction	149,190,273	-	10,819
Instructional Resources and Media Services	4,126,348	-	-
Curriculum and Instructional Staff Development	3,760,233	-	-
Instructional Leadership	2,455,169	-	-
School Leadership	13,832,820	-	-
Guidance, Counseling and Evaluation Services	10,060,106	-	-
Social Work Services	537,105	-	-
Health Services	2,498,496	-	-
Student (Pupil) Transportation	5,674,414	-	-
Food Services	198,623	-	-
Extracurricular Activities	6,735,997	-	-
General Administration	7,007,502	-	-
Facilities Maintenance and Operations	23,452,083	-	-
Security and Monitoring Services	938,750	-	-
Data Processing Services	6,079,597	-	-
Community Services	1,987,918	-	-
<b>Debt Service:</b>			
Principal on Long Term Debt	-	30,364,508	-
Interest on Long Term Debt	-	38,630,367	-
Bond Issuance Cost and Fees	-	663,633	-
<b>Capital Outlay:</b>			
Facilities Acquisition and Construction	598,499	-	73,287,940
<b>Intergovernmental:</b>			
Payments to Fiscal Agent/Member Districts of SSA	426,400	-	-
Other Intergovernmental Charges	1,322,091	-	-
Total Expenditures	240,882,424	69,658,508	73,298,759
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,274,684	3,756,745	(72,207,230)
<b>OTHER FINANCING SOURCES (USES):</b>			
Capital Related Debt Issued (Regular Bonds)	-	31,980,000	-
Sale of Real and Personal Property	31,659	-	-
Transfers In	1,813,757	864	825,218
Premium or Discount on Issuance of Bonds	-	1,072,289	-
Other Resources	1,700	-	-
Transfers Out (Use)	(826,427)	-	(51,581)
Payment to Bond Refunding Escrow Agent (Use)	-	(41,800,902)	-
Total Other Financing Sources (Uses)	1,020,689	(8,747,749)	773,637
Net Change in Fund Balances	2,295,373	(4,991,004)	(71,433,593)
Fund Balance - July 1 (Beginning)	81,740,303	67,642,629	232,814,117
Fund Balance - June 30 (Ending)	\$ 84,035,676	\$ 62,651,625	\$ 161,380,524

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



	Other Funds	Total Governmental Funds
\$	3,109,838	\$ 232,113,625
	2,529,317	84,235,349
	13,443,954	19,398,025
	19,083,109	335,746,999

12,692,022	161,893,114
143,526	4,269,874
1,803,849	5,564,082
261,507	2,716,676
162,089	13,994,909
2,688,453	12,748,559
171,966	709,071
5,793	2,504,289
128,966	5,803,380
43,625	242,248
598,321	7,334,318
21,941	7,029,443
45,709	23,497,792
111	938,861
254	6,079,851
176,390	2,164,308

-	30,364,508
-	38,630,367
-	663,633

-	73,886,439
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-	426,400
-	1,322,091

18,944,522	402,784,213
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138,587	(67,037,214)
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-	31,980,000
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-	31,659
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1,208	2,641,047
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-	1,072,289
---	-----------

-	1,700
---	-------

(13,318)	(891,326)
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-	(41,800,902)
---	--------------

(12,110)	(6,965,533)
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126,477	(74,002,747)
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1,203,169	383,400,218
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\$	1,329,646	\$	309,397,471
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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, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (74,002,747)</b>
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of reclassifying the current year capital asset additions is to increase net position.	66,574,955
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position in the government-wide financial statements.	(18,515,876)
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the fund financial statements interest expenditures are reported when due.	(927,627)
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed, net of an allowance for uncollectable amounts, in the government-wide financial statements.	64,672
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	8,801,268
Current year interest accretion on capital appreciation bonds is not recognized in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(37,657,575)
The net loss of internal service funds is not included in the fund financial statements but is reported with governmental activities in the government-wide financial statements.	(1,966,527)
Current year principal payments on bonds payable are expenditures in the fund financial statements, but are shown as reductions in long-term debt in the government-wide financial statements.	30,364,508
The premium on the current year issuances of bonds is recorded as an other resource in the fund financial statements, but is capitalized in the government-wide financial statements.	(1,072,289)
Current year net decreases in accrued vacation benefit obligations and special termination benefit obligations are shown as expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	99,323
Current year issuances of bonds are shown as other resources in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.	(31,980,000)

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

DENTON INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

<p>Payments to refund bonds payable are shown as other financing uses in the fund financial statements, but are shown as a reduction in long-term debt in the government-wide financial statements.</p>	41,800,902
<p>The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2016 caused the ending net position to increase in the amount of \$4,917,948. Contributions made before the measurement but during the 2017 FY were also de-expended and recorded as a reduction in the net pension liability for the District. This also caused an increase in the net position in the amount of \$868,430. These contributions were replaced with the District's pension expense for the year of \$10,051,077, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$4,264,699.</p>	(4,264,699)
<p>Current year amortization of deferred charge on bond refunding is not recorded in the fund financial statements, but is shown as a reduction of the deferred loss in the government-wide financial statements.</p>	(3,968,689)
<p><b>Change in Net Position of Governmental Activities</b></p>	<hr style="border: 0.5px solid black;"/> <b>\$ (26,650,401)</b> <hr style="border: 0.5px solid black;"/>

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

DENTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	Child Nutrition	Stadium Concessions	Total Enterprise Funds	Total Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,955,379	\$ 110,915	\$ 3,066,294	\$ 5,229,423
Due from Other Governments	4,485	-	4,485	-
Due from Other Funds	6,787	-	6,787	5,679
Other Receivables	4,306	-	4,306	110
Inventories	307,960	-	307,960	4,728
Prepayments	-	-	-	14,809
Total Current Assets	<u>3,278,917</u>	<u>110,915</u>	<u>3,389,832</u>	<u>5,254,749</u>
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	4,221,408	27,223	4,248,631	8,756
Depreciation on Furniture and Equipment	(3,567,501)	(27,223)	(3,594,724)	(8,756)
Total Noncurrent Assets	<u>653,907</u>	<u>-</u>	<u>653,907</u>	<u>-</u>
Total Assets	<u>3,932,824</u>	<u>110,915</u>	<u>4,043,739</u>	<u>5,254,749</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflow Related to TRS	<u>1,548,199</u>	<u>-</u>	<u>1,548,199</u>	<u>-</u>
Total Deferred Outflows of Resources	<u>1,548,199</u>	<u>-</u>	<u>1,548,199</u>	<u>-</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	149,406	-	149,406	59,483
Accrued Wages Payable	50,975	-	50,975	30
Accrued Expenses	-	-	-	1,312,136
Unearned Revenues	385,039	-	385,039	-
Total Current Liabilities	<u>585,420</u>	<u>-</u>	<u>585,420</u>	<u>1,371,649</u>
NonCurrent Liabilities:				
Net Pension Liability	3,035,337	-	3,035,337	-
Total Noncurrent Liabilities	<u>3,035,337</u>	<u>-</u>	<u>3,035,337</u>	<u>-</u>
Total Liabilities	<u>3,620,757</u>	<u>-</u>	<u>3,620,757</u>	<u>1,371,649</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflow Related to TRS	<u>502,909</u>	<u>-</u>	<u>502,909</u>	<u>-</u>
Total Deferred Inflows of Resources	<u>502,909</u>	<u>-</u>	<u>502,909</u>	<u>-</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	653,907	-	653,907	-
Unrestricted Net Position	703,450	110,915	814,365	3,883,100
Total Net Position	<u>\$ 1,357,357</u>	<u>\$ 110,915</u>	<u>\$ 1,468,272</u>	<u>\$ 3,883,100</u>

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

DENTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	Child Nutrition	Stadium Concessions	Total Enterprise Funds	Total Internal Service Funds
<b>OPERATING REVENUES:</b>				
Local and Intermediate Sources	\$ 3,635,705	\$ 89,642	\$ 3,725,347	\$ 1,089,914
State Program Revenues	59,660	-	59,660	-
Total Operating Revenues	<u>3,695,365</u>	<u>89,642</u>	<u>3,785,007</u>	<u>1,089,914</u>
<b>OPERATING EXPENSES:</b>				
Payroll Costs	4,722,852	33,294	4,756,146	233,636
Professional and Contracted Services	80,784	-	80,784	241,734
Supplies and Materials	5,754,074	44,445	5,798,519	74,284
Other Operating Costs	45,443	175	45,618	769,795
Depreciation Expense	229,756	-	229,756	1,167
Total Operating Expenses	<u>10,832,909</u>	<u>77,914</u>	<u>10,910,823</u>	<u>1,320,616</u>
Operating Income (Loss)	<u>(7,137,544)</u>	<u>11,728</u>	<u>(7,125,816)</u>	<u>(230,702)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
National School Breakfast Program	1,396,542	-	1,396,542	-
National School Lunch Program	4,857,432	-	4,857,432	-
Donated Commodities (USDA)	731,222	-	731,222	-
Earnings from Temporary Deposits & Investments	5,588	-	5,588	26,048
Total Nonoperating Revenues (Expenses)	<u>6,990,784</u>	<u>-</u>	<u>6,990,784</u>	<u>26,048</u>
Income (Loss) Before Transfers	<u>(146,760)</u>	<u>11,728</u>	<u>(135,032)</u>	<u>(204,654)</u>
Transfer In	13,318	-	13,318	-
Transfers Out	-	-	-	(1,763,040)
Change in Net Position	<u>(133,442)</u>	<u>11,728</u>	<u>(121,714)</u>	<u>(1,967,694)</u>
Total Net Position - July 1 (Beginning)	<u>1,490,799</u>	<u>99,187</u>	<u>1,589,986</u>	<u>5,850,794</u>
Total Net Position June 30 (Ending)	<u>\$ 1,357,357</u>	<u>\$ 110,915</u>	<u>\$ 1,468,272</u>	<u>\$ 3,883,100</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, 2017

	Business-Type Activities			Governmental Activities -
	Child Nutrition	Stadium Concessions	Total Enterprise Funds	Total Internal Service Funds
<b><u>Cash Flows from Operating Activities:</u></b>				
Cash Received from District	\$ -	\$ -	\$ -	\$ 784,050
Cash Received from Charges and Fees	3,761,383	89,642	3,851,025	251,303
Cash Received from Employees	-	-	-	668
Cash Payments for Payroll Costs	(4,888,654)	(33,320)	(4,921,974)	(233,840)
Cash Payments for Purchased Services	(80,784)	-	(80,784)	(236,272)
Cash Payments for Supplies and Materials	(4,936,892)	(44,445)	(4,981,337)	(73,085)
Cash Payments for Other Expenses	(45,443)	(175)	(45,618)	(99,888)
Cash Payments for Claims	-	-	-	(581,446)
Net Cash Provided by (Used for) Operating Activities	<u>(6,190,390)</u>	<u>11,702</u>	<u>(6,178,688)</u>	<u>(188,510)</u>
<b><u>Cash Flows from Non-Capital Financing Activities:</u></b>				
Cash Received from Federal Programs	6,253,974	-	6,253,974	-
<b><u>Cash Flows from Capital &amp; Related Financing Activities:</u></b>				
Purchase of Capital Assets	(27,477)	-	(27,477)	-
Change in Pension Liability Accounts	203,251	-	203,251	-
Transfers In (Out)	13,318	-	13,318	(1,763,040)
Net Cash Provided by (Used for) Capital & Related Financing Activities	<u>189,092</u>	<u>-</u>	<u>189,092</u>	<u>(1,763,040)</u>
<b><u>Cash Flows from Investing Activities:</u></b>				
Interest and Dividends on Investments	5,588	-	5,588	26,048
Net Increase (Decrease) in Cash and Cash Equivalents	258,264	11,702	269,966	(1,925,502)
Cash and Cash Equivalents at Beginning of Year	2,697,115	99,213	2,796,328	7,154,925
Cash and Cash Equivalents at End of Year	<u>\$ 2,955,379</u>	<u>\$ 110,915</u>	<u>\$ 3,066,294</u>	<u>\$ 5,229,423</u>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</u></b>				
Operating Income (Loss):	\$ (7,137,544)	\$ 11,728	\$ (7,125,816)	\$ (230,702)
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used For) Operating Activities:				
Depreciation	229,756	-	229,756	1,168
Commodities	731,222	-	731,222	-
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	(547)	-	(547)	718
Decrease (increase) in Inv./Prepayments	(31,304)	-	(31,304)	(11,529)
Decrease (increase) in Due from Other Gov.	1,551	-	1,551	-
Increase (decrease) in Accounts Payable	117,264	-	117,264	23,868
Increase (decrease) in Accrued Wages Payable	923	(26)	897	(204)
Increase (decrease) in Accrued Expenses	-	-	-	88,461
Increase (decrease) in Due to/from Other Funds	(166,725)	-	(166,725)	(60,290)
Increase (decrease) in Unearned Revenues	65,014	-	65,014	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ (6,190,390)</u>	<u>\$ 11,702</u>	<u>\$ (6,178,688)</u>	<u>\$ (188,510)</u>

The accompanying notes are an integral part of this statement.

DENTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2017

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	Agency Funds
<hr/>	
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 1,100,751
<b>Total Assets</b>	<u>\$ 1,100,751</u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 3,083
Due to Student Groups	1,097,668
<b>Total Liabilities</b>	<u>\$ 1,100,751</u>

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

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DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. REPORTING ENTITY**

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

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

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

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

**B. BASIS OF PRESENTATION**

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

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

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

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.
4. **Special Revenue Fund-Child Nutrition Fund** - This fund is established to account for resources financing the child nutrition program of the District. Federal reimbursement revenues originating from the US Department of Agriculture, as well as user fees, are expended for program operations with any unused balances legally restricted for use in the program.

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.

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

3. **Internal Service Funds** - The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has internal service funds for its health and workers compensation self-insurance plans, its print shop and iPad insurance.
4. **Permanent Fund** - The District utilizes a permanent fund to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes to support the District's programs. The District uses this fund to account for the Lewis Price Memorial Fund, the earnings on which are to be used for playground equipment.
5. **Agency Funds** - These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

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

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

**C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

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

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

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 90 day availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year 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.

**DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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

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

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

	<u>June 30, 2017</u> <u>Fund Balance</u>
Appropriated Budget Funds	\$ -0-
Nonappropriated Budget Funds	<u>1,315,424</u>
All Special Revenue Funds	<u>\$1,315,424</u>

**E. CASH AND CASH EQUIVALENTS**

The cash portion of this caption in the accompanying fund financial statements is comprised of demand accounts, imprest funds and money market savings accounts. The District maintains a demand account on an imprest basis through which most obligations are paid. Checking account balances for most government fund expenditures are pooled into one demand account.

The cash equivalents portion of this caption is comprised of investments in state investment pools. All daily receipts are deposited to demand accounts until the funds are invested under the terms of the District's depository contract.

All District's deposits and investments, other than the state investment pool, are legally insured by the Federal Deposit Insurance Corporation and additionally protected by appropriate pledges of securities issued by the State of Texas, other Texas municipalities or the Federal government.

**F. ENCUMBRANCE ACCOUNTING**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. At June 30, 2017 the District had the following encumbrances as significant commitments for which resources had not already been restricted, committed or assigned.

DENTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017

General Fund	\$ 234,510
Capital Projects Fund	<u>51,254,898</u>
Total	<u>\$51,489,408</u>

**G. 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 prepaid items are shown as nonspendable fund balance to signify that they are not available for other subsequent expenditures. Prepaid balances are reported using the consumption method, in which the prepaid item is recorded as an asset when paid and is charged to expenditure or expense each fiscal year in an amount equal to the related benefits received that year.

**H. 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.

The amount of unused commodities at balance sheet date is also reported as inventory and unearned revenue. Commodities on hand at June 30, 2017 totaled \$206,414.

**I. INTERFUND RECEIVABLES AND PAYABLES**

During the course of normal operations, the District has numerous transactions between funds: The most significant are:

- (A) Inventory is maintained in the General Fund but available for consumption by all funds on a cost reimbursement basis, and

Short-term interfund loans, due to the fact that checking account balances for most governmental funds are pooled into one demand account.

**J. 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 acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

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

Buildings	20-40 Years
Furniture and Equipment	5-10 Years



DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**K. 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.

**L. 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.

**M. NET POSITION**

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

**N. LONG-TERM OBLIGATIONS**

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

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

**O. FINANCIAL REPORTING MODEL**

The District follows the financial reporting model for state and local governments that includes the addition of management's discussion and analysis, government-wide financial statements, required supplementary information and the elimination of the effects of internal service activities to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve *fiscal accountability* and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow users of financial reports to assess a government's *operational accountability*. The GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

As a result, the financial statements 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.

**P. 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 2017, 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.

**Q. ESTIMATES**

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

**NOTE 2. FUND BALANCE**

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

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

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash and has classified the Lewis Price Memorial Fund principal as being nonspendable as these funds are contractually required to remain intact.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of June 30, 2017 for campus activities.



DENTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017

- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, the Board of Trustees may assign amounts for specific purposes but it has also delegated authority to assign fund balance to the Superintendent and the Assistant Superintendent of Administrative Services. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2017 for several purposes as detailed below.

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

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

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

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

**General Fund**

The General Fund has unassigned fund balance of \$12,964,884 at June 30, 2017. Deferred expenditures (prepaid items) of \$203,630 and inventories of \$157,932 are considered nonspendable fund balance. The District has assigned general fund fund balance resources for the following purposes as of June 30, 2017:

Extended School Day program	\$ 3,918,780
Non-bond new campus startup	4,731
Transportation	73,850
Per pupil campus allotment	1,598,461
Local grant funds	1,667,267
Career and Technology program	11,244
Bilingual program	13,602
Fine Arts program	19,142
Major maintenance projects	1,407,720
Technology	4,218,610
Athletics	312
Vehicles/buses/equipment	31,165
	<u>\$12,964,884</u>

**Other Major Funds**

The Debt Service Fund has restricted funds of \$62,642,822 at June 30, 2017 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. Deferred expenditures (prepaid items) of \$8,803 are considered nonspendable fund balance. The Capital Projects Fund has restricted funds of \$156,987,796 at June 30, 2017 consisting primarily of unspent bond funds and \$4,374,854 of non-bond funds assigned for future capital replacement projects. Deferred expenditures (prepaid items) of \$17,874 are considered nonspendable fund balance.

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**Other Funds**

The fund balance of \$1,315,424 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The Lewis Trust Memorial Fund permanent endowment fund principal of \$1,000 is shown as nonspendable at June 30, 2017, while the accumulated unspent earnings of \$13,222 are shown as assigned fund balance.

**NOTE 3. DEPOSITS AND INVESTMENTS**

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

1. Cash Deposits:

At June 30, 2017, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$8,947,120 and the bank balance was \$11,158,732. The District's cash deposits at June 30, 2017 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

A reconciliation of cash and cash equivalents to the financial statements is as follows:

Petty cash	\$ 200
Checking accounts and interest-bearing savings accounts	8,947,120
Investment pools	<u>333,700,554</u>
Total	<u>\$342,647,874</u>
Governmental funds	\$333,237,184
Enterprise funds	3,066,294
Internal service funds	5,229,423
Fiduciary funds	1,100,751
Permanent fund	<u>14,222</u>
Total	<u>\$342,647,874</u>

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.

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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, 2017, the District's cash balances totaled \$11,158,732. This entire amount was either secured by a letter of credit held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2017, 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 District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's or Moody's Investors Service. The District's policy manages credit risk by authorizing only the safest types of investments backed by the federal or state government or their obligations and/or with ratings from nationally recognized rating firms of at least A or its equivalent. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool and TexStar at year-end was AAAM (Standard & Poor's), and the credit quality rating for Lone Star was AA Af (Standard & Poor's).
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, TexStar, and Lone Star investments is less than 60 days.
- e. **Foreign Currency Risk -** This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2017, 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.

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The District's investments at June 30, 2017, are shown below:

<u>Name</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
TexPool	\$103,735,631	\$103,735,631
TexStar	129,858,630	129,858,630
Lone Star	<u>100,106,293</u>	<u>100,106,293</u>
Total	<u>\$333,700,554</u>	<u>\$333,700,554</u>

**Fair Value Measurements**

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

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

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

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**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Balance July 1</u>	<u>Additions/ Completions</u>	<u>Retirement/ Adjustments</u>	<u>Balance June 30</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 46,728,399	\$ 4,668,466	\$ -	\$ 51,396,865
Construction in Progress	<u>140,129,313</u>	<u>39,452,633</u>	<u>(132,961,515)</u>	<u>46,620,431</u>
Total capital assets, not being depreciated	<u>186,857,712</u>	<u>44,121,099</u>	<u>(132,961,515)</u>	<u>98,017,296</u>
Capital assets, being depreciated:				
Buildings and Improvements	721,386,634	151,096,240	(1,275,951)	871,206,923
Furniture and Equipment	<u>44,382,485</u>	<u>4,319,131</u>	<u>(5,155)</u>	<u>48,696,461</u>
Total capital assets, being depreciated	<u>765,769,119</u>	<u>155,415,371</u>	<u>(1,281,106)</u>	<u>919,903,384</u>
Less accumulated depreciation for:				
Buildings and Improvements	(242,452,265)	(16,232,898)	1,275,951	(257,409,212)
Furniture and Equipment	<u>(35,675,068)</u>	<u>(2,282,978)</u>	<u>5,155</u>	<u>(37,952,891)</u>
Total accumulated depreciation	<u>(278,127,333)</u>	<u>(18,515,876)</u>	<u>1,281,106</u>	<u>(295,362,103)</u>
Total capital assets being depreciated, net	<u>487,641,786</u>	<u>136,899,495</u>	<u>-</u>	<u>624,541,281</u>
Governmental activities capital assets, net	<u>\$ 674,499,498</u>	<u>\$ 181,020,594</u>	<u>\$ (132,961,515)</u>	<u>\$ 722,558,577</u>
Business-type activities:				
Furniture and Equipment	\$ 4,221,154	\$ 27,477	\$ -	\$ 4,248,631
Totals at historic cost	<u>4,221,154</u>	<u>27,477</u>	<u>-</u>	<u>4,248,631</u>
Less accumulated depreciation for:				
Furniture and Equipment	(3,364,968)	(229,756)	-	(3,594,724)
Total accumulated depreciation	<u>(3,364,968)</u>	<u>(229,756)</u>	<u>-</u>	<u>(3,594,724)</u>
Business-type activities capital assets net	<u>\$ 856,186</u>	<u>\$ (202,279)</u>	<u>\$ -</u>	<u>\$ 653,907</u>

Construction in progress includes the following construction contracts in progress as of June 30, 2017:

<u>Project</u>	<u>Estimated Cost to Complete</u>	<u>Expended to Date</u>	<u>Balance to Complete</u>
Middle School Construction	\$36,442,851	\$32,854,018	\$ 3,588,833
Support Services Building	11,590,385	742,987	10,847,398
High School Addition	<u>27,521,566</u>	<u>4,713,190</u>	<u>22,808,376</u>
Total	<u>\$75,554,802</u>	<u>\$38,310,195</u>	<u>\$37,244,607</u>

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

Governmental activities:	
Instruction	\$13,061,370
Instructional Resources & Media Services	317,743
Curriculum & Instructional Staff Development	375,138
Instructional Leadership	187,222
School Leadership	1,168,482
Guidance, Counseling & Evaluation Services	1,054,677
Social Work Services	56,989
Health Services	211,121
Student (Pupil) Transportation	449,803
Cocurricular/Extracurricular Activities	360,699
General Administration	497,177
Plant Maintenance and Operations	417,969
Data Processing Services	231,503
Community Services	<u>125,983</u>
Total depreciation expense-Governmental activities	<u>\$18,515,876</u>
Business-type activities:	
Food Services	\$ 229,756
Stadium Concessions	<u>-</u>
Total depreciation expense Business-type activities	<u>\$ 229,756</u>

**NOTE 5. LONG-TERM DEBT**

Long-term debt includes twenty series of par bonds and 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.

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The following is a summary of the changes in the District's Long-term Debt for the year ended June 30, 2017:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 7/1/16	Additions	Refunded/Retired	Amounts Outstanding 6/30/17	Due Within One Year
<b>Bonded Indebtedness:</b>							
2001 Bldg/Refunding	3.64-4.40%	60,920,000	\$ 18,430,000	\$ -	\$ 5,315,000	\$ 13,115,000	\$ 1,675,000
2002 Bldg/Ref CAB	3.58-5.88%	69,195,675	1,498,153	-	789,508	708,645	708,645
2005A Building	Variable	46,500,000	46,500,000	-	1,760,000	44,740,000	1,840,000
2006A Building	4.25-5.00%	21,580,000	2,365,000	-	2,365,000	-	-
2006B Building	Variable	30,000,000	30,000,000	-	-	30,000,000	-
2007 Building	4.00-5.00%	39,365,000	1,745,000	-	855,000	890,000	890,000
2008 Building	3.375-5.0%	158,215,000	4,290,000	-	2,110,000	2,180,000	2,180,000
2009 Refunding	4.00-5.25%	31,875,000	10,570,000	-	-	10,570,000	1,705,000
2011 Refunding	2.00-5.00%	24,325,000	16,930,000	-	2,555,000	14,375,000	2,660,000
2012A Building	Variable	40,000,000	34,360,000	-	8,800,000	25,560,000	-
2012B Refunding	2.00-5.00%	57,210,000	56,280,000	-	345,000	55,935,000	320,000
2012C Refunding	2.00-2.50%	24,875,000	19,060,000	-	3,220,000	15,840,000	3,145,000
2012D Refunding	2.00-5.00%	40,030,000	39,205,000	-	-	39,205,000	-
2013 Building	2.00%	44,300,000	39,815,000	31,980,000	39,815,000	31,980,000	-
2014A Building	1.25-5.00%	75,055,000	74,225,000	-	2,355,000	71,870,000	3,160,000
2014B Building	2.00%	69,075,000	69,075,000	-	-	69,075,000	-
2014C Refunding	2.00-5.00%	14,435,000	14,130,000	-	-	14,130,000	2,390,000
2015 Refunding	3.00-5.00%	118,775,000	117,480,000	-	-	117,480,000	-
2015A Building	2.00-5.00%	164,580,000	164,580,000	-	1,200,000	163,380,000	920,000
2016 Refunding	2.00-5.00%	117,200,000	117,200,000	-	495,000	116,705,000	-
2016 Refunding CAB	1.47-2.24%	1,549,104	1,549,104	-	-	1,549,104	-
<b>Total Bonded Indebtedness</b>			<u>879,287,257</u>	<u>31,980,000</u>	<u>71,979,508</u>	<u>839,287,749</u>	<u>21,593,645</u>
Accreted Interest	4.10-5.20%		9,047,935	42,308,067	4,650,492	46,705,510	4,726,355
Premiums on Bond Issuance			135,516,218	1,072,289	8,801,268	127,787,239	6,739,641
Accrued Vacation Benefits			1,070,860	206,424	287,253	990,031	225,000
Special Termination Benefits			44,552	-	18,494	26,058	12,921
<b>Total Other Obligations</b>			<u>145,679,565</u>	<u>43,586,780</u>	<u>13,757,507</u>	<u>175,508,838</u>	<u>11,703,917</u>
<b>Total Obligations of District</b>			<u>\$1,024,966,822</u>	<u>\$ 75,566,780</u>	<u>\$ 85,737,015</u>	<u>\$1,014,796,587</u>	<u>\$33,297,562</u>

Final maturity of the above bond series ranges from 2018 to 2046.

The District issues general obligation bonds for the governmental activities to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Current principal and interest requirements are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

Accrued vacation benefits and special termination benefits have typically been liquidated with general fund revenues in prior years.

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, 2017.



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Interest Rate Swap Agreements

*2005 Swap Agreements*

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

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

As of June 30, 2017, 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
June 30	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
2018	\$ 1,840,000	\$ 1,914,934	\$ 3,754,934
2019	1,890,000	1,833,433	3,723,433
2020	1,950,000	1,749,530	3,699,530
2021	2,000,000	1,663,222	3,663,222
2022	1,880,000	1,578,444	3,458,444
2023-2027	10,570,000	6,568,765	17,138,765
2028-2032	12,610,000	4,038,536	16,648,536
2033-2036	<u>12,000,000</u>	<u>1,075,457</u>	<u>13,075,457</u>
Totals	<u>\$ 44,740,000</u>	<u>\$ 20,422,321</u>	<u>\$ 65,162,321</u>

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

*2006 Swap Agreement*

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



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

As of June 30, 2017, 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>
2018	\$ -	\$ 1,571,100	\$ 1,571,100
2019	-	1,571,100	1,571,100
2020	-	1,571,100	1,571,100
2021	-	1,571,100	1,571,100
2022	-	1,571,100	1,571,100
2023-2027	3,855,000	7,467,046	11,322,046
2028-2032	5,895,000	6,099,927	11,994,927
2033-2036	<u>20,250,000</u>	<u>2,906,272</u>	<u>23,156,272</u>
Totals	<u>\$ 30,000,000</u>	<u>\$ 24,328,745</u>	<u>\$ 54,328,745</u>

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

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

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

As of June 30, 2017, the District was not exposed to credit risk with JPMCB and UBS on the 2005 Swap Agreements as such agreements had a negative fair value of \$8,120,421. The District was not exposed to credit risk with JPMCB on the 2006 Swap Agreement as such agreement had a negative fair value of \$8,750,009. Collectively, as of June 30, 2017, the Swap Agreements had a net negative fair value of \$16,870,430.

As of June 30, 2017, JPMCB was rated "Aa3," "A+" and "AA-" by Moody's Investors Service ("Moody's"), Standard & Poor's ("S&P") and Fitch Ratings ("Fitch"), respectively, while UBS was rated "Aa3," "A+" and "A+" by Moody's, S&P and Fitch, respectively.

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

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

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

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

**NOTE 6. DEBT SERVICE REQUIREMENTS - BONDS**

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

Year Ended June 30	Principal	Interest	Total Requirements
2018	\$ 19,753,645	\$ 36,305,434	\$ 56,059,079
2019	23,330,000	30,972,285	54,302,285
2020	24,340,000	30,949,096	55,289,096
2021	19,563,016	35,472,414	55,035,430
2022	24,022,371	31,393,050	55,415,421
2023-2027	91,963,717	182,252,065	274,215,782
2028-2032	163,740,000	108,688,505	272,428,505
2033-2037	163,805,000	60,007,955	223,812,955
2038-2042	145,900,000	45,841,746	191,741,746
2043-2046	<u>88,130,000</u>	<u>6,839,225</u>	<u>94,969,225</u>
	<u>\$764,547,749</u>	<u>\$568,721,775</u>	<u>\$1,333,269,524</u>

**NOTE 7. DEFEASED BONDS OUTSTANDING**

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

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, 2017, \$195,530,000 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.

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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 2016, 119 employees elected participation in the program. The District's liability for these special termination benefits is considered a long-term liability and is recorded in the Statement of Net Position at the present value at June 30, 2017 of all future periodic payments to be made to the 6 former employees currently in the program.

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

Year Ended <u>June 30</u>	Total <u>Payments</u>
2018	\$ 12,921
2019	6,799
2020	<u>6,799</u>
Total	<u>\$ 26,519</u>
Present Value	<u>\$ 26,058</u>

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

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

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

Balance, July 1, 2016	\$1,070,860
Additions – New Entrants and Salary Increments	206,424
Deductions – Payments to Participants	<u>(287,253)</u>
Balance, June 30, 2017	<u>\$ 990,031</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 \$1,322,091 in fiscal year 2017 for appraising property.

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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 2016-17 fiscal year was based was \$14,245,317,208. 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, 2017, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.50 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2017 were 99.16% 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, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled \$2,410,049 and \$1,126,557 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and as unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as unavailable revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

**NOTE 11. DEFINED BENEFIT PENSION PLAN**

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

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

*Pension Plan Fiduciary Net Position.* Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2015 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Denton ISD FY2017 Employer Contributions	\$	5,786,378
Denton ISD FY2017 Member Contributions	\$	14,145,027
Denton ISD 2016 NECE On-Behalf Contributions	\$	8,712,448

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.

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- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.

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

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

**Actuarial Assumptions.** The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

**Discount Rate.** The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:



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

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Denton ISD's proportionate share of the net pension liability:	\$ 99,400,733	\$ 64,226,338	\$ 34,391,337

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2017, Denton Independent School District reported a liability of \$64,226,338 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Denton Independent School District. The amount recognized by Denton Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Denton Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 64,226,338
State's proportionate share that is associated with the District	<u>103,415,412</u>
<b>Total</b>	<u>\$167,641,750</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.1699625968% an increase of .46% from its proportionate share of .0.1691892% at August 31, 2015.

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**Changes Since the Prior Actuarial Valuation** – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability during the current measurement period:

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

For the year ended June 30, 2017, Denton Independent School District recognized pension expense of \$10,732,054 and revenue of \$10,732,054 for support provided by the State.

At June 30, 2017, Denton Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,007,057	\$ 1,917,761
Changes in actuarial assumptions	1,957,504	1,780,269
Difference between projected and actual investment earnings	12,376,503	6,937,949
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	12,500,168	5,349
Contributions paid to TRS subsequent to the measurement date	4,917,948	-
Total	\$32,759,180	\$10,641,328

\$4,917,948 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2017	\$ 2,983,336
2018	2,983,336
2019	6,452,311
2020	2,716,801
2021	1,690,143
2022	373,977



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**NOTE 12. SCHOOL DISTRICT RETIREE HEALTH PLAN**

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

*Funding Policy.* Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2017, 2016, and 2015, the State's contributions to the TRS-Care were \$1,414,503, \$1,127,075, and \$1,043,735, respectively, the active member contributions were \$919,427, \$732,599, and \$678,428, respectively, and the school district's contribution were \$777,977, \$619,891, and \$574,054, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2017, the contribution made on behalf of the District was \$884,668.

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**NOTE 13. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2017, were as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund:		
Special Revenue Fund:		
Head Start	\$ 131,892	\$ -
ESEA Title I	316,347	-
IDEA-B Formula	586,683	-
IDEA-B Preschool	6,082	-
ESEA II Training and Recruiting	49,786	-
English Language Acquisition	34,684	-
Title IV, B Community Learning	26,524	-
Medicaid Admin Claim MAC	31,908	-
SSA Adult Basic Education	221,370	-
SSA TANF Family Assistance	5,718	-
SSA IDEA-B Discretionary	72,340	-
SSA IDEA-B Deaf	20,586	-
SSA Career and Technical	18,952	-
SSA IDEA-C Deaf	2,868	-
Pre-K Grant	48,461	-
SSA ABE Technology	26,172	-
SSA Regional Day School-Deaf	78,229	-
Deaf Educ Management Board	15,028	-
Enterprise Fund	-	6,787
Internal Service Fund	-	5,679
Special Revenue Fund:		
General Fund	-	1,693,630
Enterprise Fund:		
General Fund	6,787	-
Internal Service Fund:		
General Fund	<u>5,679</u>	<u>-</u>
<b>TOTAL</b>	<b><u>\$1,706,096</u></b>	<b><u>\$1,706,096</u></b>

Virtually all of the above interfund balances are short-term loans due to the fact that checking account balances for most governmental funds are pooled into one demand account. There are no interfund balances that are not expected to be repaid within one year.

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Interfunds transfers for the year ended June 30, 2017 consisted of the following individual amounts:

<u>Fund</u>	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund:		
Capital Projects Fund	\$ 825,218	\$ 50,717
Internal Service Fund	-	1,763,040
Special Revenue Fund	1,209	-
Enterprise Fund:		
Special Revenue Fund	-	13,317
Internal Service Fund:		
General Fund	1,763,040	-
Debt Service Fund:		
Capital Projects Fund	-	864
Capital Projects Fund:		
General Fund	50,717	825,218
Debt Service Fund	864	-
Special Revenue Fund:		
General Fund	-	1,209
Enterprise Fund	<u>13,317</u>	<u>-</u>
TOTAL	<u>\$2,654,365</u>	<u>\$2,654,365</u>

The purpose of the \$825,218 transfer was to transfer local funds from the general fund to the capital projects fund to set them aside for future capital replacements needs. The purpose of the \$1,763,040 transfer was to transfer excess funds from the workers compensation and health insurance trust internal service funds to the general fund. The purpose of the \$50,717 transfer is to transfer back to the general fund from the capital projects fund some of the capital replacement funds to use for bus repairs. The purpose of the \$1,209 transfer is to transfer a portion of the aquatic program loss to the general fund.

**NOTE 14. HEALTH CARE**

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

Effective January 1, 2012, the District changed to the State-sponsored TRS Active-Care health insurance plan. During the year ended June 30, 2017, the District contributed \$260 monthly to the TRS Active Care plan. Employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents.

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**NOTE 15. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2017, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>					
General Fund	\$2,532,433	\$12,840,081	\$192,334	\$ 26,502	\$15,591,350
Debt Service Fund	1,184,998	1,480	-	336	1,186,814
Special Revenue Fund	-	3,400,303	-	1,846	3,402,149
<b>Total - Governmental Activities</b>	<b><u>\$3,717,431</u></b>	<b><u>\$16,241,864</u></b>	<b><u>\$192,334</u></b>	<b><u>\$ 28,684</u></b>	<b><u>\$20,180,313</u></b>
Amounts not scheduled for collection during the subsequent year	\$ 180,825	\$ -	\$ -	\$ -	\$ 180,825
<b>Business-type Activities:</b>					
Enterprise Fund	\$ -	\$ 4,485	\$ 6,787	\$ 4,306	\$ 15,578
Internal Service Fund	-	-	5,679	110	5,789
<b>Total Business-type Activities</b>	<b><u>\$ -</u></b>	<b><u>\$ 4,485</u></b>	<b><u>\$ 12,466</u></b>	<b><u>\$ 4,416</u></b>	<b><u>\$ 21,367</u></b>

Payables at June 30, 2017, were as follows:

	<u>Accounts</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Other</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>					
General Fund	\$ 2,511,600	\$25,606,870	\$ 12,466	\$ -	\$28,130,936
Debt Service Fund	36,068	-	-	-	36,068
Capital Projects Fund	10,394,634	-	-	-	10,394,634
Special Revenue Funds	144,424	1,515,429	192,334	-	1,852,187
<b>Total-Governmental Activities</b>	<b><u>\$13,086,726</u></b>	<b><u>\$27,122,299</u></b>	<b><u>\$ 204,800</u></b>	<b><u>\$ -</u></b>	<b><u>\$40,413,825</u></b>
Amounts not scheduled for payment during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Business-type Activities:</b>					
Enterprise Fund	\$ 149,406	\$ 50,975	\$ -	\$ -	\$ 200,381
Internal Service Fund	59,484	30	-	1,312,136	1,371,650
<b>Total Business-type Activities</b>	<b><u>\$ 208,890</u></b>	<b><u>\$ 51,005</u></b>	<b><u>\$ -</u></b>	<b><u>\$1,312,136</u></b>	<b><u>\$ 1,572,031</u></b>

**NOTE 16. SELF-INSURED WORKERS' COMPENSATION**

During the year ended August 31, 1992, the District established a workers compensation self-insurance fund for District employees to minimize the total cost of workers compensation to the District. All premiums were paid to a third party administrator acting on behalf of a self-funded pool. Like the health care self-insurance fund, the District has retained the risk of loss, and thus uses an Internal Service Fund to account for the activity. The District records activities of the plan in accordance with governmental accounting standards. These costs are reported as interfund services provided and used to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Fund and operating expenditures of the General Fund. Additional payments, if any, to the self-insurance funds are treated as an equity transfer. Advanced Risk Management Techniques, Inc., through an actuarial review of the self-insurance program, projected an estimated outstanding loss of \$1,312,136 as of June 30, 2017. Claims administration is provided by TASB.

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FOR THE YEAR ENDED JUNE 30, 2017

This estimated outstanding loss is the actuarially-estimated cost of unpaid claims, including case reserves, the development of known claims, incurred but not reported claims, and allocated loss adjustment expenses. It represents the discounted present value of estimated future cash payments, less anticipated investment income, required to meet unpaid claims. It was calculated based on a 5% yield on investments.

The accrued liability for Workers' Compensation self-insurance of \$1,312,136 includes incurred but not reported claims. This liability reported in the fund at June 30, 2017, 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 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 2017 was \$500,000.

Changes in the workers' compensation claims liability amounts in fiscal 2016 and 2017 are represented below:

	<u>Year Ended</u> <u>June 30, 2016</u>	<u>Year Ended</u> <u>June 30, 2017</u>
Unpaid claims, beginning of year	\$1,038,852	\$1,223,675
Incurred claims (including IBNR'S)	928,629	839,538
Claim payments	<u>743,806</u>	<u>751,077</u>
Unpaid claims, end of fiscal year	<u>\$1,223,675</u>	<u>\$1,312,136</u>

The amount of claims and judgements due within one year is estimated to be \$500,000.

**NOTE 17. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2017, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>State Grants &amp;</u> <u>Entitlements</u>	<u>Federal</u> <u>Grants</u>	<u>Local</u> <u>Governments</u>	<u>Total</u>
General	\$12,546,397	\$ 263,928	\$ 29,756	\$12,840,081
Debt Service	1,480	-	-	1,480
Special Revenue	<u>556,803</u>	<u>2,835,704</u>	<u>7,796</u>	<u>3,400,303</u>
Total	<u>\$13,104,680</u>	<u>\$3,099,632</u>	<u>\$ 37,552</u>	<u>\$16,241,864</u>

**NOTE 18. CONTINGENT LIABILITIES**

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, is not known until as long as five years from the bond issuance date. At June 30, 2017, the estimated rebate liability on outstanding bond series was zero.

DENTON INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 19. LITIGATION AND CONTINGENCIES**

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

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

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

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

**NOTE 20. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$148,524,709	\$ -	\$71,392,894	\$ -	\$219,917,603
Investment Income	575,694	-	255,218	1,091,529	1,922,441
Penalties, interest and other tax related income	951,111	-	349,415	-	1,300,526
Co-curricular student activities	593,511	1,895,551	-	-	2,489,062
Tuition and fees	3,025,768	917,681	-	-	3,943,449
Gifts and bequests	1,685,243	296,606	-	-	1,981,849
Facilities rentals	352,222	-	-	-	352,222
Insurance recovery	19,446	-	-	-	19,446
Other	186,277	-	750	-	187,027
<b>Total</b>	<b><u>\$155,913,981</u></b>	<b><u>\$3,109,838</u></b>	<b><u>\$71,998,277</u></b>	<b><u>\$1,091,529</u></b>	<b><u>\$232,113,625</u></b>

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 21. UNEARNED REVENUE**

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Enterprise Fund	Total
Lunchroom Receipts	\$ -	\$ -	\$178,625	\$ 178,625
Food Commodities	-	-	206,414	206,414
State Textbook Fund	-	609,452	-	609,452
A.I.R.-DLL	-	2,626	-	2,626
Summer School LEP	-	3,455	-	3,455
Teacher Induction & Mentoring	-	613	-	613
Advanced Placement Incentives	-	126,717	-	126,717
Deaf Ed Mgmt Board	-	94,629	-	94,629
Facility Rentals	<u>2,500</u>	<u>-</u>	<u>-</u>	<u>2,500</u>
	<u>\$2,500</u>	<u>\$837,492</u>	<u>\$385,039</u>	<u>\$1,225,031</u>

**NOTE 22. COMMITMENTS UNDER LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment and for commercial lease space provide for minimum future rental payments as of June 30, 2017, as follows:

Year Ending <u>June 30,</u>	
2018	<u>\$106,523</u>
Total Minimum Rentals	<u>\$106,523</u>
Rental Expenditures in Fiscal Year 2017	<u>\$426,116</u>

**NOTE 23. GENERAL FUND FEDERAL SOURCE REVENUES**

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Amount</u>	<u>Total Grant or Entitlement</u>
General Fund:			
Medicaid Reimbursement	N/A	\$4,721,227	\$4,721,227
Junior ROTC	12.000	190,030	190,030
Indirect Costs	N/A	708,689	708,689
Impact Aid	12.106	128,290	128,290
Federal Excise Tax Rebate	N/A	<u>205,835</u>	<u>205,835</u>
Total for General Fund		<u>\$5,954,071</u>	<u>\$5,954,071</u>

**NOTE 24. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION**

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in one functional category in the Child Nutrition Fund for the year ended June 30, 2017.

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 25. SHARED SERVICE ARRANGEMENTS**

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

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

The District participates in a shared services arrangement for juvenile justice alternative education services with ten other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Denton ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended June 30, 2017, the District had no students in the program for whom it was required to make contributions.

**NOTE 26. EXPENDITURES BY CHARACTER**

Section 21.256, Texas Education Code, requires an annual audit and authorizes the State Board of Education, with the approval of the State Auditor, to prescribe minimum regulations and report forms for the annual audit. The Financial Accounting System Resource Guide of the Texas Education Agency prescribes the forms and formats to be filed with the Texas Education Agency. The prescribed format of the Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds, requires expenditures to be classified by function, meaning capital outlay directly associated with a particular function is charged to that function.

Expenditures by fund and character are as follows:

	Governmental Fund Types				Total (Memorandum Only)
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
Current	\$240,882,424	\$18,944,522	\$ -	\$ 6,723,804	\$266,550,750
Capital Outlay	-	-	-	66,574,955	66,574,955
Debt Service:					
Principal	-	-	30,364,508	-	30,364,508
Interest and Fiscal Charges	-	-	39,294,000	-	39,294,000
<b>Total Expenditures</b>	<u>\$240,882,424</u>	<u>\$18,944,522</u>	<u>\$69,658,508</u>	<u>\$73,298,759</u>	<u>\$402,784,213</u>



DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**NOTE 28. PROPRIETARY FUND NONCASH ACTIVITIES**

The following noncash investing or financing activity occurred in the National Breakfast and Lunch Program enterprise fund during the year ended June 30, 2017:

Receipt and use of donated USDA commodities	<u>\$731,222</u>
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REQUIRED SUPPLEMENTARY INFORMATION

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DENTON INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Total Local and Intermediate Sources	\$ 146,686,752	\$ 155,320,515	\$ 155,913,981	\$ 593,466
State Program Revenues	74,615,842	80,347,172	80,289,056	(58,116)
Federal Program Revenues	3,775,000	5,564,739	5,954,071	389,332
<b>Total Revenues</b>	<b>225,077,594</b>	<b>241,232,426</b>	<b>242,157,108</b>	<b>924,682</b>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Instruction	147,577,595	153,075,228	149,190,273	3,884,955
Instructional Resources and Media Services	4,046,445	4,273,623	4,126,348	147,275
Curriculum and Instructional Staff Development	2,935,205	4,484,023	3,760,233	723,790
Instructional Leadership	2,381,729	2,514,684	2,455,169	59,515
School Leadership	13,046,431	14,171,417	13,832,820	338,597
Guidance, Counseling and Evaluation Services	10,104,131	10,327,899	10,060,106	267,793
Social Work Services	563,431	551,065	537,105	13,960
Health Services	2,548,898	2,533,425	2,498,496	34,929
Student (Pupil) Transportation	4,723,468	5,989,022	5,674,414	314,608
Food Services	200,022	208,968	198,623	10,345
Extracurricular Activities	7,212,346	6,949,513	6,735,997	213,516
General Administration	5,971,651	7,395,897	7,007,502	388,395
Facilities Maintenance and Operations	24,262,641	25,774,965	23,452,083	2,322,882
Security and Monitoring Services	912,506	1,017,861	938,750	79,111
Data Processing Services	4,180,993	6,215,484	6,079,597	135,887
Community Services	2,569,295	2,914,168	1,987,918	926,250
<b>Capital Outlay:</b>				
Facilities Acquisition and Construction	-	1,231,253	598,499	632,754
<b>Intergovernmental:</b>				
Payments to Fiscal Agent/Member Districts of SSA	358,000	426,400	426,400	-
Payments to Juvenile Justice Alternative Ed. Prg.	28,500	67	-	67
Other Intergovernmental Charges	1,288,974	1,322,091	1,322,091	-
<b>Total Expenditures</b>	<b>234,912,261</b>	<b>251,377,053</b>	<b>240,882,424</b>	<b>10,494,629</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,834,667)	(10,144,627)	1,274,684	11,419,311
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Real and Personal Property	-	25,049	31,659	6,610
Transfers In	1,852,980	1,813,757	1,813,757	-
Other Resources	-	-	1,700	1,700
Transfers Out (Use)	-	(825,218)	(826,427)	(1,209)
<b>Total Other Financing Sources (Uses)</b>	<b>1,852,980</b>	<b>1,013,588</b>	<b>1,020,689</b>	<b>7,101</b>
Net Change in Fund Balances	(7,981,687)	(9,131,039)	2,295,373	11,426,412
Fund Balance - July 1 (Beginning)	81,740,303	81,740,303	81,740,303	-
<b>Fund Balance - June 30 (Ending)</b>	<b>\$ 73,758,616</b>	<b>\$ 72,609,264</b>	<b>\$ 84,035,676</b>	<b>\$ 11,426,412</b>

The notes to the required supplementary information are an integral part of this schedule.

DENTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.169962597%	0.1691892%	0.1151618%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 64,226,338	\$ 59,806,130	\$ 30,761,310
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	103,415,412	97,157,049	83,661,060
Total	<u>\$ 167,641,750</u>	<u>\$ 156,963,179</u>	<u>\$ 114,422,370</u>
District's Covered-Employee Payroll	\$ 174,953,893	\$ 163,821,034	\$ 154,554,318
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	36.71%	36.51%	19.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

The notes to the required supplementary information are an integral part of this schedule.

DENTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2017

	2017	2016	2015
Contractually Required Contribution	\$ 5,786,378	\$ 5,322,188	\$ 4,666,408
Contribution in Relation to the Contractually Required Contribution	(5,786,378)	(5,322,188)	(4,666,408)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 185,528,986	\$ 173,396,127	\$ 163,129,441
Contributions as a Percentage of Covered-Employee Payroll	3.12%	3.07%	2.86%

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

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

The notes to the required supplementary information are an integral part of this schedule.

DENTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

Note 1. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

The Board adopts an “appropriated budget” on a basis consistent with GAAP for the general fund, debt service fund and food service fund (which is included in the enterprise fund). At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds. The special revenue funds and the capital project fund adopt project-length budgets which do not correspond to the District’s fiscal year.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Prior to June 19<sup>th</sup> the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one of more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to June 30<sup>th</sup> the Board legally adopts the budget for the general fund, debt service fund and food service fund.
- After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year.
- Expenditure budgets are controlled at the expenditure functional and object level by the appropriate budget manager (principal, department director or divisional administrator). Budget managers may authorize transfers within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year-end.

The general fund, debt service fund and child nutrition fund budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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, 2016). 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. Budget amendments to general fund revenues totaled \$16,154,832, and budget amendments to general fund expenditures totaled \$16,464,792.

B. Teacher Retirement System

*Changes of benefit terms.*

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

*Changes of assumptions.*

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability during the current measurement period.



NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditure for specified purposes.

Activities accounted for in the Special Revenue Funds are:

- Head Start - funds granted for the Head Start program for preschool children
- ESEA I, A Improving Basic Programs - funds granted to serve students needing reading and math assistance
- IDEA-Part B Formula - funds granted for children with disabilities
- IDEA-Part B Preschool - funds granted for preschool children with disabilities
- Summer Feeding Program - funds granted to provide summer meals to community children
- ESEA II, A Training and Recruiting - funds for training to improve teacher and principal quality
- Title III, A English Lang. Acquisition - funds to improve the education of limited English proficient children
- Title IV, B Community Learning - funds for community learning center activities
- Medicaid Admin. Claim MAC - funds to reimburse Medicaid state plan administrative costs
- Title III Nexus - funds granted for professional development costs for math and science teachers
- A.I.R.-DLL - funds granted for a Spanish reading recovery program
- Summer School LEP - funds for summer education of limited English proficient students
- SSA Adult Education - funds granted to provide adult education literacy services
- SSA-TANF Family Assistance - funds granted to promote services to undereducated adults under TANF
- SSA-IDEA, Part B Discretionary - funds granted for special education private residential placements
- SSA-IDEA, Part B Deaf - funds granted for children with hearing disabilities
- SSA-Vocational Ed Basic Grant - funds granted to provide career and technical education
- SSA-IDEA C Deaf-Early Intervention - funds granted to provide service to hearing impaired infants and toddlers
- Visually Impaired - funds granted for visually impaired students
- Advanced Placement Incentives - funds granted under the Texas Advanced Placement Award incentive program
- State Textbook Fund - funds granted for textbook and technology needs
- Read to Succeed - funds from state license plate fees for reading programs
- Tx Educator Excellence Award Grant - funds granted for teachers who complete a literacy or mathematic achievement academy
- Pre-K Grant - funds granted to provide services to pre-kindergarten children
- SSA-Adult Basic Education - funds granted to provide adult education and literacy services
- SSA Regional Day School-Deaf - funds granted to provide a regional day school program for the deaf (RDSD)
- Deaf Educ Management Board - funds contributed by member districts to support the RDSD program
- Campus Activity Funds - accounts for funds raised by a campus for the benefit of that campus

PERMANENT FUNDS

Permanent Funds are used 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.

Activities accounted for in the Permanent Fund are:

- Lewis Price Memorial Fund - accounts for the original corpus and accumulated earnings related to a gift for playground equipment

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	Head Start	ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Receivables from Other Governments	305,719	638,878	1,211,688	14,986
Other Receivables	-	669	-	-
Prepayments	-	8,143	7,095	-
Other Assets	-	-	-	-
<b>Total Assets</b>	<u>\$ 305,719</u>	<u>\$ 647,690</u>	<u>\$ 1,218,783</u>	<u>\$ 14,986</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 87	\$ 13,663	\$ 9,990	\$ -
Accrued Wages Payable	173,740	317,680	622,110	8,904
Due to Other Funds	131,892	316,347	586,683	6,082
Unearned Revenues	-	-	-	-
<b>Total Liabilities</b>	<u>305,719</u>	<u>647,690</u>	<u>1,218,783</u>	<u>14,986</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
Endowment Principal	-	-	-	-
Prepaid Items	-	-	-	-
Committed Fund Balance:				
Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:				
Other Assigned Fund Balance	-	-	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 305,719</u>	<u>\$ 647,690</u>	<u>\$ 1,218,783</u>	<u>\$ 14,986</u>

Summer Feeding Program	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	Title IV, B Community Learning	Medicaid Admin. Claim MAC	UNT Title III Nexus	A.I.R.-DLL	Summer School LEP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,626	\$ 11,263
-	109,863	103,690	26,524	33,945	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 109,863</u>	<u>\$ 103,690</u>	<u>\$ 26,524</u>	<u>\$ 33,945</u>	<u>\$ -</u>	<u>\$ 2,626</u>	<u>\$ 11,263</u>
\$ -	\$ 5,219	\$ 7,688	\$ -	\$ 2,037	\$ -	\$ -	\$ -
-	54,858	61,318	-	-	-	-	7,808
-	49,786	34,684	26,524	31,908	-	-	-
-	-	-	-	-	-	2,626	3,455
-	109,863	103,690	26,524	33,945	-	2,626	11,263
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 109,863</u>	<u>\$ 103,690</u>	<u>\$ 26,524</u>	<u>\$ 33,945</u>	<u>\$ -</u>	<u>\$ 2,626</u>	<u>\$ 11,263</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	SSA Adult Basic Education	SSA - TANF Family Assistance	SSA IDEA, Part B Discretionary	SSA IDEA, Part B Deaf
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
Receivables from Other Governments	247,067	5,839	72,340	20,586
Other Receivables	-	-	-	-
Prepayments	-	-	-	-
Other Assets	-	-	-	-
Total Assets	<u>\$ 247,067</u>	<u>\$ 5,839</u>	<u>\$ 72,340</u>	<u>\$ 20,586</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 6,453	\$ 121	\$ -	\$ -
Accrued Wages Payable	19,244	-	-	-
Due to Other Funds	221,370	5,718	72,340	20,586
Unearned Revenues	-	-	-	-
Total Liabilities	<u>247,067</u>	<u>5,839</u>	<u>72,340</u>	<u>20,586</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
Endowment Principal	-	-	-	-
Prepaid Items	-	-	-	-
Committed Fund Balance:				
Other Committed Fund Balance	-	-	-	-
Assigned Fund Balance:				
Other Assigned Fund Balance	-	-	-	-
Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 247,067</u>	<u>\$ 5,839</u>	<u>\$ 72,340</u>	<u>\$ 20,586</u>

SSA - Career & Technical - Basic Grant	SSA - IDEA C Deaf - Early Intervention	Visually Impaired SSVI	Advanced Placement Incentives	State Textbook Fund	Read to Succeed	TX Educator Excellence Award Grant	Pre-K Grant
\$ -	\$ -	\$ -	\$ 126,717	\$ 327,115	\$ 613	\$ -	\$ -
41,711	2,868	-	-	272,610	-	10,850	112,305
-	-	-	-	1,177	-	-	-
13,562	-	-	-	8,550	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 55,273</u>	<u>\$ 2,868</u>	<u>\$ -</u>	<u>\$ 126,717</u>	<u>\$ 609,452</u>	<u>\$ 613</u>	<u>\$ 10,850</u>	<u>\$ 112,305</u>
\$ 16,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,424
19,755	-	-	-	-	-	10,850	24,420
18,952	2,868	-	-	-	-	-	48,461
-	-	-	126,717	609,452	613	-	-
<u>55,273</u>	<u>2,868</u>	<u>-</u>	<u>126,717</u>	<u>609,452</u>	<u>613</u>	<u>10,850</u>	<u>112,305</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 55,273</u>	<u>\$ 2,868</u>	<u>\$ -</u>	<u>\$ 126,717</u>	<u>\$ 609,452</u>	<u>\$ 613</u>	<u>\$ 10,850</u>	<u>\$ 112,305</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

	SSA - ABE Educational Technology	SSA Regional Day School - Deaf	Deaf Ed Mgmt Board	Campus Activity Funds
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 241,902	\$ 1,335,874
Receivables from Other Governments	29,568	131,470	7,796	-
Other Receivables	-	-	-	-
Prepayments	-	-	-	20,790
Other Assets	-	-	-	-
<b>Total Assets</b>	<u>\$ 29,568</u>	<u>\$ 131,470</u>	<u>\$ 249,698</u>	<u>\$ 1,356,664</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 3,396	\$ -	\$ 2,253	\$ 37,527
Accrued Wages Payable	-	53,241	137,788	3,713
Due to Other Funds	26,172	78,229	15,028	-
Unearned Revenues	-	-	94,629	-
<b>Total Liabilities</b>	<u>29,568</u>	<u>131,470</u>	<u>249,698</u>	<u>41,240</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
Endowment Principal	-	-	-	-
Prepaid Items	-	-	-	20,790
Committed Fund Balance:				
Other Committed Fund Balance	-	-	-	1,294,634
Assigned Fund Balance:				
Other Assigned Fund Balance	-	-	-	-
<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,315,424</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 29,568</u>	<u>\$ 131,470</u>	<u>\$ 249,698</u>	<u>\$ 1,356,664</u>

Total Nonmajor Special Revenue Funds	Lewis Price Trust Funds	Total Nonmajor Governmental Funds
\$ 2,046,110	\$ -	\$ 2,046,110
3,400,303	-	3,400,303
1,846	-	1,846
58,140	-	58,140
-	14,222	14,222
<u>\$ 5,506,399</u>	<u>\$ 14,222</u>	<u>\$ 5,520,621</u>
\$ 144,424	\$ -	\$ 144,424
1,515,429	-	1,515,429
1,693,630	-	1,693,630
837,492	-	837,492
<u>4,190,975</u>	<u>-</u>	<u>4,190,975</u>
-	1,000	1,000
20,790	-	20,790
1,294,634	-	1,294,634
-	13,222	13,222
<u>1,315,424</u>	<u>14,222</u>	<u>1,329,646</u>
<u>\$ 5,506,399</u>	<u>\$ 14,222</u>	<u>\$ 5,520,621</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	Head Start	ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool
<b>REVENUES:</b>				
Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
State Program Revenues	-	-	-	-
Federal Program Revenues	1,286,446	2,891,593	5,503,020	63,507
Total Revenues	1,286,446	2,891,593	5,503,020	63,507
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Instruction	1,043,042	1,907,451	2,907,359	63,507
Instructional Resources and Media Services	-	22,527	-	-
Curriculum and Instructional Staff Development	683	712,381	59,618	-
Instructional Leadership	-	2,878	122,066	-
School Leadership	37,985	43,530	1,107	-
Guidance, Counseling and Evaluation Services	1,727	71,505	2,406,121	-
Social Work Services	163,427	8,539	-	-
Health Services	736	-	4,022	-
Student (Pupil) Transportation	-	-	-	-
Food Services	-	-	-	-
Extracurricular Activities	-	-	-	-
General Administration	-	-	-	-
Facilities Maintenance and Operations	5,621	-	-	-
Security and Monitoring Services	-	-	-	-
Data Processing Services	-	-	-	-
Community Services	33,225	122,782	2,727	-
Total Expenditures	1,286,446	2,891,593	5,503,020	63,507
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1 (Beginning)	-	-	-	-
Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -



Summer Feeding Program	ESEA II,A Training and Recruiting	Title III, A English Lang. Acquisition	Title IV, B Community Learning	Medicaid Admin. Claim MAC	UNT Title III Nexus	A.I.R.-DLL	Summer School LEP
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
56,943	487,724	422,555	128,622	96,860	4,927	7,374	16,474
56,943	487,724	422,555	128,622	96,860	4,927	7,374	16,474
-	32,649	89,168	-	26,114	4,927	650	8,666
-	-	-	-	-	-	-	-
-	454,799	331,056	-	-	-	6,724	5,006
-	-	673	-	8,158	-	-	-
-	276	1,658	-	-	-	-	1,773
-	-	-	-	62,588	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,029
-	-	-	128,622	-	-	-	-
43,625	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
43,625	487,724	422,555	128,622	96,860	4,927	7,374	16,474
13,318	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(13,318)	-	-	-	-	-	-	-
(13,318)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	SSA Adult Basic Education	SSA - TANF Family Assistance	SSA IDEA, Part B Discretionary	SSA IDEA, Part B Deaf
<b>REVENUES:</b>				
Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
State Program Revenues	-	-	-	-
Federal Program Revenues	2,080,466	45,012	72,340	20,586
Total Revenues	2,080,466	45,012	72,340	20,586
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Instruction	1,939,591	31,836	72,340	20,586
Instructional Resources and Media Services	-	-	-	-
Curriculum and Instructional Staff Development	68,480	649	-	-
Instructional Leadership	70,783	12,527	-	-
School Leadership	-	-	-	-
Guidance, Counseling and Evaluation Services	-	-	-	-
Social Work Services	-	-	-	-
Health Services	-	-	-	-
Student (Pupil) Transportation	-	-	-	-
Food Services	-	-	-	-
Extracurricular Activities	-	-	-	-
General Administration	-	-	-	-
Facilities Maintenance and Operations	1,612	-	-	-
Security and Monitoring Services	-	-	-	-
Data Processing Services	-	-	-	-
Community Services	-	-	-	-
Total Expenditures	2,080,466	45,012	72,340	20,586
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	-
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1 (Beginning)	-	-	-	-
Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

SSA - Career & Technical - Basic Grant	SSA - IDEA C Deaf - Early Intervention	Visually Impaired SSVI	Advanced Placement Incentives	State Textbook Fund	Read to Succeed	TX Educator Excellence Award Grant	Pre-K Grant
\$ -	\$ -	\$ -	\$ -	\$ 46,196	\$ -	\$ -	\$ -
-	-	15,958	468	1,692,425	-	15,750	242,169
256,637	2,868	-	-	-	-	-	-
256,637	2,868	15,958	468	1,738,621	-	15,750	242,169
120,552	2,868	15,958	23	1,726,295	-	-	227,030
-	-	-	-	-	-	-	-
51,222	-	-	445	12,326	-	15,750	178
3,051	-	-	-	-	-	-	2,244
-	-	-	-	-	-	-	2,262
81,812	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	10,455
256,637	2,868	15,958	468	1,738,621	-	15,750	242,169
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	SSA - ABE Educational Technology	SSA Regional Day School - Deaf	Deaf Ed Mgmt Board	Campus Activity Funds
<b>REVENUES:</b>				
Total Local and Intermediate Sources	\$ -	\$ -	\$ 871,485	\$ 2,192,150
State Program Revenues	164,353	398,194	-	-
Federal Program Revenues	-	-	-	-
Total Revenues	164,353	398,194	871,485	2,192,150
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Instruction	119,378	381,865	814,366	1,135,801
Instructional Resources and Media Services	-	-	-	120,999
Curriculum and Instructional Staff Development	5,400	-	8,697	70,435
Instructional Leadership	39,127	-	-	-
School Leadership	-	-	-	73,498
Guidance, Counseling and Evaluation Services	-	16,329	48,222	149
Social Work Services	-	-	-	-
Health Services	-	-	-	6
Student (Pupil) Transportation	-	-	-	344
Food Services	-	-	-	-
Extracurricular Activities	-	-	-	598,321
General Administration	-	-	-	21,941
Facilities Maintenance and Operations	448	-	-	38,028
Security and Monitoring Services	-	-	-	111
Data Processing Services	-	-	-	254
Community Services	-	-	200	7,001
Total Expenditures	164,353	398,194	871,485	2,066,888
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	125,262
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	-	1,208
Transfers Out (Use)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	1,208
Net Change in Fund Balance	-	-	-	126,470
Fund Balance - July 1 (Beginning)	-	-	-	1,188,954
Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ 1,315,424

Total Nonmajor Special Revenue Funds	Lewis Price Trust Funds	Total Nonmajor Governmental Funds
\$ 3,109,831	\$ 7	\$ 3,109,838
2,529,317	-	2,529,317
13,443,954	-	13,443,954
19,083,102	7	19,083,109
12,692,022	-	12,692,022
143,526	-	143,526
1,803,849	-	1,803,849
261,507	-	261,507
162,089	-	162,089
2,688,453	-	2,688,453
171,966	-	171,966
5,793	-	5,793
128,966	-	128,966
43,625	-	43,625
598,321	-	598,321
21,941	-	21,941
45,709	-	45,709
111	-	111
254	-	254
176,390	-	176,390
18,944,522	-	18,944,522
138,580	7	138,587
1,208	-	1,208
(13,318)	-	(13,318)
(12,110)	-	(12,110)
126,470	7	126,477
1,188,954	14,215	1,203,169
\$ 1,315,424	\$ 14,222	\$ 1,329,646

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 JUNE 30, 2017

	Print Shop	Workers Compensation	Healthcare Trust Fund	Total Internal Service Funds
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 167,990	\$ 3,245,913	\$ 1,815,520	\$ 5,229,423
Due from Other Funds	-	-	5,679	5,679
Other Receivables	110	-	-	110
Inventories	4,728	-	-	4,728
Prepayments	-	2,188	12,621	14,809
Total Current Assets	<u>172,828</u>	<u>3,248,101</u>	<u>1,833,820</u>	<u>5,254,749</u>
Noncurrent Assets:				
Capital Assets:				
Furniture and Equipment	8,756	-	-	8,756
Depreciation on Furniture and Equipment	(8,756)	-	-	(8,756)
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>172,828</u>	<u>3,248,101</u>	<u>1,833,820</u>	<u>5,254,749</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	7,814	50,481	1,188	59,483
Accrued Wages Payable	30	-	-	30
Accrued Expenses	-	1,312,136	-	1,312,136
Total Liabilities	<u>7,844</u>	<u>1,362,617</u>	<u>1,188</u>	<u>1,371,649</u>
<b>NET POSITION</b>				
Unrestricted Net Position	164,984	1,885,484	1,832,632	3,883,100
Total Net Position	<u>\$ 164,984</u>	<u>\$ 1,885,484</u>	<u>\$ 1,832,632</u>	<u>\$ 3,883,100</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	Print Shop	Workers Compensation	Healthcare Trust Fund	Total Internal Service Funds
<b>OPERATING REVENUES:</b>				
Local and Intermediate Sources	\$ 250,585	\$ 784,050	\$ 55,279	\$ 1,089,914
Total Operating Revenues	<u>250,585</u>	<u>784,050</u>	<u>55,279</u>	<u>1,089,914</u>
<b>OPERATING EXPENSES:</b>				
Payroll Costs	156,206	77,421	9	233,636
Professional and Contracted Services	144,240	59,955	37,539	241,734
Supplies and Materials	56,769	10,699	6,816	74,284
Other Operating Costs	-	753,563	16,232	769,795
Depreciation Expense	1,167	-	-	1,167
Total Operating Expenses	<u>358,382</u>	<u>901,638</u>	<u>60,596</u>	<u>1,320,616</u>
Operating Income (Loss)	<u>(107,797)</u>	<u>(117,588)</u>	<u>(5,317)</u>	<u>(230,702)</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Earnings from Temporary Deposits & Investments	-	15,283	10,765	26,048
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>15,283</u>	<u>10,765</u>	<u>26,048</u>
Income (Loss) Before Transfers	<u>(107,797)</u>	<u>(102,305)</u>	<u>5,448</u>	<u>(204,654)</u>
Transfers Out	-	(750,000)	(1,013,040)	(1,763,040)
Change in Net Position	<u>(107,797)</u>	<u>(852,305)</u>	<u>(1,007,592)</u>	<u>(1,967,694)</u>
Total Net Position - July 1 (Beginning)	<u>272,781</u>	<u>2,737,789</u>	<u>2,840,224</u>	<u>5,850,794</u>
Total Net Position June 30 (Ending)	<u>\$ 164,984</u>	<u>\$ 1,885,484</u>	<u>\$ 1,832,632</u>	<u>\$ 3,883,100</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CASH FLOWS  
 INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	Print Shop	Workers Compensation	Healthcare Trust Fund	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>				
Cash Received from District	\$ -	\$ 784,050	\$ -	\$ 784,050
Cash Received from Charges and Fees	251,303	-	-	251,303
Cash Received from Employees	-	-	668	668
Cash Payments for Payroll Costs	(156,206)	(77,421)	(213)	(233,840)
Cash Payments for Purchased Services	(139,125)	(41,308)	(55,839)	(236,272)
Cash Payments for Supplies and Materials	(55,703)	(10,672)	(6,710)	(73,085)
Cash Payments for Other Expenses	-	(83,656)	(16,232)	(99,888)
Cash Payments for Claims	-	(581,446)	-	(581,446)
Net Cash Used For Operating Activities	<u>(99,731)</u>	<u>(10,453)</u>	<u>(78,326)</u>	<u>(188,510)</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>				
Transfers In (Out)	-	(750,000)	(1,013,040)	(1,763,040)
<u>Cash Flows from Investing Activities:</u>				
Interest and Dividends on Investments	-	15,283	10,765	26,048
Net Decrease in Cash and Cash Equivalents	(99,731)	(745,170)	(1,080,601)	(1,925,502)
Cash and Cash Equivalents at Beginning of Year	267,721	3,991,083	2,896,121	7,154,925
Cash and Cash Equivalents at End of Year	<u>\$ 167,990</u>	<u>\$ 3,245,913</u>	<u>\$ 1,815,520</u>	<u>\$ 5,229,423</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Used for Operating Activities:</u>				
Operating Income (Loss):	\$ (107,797)	\$ (117,588)	\$ (5,317)	\$ (230,702)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:				
Depreciation	1,168	-	-	1,168
Effect of Increases and Decreases in Current Assets and Liabilities:				
Decrease (increase) in Receivables	718	-	-	718
Decrease (increase) in Inv./Prepayments	1,065	27	(12,621)	(11,529)
Increase (decrease) in Accounts Payable	5,115	18,647	106	23,868
Increase (decrease) in Accrued Wages Payable	-	-	(204)	(204)
Increase (decrease) in Accrued Expenses	-	88,461	-	88,461
Increase (decrease) in Due to/from Other Funds	-	-	(60,290)	(60,290)
Net Cash Used for Operating Activities	<u>\$ (99,731)</u>	<u>\$ (10,453)</u>	<u>\$ (78,326)</u>	<u>\$ (188,510)</u>



DENTON INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Total Local and Intermediate Sources	\$ 3,645,000	\$ 3,696,450	\$ 3,635,705	\$ (60,745)
State Program Revenues	60,000	60,000	59,660	(340)
Total Revenues	3,705,000	3,756,450	3,695,365	(61,085)
<b>EXPENDITURES:</b>				
Food Services	10,141,536	10,561,961	10,832,909	(270,948)
Total Expenditures	10,141,536	10,561,961	10,832,909	(270,948)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,436,536)	(6,805,511)	(7,137,544)	(332,033)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	13,318	13,318
National School Breakfast Program	1,360,000	1,395,956	1,396,542	586
National School Lunch Program	4,576,536	4,904,815	4,857,432	(47,383)
Donated Commodities (USDA)	500,000	500,000	731,222	231,222
Investment Income	-	4,740	5,588	848
Total Other Financing Sources (Uses)	6,436,536	6,805,511	7,004,102	198,591
Change in Net Position	-	-	(133,442)	(133,442)
Total Net Position - July 1 (Beginning)	1,490,799	1,490,799	1,490,799	-
Total Net Position - June 30 (Ending)	\$ 1,490,799	\$ 1,490,799	\$ 1,357,357	\$ (133,442)

DENTON INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
Total Local and Intermediate Sources	\$ 68,752,760	\$ 71,763,160	\$ 71,998,277	\$ 235,117
State Program Revenues	1,389,137	1,416,976	1,416,976	-
Total Revenues	<u>70,141,897</u>	<u>73,180,136</u>	<u>73,415,253</u>	<u>235,117</u>
<b>EXPENDITURES:</b>				
Debt Service:				
Principal on Long Term Debt	30,364,508	30,364,508	30,364,508	-
Interest on Long Term Debt	39,113,756	38,630,367	38,630,367	-
Bond Issuance Cost and Fees	663,633	1,591,772	663,633	928,139
Total Expenditures	<u>70,141,897</u>	<u>70,586,647</u>	<u>69,658,508</u>	<u>928,139</u>
Excess of Revenues Over Expenditures	-	2,593,489	3,756,745	1,163,256
<b>OTHER FINANCING SOURCES (USES):</b>				
Capital Related Debt Issued (Regular Bonds)	-	31,980,000	31,980,000	-
Transfers In	-	864	864	-
Premium or Discount on Issuance of Bonds	-	1,072,289	1,072,289	-
Payment to Bond Refunding Escrow Agent (Use)	-	-	(41,800,902)	(41,800,902)
Other (Uses)	-	(41,800,902)	-	41,800,902
Total Other Financing Sources (Uses)	<u>-</u>	<u>(8,747,749)</u>	<u>(8,747,749)</u>	<u>-</u>
Net Change in Fund Balances	-	(6,154,260)	(4,991,004)	1,163,256
Fund Balance - July 1 (Beginning)	<u>67,642,629</u>	<u>67,642,629</u>	<u>67,642,629</u>	<u>-</u>
Fund Balance - June 30 (Ending)	<u>\$ 67,642,629</u>	<u>\$ 61,488,369</u>	<u>\$ 62,651,625</u>	<u>\$ 1,163,256</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	BALANCE JULY 1 2016	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30 2017
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 1,160,883	\$ 2,969,675	\$ 3,029,807	\$ 1,100,751
Liabilities:				
Accounts Payable	\$ 429	\$ 3,083	\$ 429	\$ 3,083
Due to Student Groups	1,160,454	2,966,592	3,029,378	1,097,668
Total Liabilities	<u>\$ 1,160,883</u>	<u>\$ 2,969,675</u>	<u>\$ 3,029,807</u>	<u>\$ 1,100,751</u>
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 1,160,883	\$ 2,969,675	\$ 3,029,807	\$ 1,100,751
Liabilities:				
Accounts Payable	\$ 429	\$ 3,083	\$ 429	\$ 3,083
Due to Student Groups	1,160,454	2,966,592	3,029,378	1,097,668
Total Liabilities	<u>\$ 1,160,883</u>	<u>\$ 2,969,675</u>	<u>\$ 3,029,807</u>	<u>\$ 1,100,751</u>

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# *STATISTICAL SECTION*

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## Statistical Section

This part of the Denton Independent School District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	104
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	114
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	120
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	126
These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.	
Operating Information	130
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

DENTON INDEPENDENT SCHOOL DISTRICT  
NET POSITION BY COMPONENT  
LAST TEN FISCAL YEARS

Fiscal Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental Activities:</b>				
Net Investment in Capital Assets	\$(222,929,208)	\$(134,747,773)	\$ (98,597,897)	\$ (98,448,425)
Restricted for Campus Activities	398,666	506,111	609,215	834,344
Restricted for Debt Service	31,828,436	34,131,436	38,048,039	42,142,928
Restricted for Corpus	-	-	1,000	1,000
Restricted for Playground Equipment	-	-	12,958	13,052
Unrestricted Net Position	<u>232,962,255</u>	<u>127,244,017</u>	<u>83,693,383</u>	<u>77,842,110</u>
Total Governmental Activities Net Position	<u>\$ 42,260,149</u>	<u>\$ 27,133,791</u>	<u>\$ 23,766,698</u>	<u>\$ 22,385,009</u>
<b>Business-Type Activities:</b>				
Net Investment in Capital Assets	\$ 421,774	\$ 323,527	\$ 215,811	\$ 737,761
Unrestricted Net Position	<u>1,430,324</u>	<u>1,933,823</u>	<u>2,908,761</u>	<u>2,381,579</u>
Total Business-Type Activities	<u>\$ 1,852,098</u>	<u>\$ 2,257,350</u>	<u>\$ 3,124,572</u>	<u>\$ 3,119,340</u>
<b>Primary Government:</b>				
Net Investment in Capital Assets	\$(222,507,434)	\$(134,424,246)	\$ (98,382,086)	\$ (97,710,664)
Restricted for Campus Activities	398,666	506,111	609,215	834,344
Restricted for Debt Service	31,828,436	34,131,436	38,048,039	42,142,928
Restricted for Corpus	-	-	1,000	1,000
Restricted for Playground Equipment	-	-	12,958	13,052
Unrestricted Net Position	<u>234,392,579</u>	<u>129,177,840</u>	<u>86,602,144</u>	<u>80,223,689</u>
Total Primary Government	<u>\$ 44,112,247</u>	<u>\$ 29,391,141</u>	<u>\$ 26,891,270</u>	<u>\$ 25,504,349</u>



2012	2013	2014	2015	2016	2017
\$ (63,550,092)	\$ (60,034,706)	\$ (59,743,833)	\$ (47,396,513)	\$ (43,470,538)	\$ (16,839,370)
909,653	978,332	1,038,867	1,138,179	1,188,954	1,294,634
47,127,851	50,832,071	56,166,524	59,552,880	67,642,629	62,642,822
1,000	1,000	1,000	1,000	1,000	1,000
13,123	13,194	13,201	13,208	13,215	13,222
42,348,960	39,860,571	37,396,548	5,267,023	38,233,380	(10,154,069)
<u>\$ 26,850,495</u>	<u>\$ 31,650,462</u>	<u>\$ 34,872,307</u>	<u>\$ 18,575,777</u>	<u>\$ 63,608,640</u>	<u>\$ 36,958,239</u>
\$ 1,438,433	\$ 1,596,924	\$ 1,333,128	\$ 1,211,823	\$ 856,186	\$ 653,907
2,061,722	2,009,902	1,992,905	667,490	733,800	814,365
<u>\$ 3,500,155</u>	<u>\$ 3,606,826</u>	<u>\$ 3,326,033</u>	<u>\$ 1,879,313</u>	<u>\$ 1,589,986</u>	<u>\$ 1,468,272</u>
\$ (62,111,659)	\$ (58,437,782)	\$ (58,410,705)	\$ (46,184,690)	\$ (42,614,352)	\$ (16,185,463)
909,653	978,332	1,038,867	1,138,179	1,188,954	1,294,634
47,127,851	50,832,071	56,166,524	59,552,880	67,642,629	62,642,822
1,000	1,000	1,000	1,000	1,000	1,000
13,123	13,194	13,201	13,208	13,215	13,222
44,410,682	41,870,473	39,389,453	5,934,513	38,967,180	(9,339,704)
<u>\$ 30,350,650</u>	<u>\$ 35,257,288</u>	<u>\$ 38,198,340</u>	<u>\$ 20,455,090</u>	<u>\$ 65,198,626</u>	<u>\$ 38,426,511</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
CHANGES IN NET POSITION (CONTINUED)  
LAST TEN FISCAL YEARS

Fiscal Year	2008	2009	2010	2011
<b>Expenses</b>				
<b>Governmental Activities:</b>				
Instruction	\$ 120,963,361	\$ 134,726,267	\$ 142,846,874	\$ 147,791,384
Instructional Resources & Media Services	3,509,026	3,866,009	3,954,485	4,055,167
Curriculum & Staff Development	3,945,407	4,417,941	4,896,737	4,578,304
Instructional Leadership	2,580,909	2,600,380	2,888,262	3,160,725
School Leadership	10,571,369	11,812,262	12,022,194	12,098,591
Guidance, Counseling & Evaluation Services	8,251,825	9,754,789	10,678,636	10,850,839
Social Work Services	766,224	822,572	736,414	734,395
Health Services	2,022,307	2,279,459	2,391,738	2,416,596
Student (Pupil) Transportation	5,212,374	5,357,101	5,509,515	5,136,357
Food Services	183,583	193,650	205,511	216,441
Extracurricular Activities	4,452,419	5,121,928	5,494,874	5,565,786
General Administration	4,816,372	4,493,238	4,925,859	5,157,358
Plant Maintenance & Operations	33,008,080	30,022,194	22,650,584	22,341,395
Security Monitoring Services	437,029	490,413	551,780	588,702
Data Processing Services	3,216,520	3,245,135	3,540,253	3,484,135
Community Services	148,626	351,956	544,167	568,928
Debt Service - Interest and Fees	26,470,091	30,890,612	30,633,392	32,117,047
Payments for Fiscal Agent/Member Districts	226,800	187,200	231,000	255,750
Payments to Juvenile Justice Alternative Ed. Prg.	27,323	13,261	6,853	6,853
Other Intergovernmental Charges	-	1,167,478	1,190,866	1,223,154
<b>Total Governmental Activities Expenses</b>	<u>230,809,645</u>	<u>251,813,845</u>	<u>255,899,994</u>	<u>262,347,907</u>
<b>Program Revenues</b>				
<b>Governmental Activities:</b>				
<b>Charges for Services</b>				
Instruction	1,251,757	1,409,347	1,775,223	1,589,656
Instructional Leadership	-	-	-	227,700
School Leadership	-	-	-	-
Health Services	-	-	1,693,877	2,229,547
Extracurricular Activities	351,546	448,086	459,584	725,993
General Administration	-	-	-	-
Plant Maintenance & Operations	266,043	282,994	284,358	729,776
Community Services	-	-	-	335,130
Operating Grants and Contributions	24,077,720	24,123,906	32,029,618	33,145,949
Capital Grants and Contributions	-	-	-	56,000
<b>Total Governmental Activities Program Revenues</b>	<u>25,947,066</u>	<u>26,264,333</u>	<u>36,242,660</u>	<u>39,039,751</u>
<b>Total Governmental Activities Net (Expense) Revenue</b>	<u><b>\$(204,862,579)</b></u>	<u><b>\$(225,549,512)</b></u>	<u><b>\$(219,657,334)</b></u>	<u><b>\$(223,308,156)</b></u>

2012	2013	2014	2015	2016	2017
\$ 142,879,926	\$ 144,877,249	\$ 154,357,950	\$ 161,194,546	\$ 175,831,272	\$ 179,220,317
4,004,174	3,980,838	4,226,963	4,229,966	4,482,448	4,678,744
3,974,083	4,241,167	4,082,091	4,155,565	5,146,422	6,147,898
2,677,319	2,726,823	2,645,733	2,611,553	2,835,801	2,963,824
11,380,604	12,220,012	12,572,588	13,205,280	14,560,585	15,563,677
10,596,400	11,088,010	11,435,409	12,033,024	13,388,580	14,331,163
662,420	710,187	790,420	802,931	817,002	791,191
2,354,611	2,340,531	2,502,551	2,531,987	2,659,754	2,789,542
5,117,453	5,119,826	5,340,406	5,286,652	6,715,636	6,324,274
212,456	128,876	169,939	229,921	273,787	242,248
5,678,981	5,597,180	6,092,564	5,959,471	6,951,874	7,851,159
5,498,784	5,296,713	5,736,385	5,258,341	6,666,153	7,820,126
20,947,561	22,367,887	22,806,826	24,917,855	25,646,642	31,266,422
625,486	709,408	798,731	819,257	844,732	938,861
3,537,840	3,597,124	3,765,272	4,023,959	4,395,718	6,334,717
631,841	813,366	841,290	903,044	2,243,724	2,328,665
28,330,206	26,456,836	29,914,489	24,834,487	(4,817,555)	68,414,301
232,500	263,500	270,600	336,200	358,000	4,632,322
6,408	13,350	3,827	534	10,057	426,400
<u>1,231,054</u>	<u>1,226,213</u>	<u>1,217,561</u>	<u>1,222,013</u>	<u>1,257,170</u>	<u>1,322,091</u>
<u>250,580,107</u>	<u>253,775,096</u>	<u>269,571,595</u>	<u>274,556,586</u>	<u>270,267,802</u>	<u>364,387,942</u>
1,699,448	1,548,972	1,356,458	1,903,617	524,263	492,926
273,714	301,750	305,878	336,356	-	-
-	-	381,712	-	-	-
1,884,174	2,064,530	2,773,984	2,527,939	5,195,769	4,721,227
462,348	542,967	492,828	529,259	504,716	593,511
644,338	642,736	637,367	654,937	680,351	716,551
382,137	354,256	3,216,099	284,745	698,846	371,668
362,217	340,210	392,872	401,311	2,081,701	2,532,842
27,320,158	23,121,232	23,406,913	26,660,967	35,357,325	35,008,583
-	632,120	-	-	-	-
<u>33,028,534</u>	<u>29,548,773</u>	<u>32,964,111</u>	<u>33,299,131</u>	<u>45,042,971</u>	<u>44,437,308</u>
<u>\$(217,551,573)</u>	<u>\$(224,226,323)</u>	<u>\$(236,607,484)</u>	<u>\$(241,257,455)</u>	<u>\$(225,224,831)</u>	<u>\$(319,950,634)</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
CHANGES IN NET POSITION (FINAL)  
LAST TEN FISCAL YEARS

Fiscal Year	2008	2009	2010	2011
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Property Taxes - General Purposes	\$ 93,722,191	\$ 98,785,810	\$ 100,862,948	\$ 99,804,875
Property Taxes - Debt Service	35,258,115	42,658,104	43,521,508	46,887,776
State Aid-Formula Grants	65,089,322	64,834,487	70,925,666	74,391,559
Unrestricted Grants and Contributions	153,087	142,903	89,987	175,362
Investment Earnings	7,352,177	3,553,496	261,271	266,294
Miscellaneous	1,600,676	583,290	512,982	393,101
Special Items	11,164	(134,936)	27,379	(2,895)
Extraordinary Items	-	-	-	(533,091)
Transfers In (Out)	-	-	88,500	-
Total Governmental Activities General Revenues and Other Changes in Net Position	<u>203,186,732</u>	<u>210,423,154</u>	<u>216,290,241</u>	<u>221,382,981</u>
Governmental Activities Change in Net Position	<u>\$ (1,675,847)</u>	<u>\$ (15,126,358)</u>	<u>\$ (3,367,093)</u>	<u>\$ (1,925,175)</u>
Expenses				
Business-Type Activities:				
Child Nutrition	\$ 7,358,557	\$ 7,628,068	\$ 7,650,408	\$ 8,351,124
Stadium Concessions	76,456	88,512	95,417	75,947
Total Business-Type Activities Expenses	<u>7,435,013</u>	<u>7,716,580</u>	<u>7,745,825</u>	<u>8,427,071</u>
Program Revenues				
Business-Type Activities:				
Charges for Services:				
Child Nutrition	3,428,138	3,735,550	3,783,521	3,820,225
Stadium Concessions	92,338	106,994	107,708	94,022
Operating Grants and Contributions:				
Child Nutrition	3,881,365	4,264,393	4,832,660	4,505,230
Total Business-Type Activities Program Revenues	<u>7,401,841</u>	<u>8,106,937</u>	<u>8,723,889</u>	<u>8,419,477</u>
Total Business-Type Activities Net (Expense) Revenue	<u>(33,172)</u>	<u>390,357</u>	<u>978,064</u>	<u>(7,594)</u>
General Revenues and Other Changes in Net Position				
Business-Type Activities:				
Investment Earnings	50,039	14,895	1,942	2,362
Special Items	-	-	(22,784)	-
Transfer In (Out)	-	-	(90,000)	-
Total Business-Type Activities General Revenues and Other Changes in Net Position	<u>50,039</u>	<u>14,895</u>	<u>(110,842)</u>	<u>2,362</u>
Business-Type Activities Change in Net Position	<u>\$ 16,867</u>	<u>\$ 405,252</u>	<u>\$ 867,222</u>	<u>\$ (5,232)</u>
Total Primary Government Change in Net Position	<u>\$ (1,658,980)</u>	<u>\$ (14,721,106)</u>	<u>\$ (2,499,871)</u>	<u>\$ (1,930,407)</u>

2012	2013	2014	2015	2016	2017
\$ 101,470,882	\$ 105,882,631	\$ 110,871,393	\$ 124,715,983	\$ 132,703,343	\$ 149,513,725
47,721,609	49,808,593	52,151,214	59,784,930	63,686,766	71,769,075
76,298,049	72,633,199	75,113,566	73,253,961	71,913,273	68,177,794
563,453	131,686	1,322,103	319,157	790,934	1,685,243
208,758	262,100	85,849	151,411	961,891	1,948,489
302,867	308,081	285,204	285,483	201,487	219,225
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(13,318)
<u>226,565,618</u>	<u>229,026,290</u>	<u>239,829,329</u>	<u>258,510,925</u>	<u>270,257,694</u>	<u>293,300,233</u>
<u>\$ 9,014,045</u>	<u>\$ 4,799,967</u>	<u>\$ 3,221,845</u>	<u>\$ 17,253,470</u>	<u>\$ 45,032,863</u>	<u>\$ (26,650,401)</u>
\$ 8,730,280	\$ 9,050,972	\$ 9,227,871	\$ 9,315,767	\$ 10,493,682	\$ 10,832,909
86,644	76,577	58,672	65,823	72,309	77,914
<u>8,816,924</u>	<u>9,127,549</u>	<u>9,286,543</u>	<u>9,381,590</u>	<u>10,565,991</u>	<u>10,910,823</u>
3,769,853	3,346,829	3,235,045	3,493,623	3,551,081	3,695,365
109,942	80,980	65,419	63,114	71,490	89,642
<u>5,313,520</u>	<u>5,802,533</u>	<u>5,704,292</u>	<u>6,127,097</u>	<u>6,651,997</u>	<u>6,985,196</u>
<u>9,193,315</u>	<u>9,230,342</u>	<u>9,004,756</u>	<u>9,683,834</u>	<u>10,274,568</u>	<u>10,770,203</u>
<u>376,391</u>	<u>102,793</u>	<u>(281,787)</u>	<u>302,244</u>	<u>(291,423)</u>	<u>(140,620)</u>
4,424	3,878	994	847	2,096	5,588
-	-	-	-	-	-
-	-	-	-	-	13,318
<u>4,424</u>	<u>3,878</u>	<u>994</u>	<u>847</u>	<u>2,096</u>	<u>18,906</u>
<u>\$ 380,815</u>	<u>\$ 106,671</u>	<u>\$ (280,793)</u>	<u>\$ 303,091</u>	<u>\$ (289,327)</u>	<u>\$ (121,714)</u>
<u>\$ 9,394,860</u>	<u>\$ 4,906,638</u>	<u>\$ 2,941,052</u>	<u>\$ 17,556,561</u>	<u>\$ 44,743,536</u>	<u>\$ (26,772,115)</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCES OF GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS

Fiscal Year	2008	2009	2010	2011
<b>General Fund</b>				
Reserved:				
Investments in Inventory	\$ 235,852	\$ 187,857	\$ 175,826	\$ -
Prepaid Items	381,780	299,473	365,581	-
Outstanding Encumbrances	28,275	102,653	16,565	-
Unreserved Designated	2,710,078	2,753,784	1,636,326	-
Unreserved Undesignated	<u>52,002,671</u>	<u>47,274,807</u>	<u>53,451,035</u>	-
<b>Total General Fund</b>	<u>\$ 55,358,656</u>	<u>\$ 50,618,574</u>	<u>\$ 55,645,333</u>	<u>\$ -</u>
<b>All Other Governmental Funds</b>				
Reserved:				
Prepaid Items	\$ -	\$ 9,020	\$ -	\$ -
Outstanding Encumbrances	23,038,033	31,231,585	11,266,351	-
Retirement of Long-Term Debt	31,828,436	34,122,416	38,048,039	-
Capital Projects	163,809,197	73,899,324	34,997,646	-
Scholarship	13,353	13,488	13,958	-
Unreserved Designated:				
Special Revenue Fund	267,920	119,979	-	-
Unreserved Undesignated:				
Special Revenue Fund	<u>398,666</u>	<u>507,611</u>	<u>727,828</u>	-
<b>Total All Other Governmental Funds</b>	<u>\$ 219,355,605</u>	<u>\$ 139,903,423</u>	<u>\$ 85,053,822</u>	<u>\$ -</u>
<b>General Fund</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ 559,534
Assigned	-	-	-	6,624,969
Unassigned	-	-	-	<u>56,673,908</u>
<b>Total General Fund</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,858,411</u>
<b>All Other Governmental Funds</b>				
Nonspendable	\$ -	\$ -	\$ -	\$ 1,000
Restricted	-	-	-	79,302,969
Committed	-	-	-	834,344
Assigned	-	-	-	<u>151,653</u>
<b>Total All Other Governmental Funds</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,289,966</u>
<b>Total General and Other Governmental</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,148,377</u>

Note: Beginning with 2011 reporting, the format has changed to comply with GASB 34 (Fund Balance Reporting and Governmental Fund Type), which requires a revised presentation as of fiscal year June 30, 2011.

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 538,949	\$ 544,317	\$ 520,916	\$ 298,325	\$ 348,189	\$ 361,562
17,615,649	13,387,745	16,008,742	16,810,717	18,405,879	12,964,884
<u>59,272,911</u>	<u>59,713,337</u>	<u>60,130,205</u>	<u>64,686,288</u>	<u>62,986,235</u>	<u>70,709,230</u>
<u>\$ 77,427,509</u>	<u>\$ 73,645,399</u>	<u>\$ 76,659,863</u>	<u>\$ 81,795,330</u>	<u>\$ 81,740,303</u>	<u>\$ 84,035,676</u>
\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 63,157	\$ 48,467
111,512,727	73,788,582	246,651,294	193,184,958	294,353,889	219,630,618
909,653	978,332	1,038,867	1,138,179	1,169,672	1,294,634
<u>13,123</u>	<u>4,670,884</u>	<u>3,407,462</u>	<u>1,729,955</u>	<u>6,073,197</u>	<u>4,388,076</u>
<u>\$ 112,436,503</u>	<u>\$ 79,438,798</u>	<u>\$ 251,098,623</u>	<u>\$ 196,054,092</u>	<u>\$ 301,659,915</u>	<u>\$ 225,361,795</u>
<u>\$ 189,864,012</u>	<u>\$ 153,084,197</u>	<u>\$ 327,758,486</u>	<u>\$ 277,849,422</u>	<u>\$ 383,400,218</u>	<u>\$ 309,397,471</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
LAST TEN FISCAL YEARS

Fiscal Year	2008	2009	2010	2011
<b>REVENUES:</b>				
Total Local and Intermediate Sources	\$ 143,257,146	\$ 148,777,634	\$ 150,706,517	\$ 153,347,264
State Program Revenues	76,512,048	77,299,153	82,085,642	86,136,834
Federal Program Revenues	10,415,910	9,568,866	20,593,887	21,414,943
Total Revenues	<u>230,185,104</u>	<u>235,645,653</u>	<u>253,386,046</u>	<u>260,899,041</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
Instruction	111,993,575	123,120,094	129,393,866	130,139,204
Instructional Resources & Media Services	3,239,999	3,517,721	3,568,334	3,611,056
Curriculum & Instructional Staff Development	3,763,661	4,188,221	4,626,641	4,294,608
Instructional Leadership	2,348,385	2,377,497	2,731,993	2,815,403
School Leadership	9,679,769	10,646,188	10,633,829	10,663,907
Guidance, Counseling & Evaluation Services	7,635,916	8,882,223	9,695,325	9,693,117
Social Work Services	740,079	782,188	683,759	674,725
Health Services	1,827,758	2,055,987	2,137,451	2,129,084
Student (Pupil) Transportation	4,831,919	4,868,941	4,977,969	4,582,663
Food Services	183,583	193,650	205,511	216,441
Extracurricular Activities	4,220,912	4,843,463	5,155,006	5,174,715
General Administration	4,588,043	5,324,987	5,702,588	5,904,559
Plant Maintenance and Operations	18,808,249	20,829,234	20,273,709	20,672,274
Security and Monitoring Services	437,029	490,413	551,780	588,702
Data Processing Services	3,102,906	3,502,871	3,296,016	3,160,312
Community Services	147,304	335,440	505,830	521,489
<b>Debt Service:</b>				
Debt Service - Principal on long-term debt	9,886,213	13,152,727	13,107,975	15,590,289
Debt Service - Interest on long-term debt	19,599,292	26,828,735	26,608,270	26,779,044
Debt Service - Bond Issuance Cost and Fees	1,531,103	588,176	151,737	662,675
<b>Capital Outlay:</b>				
Facilities Acquisition and Construction	67,071,792	84,481,660	58,957,368	9,228,018
<b>Intergovernmental:</b>				
Payments to Fiscal Agent/Member Districts of SSA	226,800	187,200	231,000	255,750
Payments to Juvenile Justice Alternative Ed. Prg.	27,323	13,261	6,853	6,853
Total Expenditures	<u>275,891,610</u>	<u>321,210,877</u>	<u>303,202,810</u>	<u>257,364,888</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(45,706,506)</u>	<u>(85,565,224)</u>	<u>(49,816,764)</u>	<u>3,534,153</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	500,000	1,001,982	90,000	230,264
Operating Transfers Out	-	(1,982)	(1,500)	(30,264)
Bonds Issued	167,444,769	31,875,000	-	27,547,209
Special Items/Other	59,730	839,362	(121,957)	(5,302)
Capital Lease Proceeds	-	-	-	-
Sale of Personal Property	7,558	46,090	27,379	251
Payments to Bond Refunding Escrow Agent	-	(32,387,492)	-	(27,293,998)
Extraordinary Items	-	-	-	(533,091)
Total Other Financing Sources (Uses)	<u>168,012,057</u>	<u>1,372,960</u>	<u>(6,078)</u>	<u>(84,931)</u>
Net Change in Fund Balances	<u>\$ 122,305,551</u>	<u>\$ (84,192,264)</u>	<u>\$ (49,822,842)</u>	<u>\$ 3,449,222</u>
Debt Service as a % of NonCapital Expenditures	<u>14.12%</u>	<u>16.89%</u>	<u>16.26%</u>	<u>17.07%</u>



2012	2013	2014	2015	2016	2017
\$ 156,862,515	\$ 162,378,579	\$ 170,363,784	\$ 191,207,775	\$ 204,841,684	\$ 232,113,625
87,702,084	83,819,960	86,320,940	87,095,762	90,301,272	84,235,349
16,371,413	12,151,734	13,039,484	13,156,972	18,275,852	19,398,025
<u>260,936,012</u>	<u>258,350,273</u>	<u>269,724,208</u>	<u>291,460,509</u>	<u>313,418,808</u>	<u>335,746,999</u>
126,202,752	129,657,486	138,160,344	145,948,630	155,679,542	161,893,114
3,531,023	3,579,185	3,791,605	3,864,461	4,037,558	4,269,874
3,683,180	3,952,219	3,805,665	3,839,428	4,590,593	5,564,082
2,443,133	2,443,167	2,412,505	2,388,900	2,551,947	2,716,676
10,011,536	10,876,235	11,184,491	11,915,870	12,787,475	13,994,909
9,429,079	9,936,571	10,558,117	10,853,870	11,705,333	12,748,559
600,940	661,562	701,850	720,184	734,175	709,071
2,068,641	2,069,221	2,225,129	2,291,705	2,338,926	2,504,289
4,798,576	5,933,765	4,873,891	4,809,971	6,057,948	5,803,380
212,456	222,785	257,377	229,921	273,787	242,248
5,271,013	5,225,717	5,690,673	5,626,948	6,388,880	7,334,318
6,017,696	6,081,955	6,434,591	6,541,380	7,313,606	7,029,443
19,964,472	19,629,213	20,458,235	22,726,850	22,622,439	23,497,792
625,486	709,408	798,731	819,257	844,732	938,861
3,590,466	3,684,953	3,586,921	3,982,439	4,079,015	6,079,851
579,863	769,513	779,939	845,326	2,037,583	2,164,308
17,713,901	19,212,047	21,316,366	27,884,304	25,744,487	30,364,508
26,003,427	24,506,771	25,049,036	27,933,418	31,383,641	38,630,367
1,255,135	1,153,027	1,845,847	1,525,573	3,147,113	663,633
12,818,274	43,305,949	37,542,474	58,820,458	96,321,402	73,886,439
232,500	263,500	270,600	336,200	358,000	426,400
6,408	13,350	3,827	534	10,057	1,322,091
<u>257,059,957</u>	<u>293,887,599</u>	<u>301,748,214</u>	<u>343,905,627</u>	<u>401,008,239</u>	<u>402,784,213</u>
<u>3,876,055</u>	<u>(35,537,326)</u>	<u>(32,024,006)</u>	<u>(52,445,118)</u>	<u>(87,589,431)</u>	<u>(67,037,214)</u>
140,730	6,472,625	3,175,047	1,795,853	6,972,145	2,641,047
(140,730)	(6,472,625)	(1,929,047)	(347,053)	(4,985,145)	(891,326)
111,586,989	69,985,174	202,403,367	155,288,078	405,820,282	33,052,289
-	-	-	-	-	1,700
-	-	-	-	-	-
39,904	151,751	72,256	56,423	1,705	31,659
(69,773,813)	(71,355,694)	-	(154,255,497)	(215,160,178)	(41,800,902)
(13,500)	(23,720)	2,976,672	(1,750)	491,418	-
<u>41,839,580</u>	<u>(1,242,489)</u>	<u>206,698,295</u>	<u>2,536,054</u>	<u>193,140,227</u>	<u>(6,965,533)</u>
<u>\$ 45,715,635</u>	<u>\$ (36,779,815)</u>	<u>\$ 174,674,289</u>	<u>\$ (49,909,064)</u>	<u>\$ 105,550,796</u>	<u>\$ (74,002,747)</u>
17.91%	17.44%	18.13%	20.03%	18.60%	20.52%

DENTON INDEPENDENT SCHOOL DISTRICT  
 ASSESSED VALUE - REAL AND PERSONAL PROPERTY  
 LAST TEN FISCAL YEARS  
 (amounts expressed in thousands)  
 (UNAUDITED)

Fiscal Year	Real Property Assessed Value (1)	Personal Property Assessed Value (1)	Total Assessed Value (1)	Tax Rate (2)
2008	\$ 7,735,366	\$ 1,041,659	\$ 8,777,025	\$ 1.434
2009	8,331,111	1,075,681	9,406,792	1.490
2010	8,680,792	868,974	9,549,766	1.490
2011	8,858,830	901,495	9,760,325	1.530
2012	8,675,314	1,025,753	9,701,067	1.530
2013	8,928,439	1,186,715	10,115,154	1.530
2014	9,383,722	1,210,725	10,594,447	1.530
2015	10,478,328	1,344,940	11,823,268	1.540
2016	11,407,226	1,304,865	12,712,091	1.540
2017	12,711,121	1,534,196	14,245,317	1.540

(1) The assessed value is 100% of the estimated actual value.

(2) Per \$100 assessed value

Source of information: Denton Central Appraisal District

DENTON INDEPENDENT SCHOOL DISTRICT  
PROPERTY TAX RATES-DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS  
(UNAUDITED)

TAX RATES (PER \$100) (1)

Fiscal Year	Denton ISD Direct Rates			Overlapping Rates					
	Maintenace and Operations	Debt Service	Total	City of Denton	County of Denton	City of Corinth	Town of Flower Mound	City of Oak Point	Town of Bartonville
2008	1.04	.394	1.434	0.66652	0.23589	0.55698	0.4497	0.579	0.19294
2009	1.04	.45	1.49	0.66652	0.23577	0.57698	0.4497	0.579	0.19294
2010	1.04	.45	1.49	0.66652	0.24980	0.57698	0.4497	0.573264	0.19294
2011	1.04	.49	1.53	0.68975	0.27390	0.59292	0.4497	0.573264	0.19294
2012	1.04	.49	1.53	0.68975	0.277357	0.59135	0.4497	0.573	0.19294
2013	1.04	.49	1.53	0.68975	0.282867	0.60489	0.4497	0.573	0.19294
2014	1.04	.49	1.53	0.68975	0.284914	0.60489	0.4497	0.573	0.19294
2015	1.04	.50	1.54	0.68975	0.272200	0.59489	0.4390	0.573	0.19294
2016	1.04	.50	1.54	0.68975	0.262000	0.58489	0.4390	0.563	0.19294
2017	1.04	.50	1.54	0.68334	0.248409	0.58193	0.4390	0.563	0.19294

Note: Above rates include rate for operating and debt service costs.

(1) Source of information: Denton County website.

DENTON INDEPENDENT SCHOOL DISTRICT  
 PRINCIPAL PROPERTY TAXPAYERS  
 CURRENT YEAR AND NINE YEARS AGO

Taxpayer	Description	2017		
		Taxable Assessed Value (in thousands)	Rank	Percentage of Total Taxable Assessed Value
Paccar Inc.	Truck Manufacturer	\$ 198,719	1	1.40%
Well Services Division of STC	Oil and Gas	152,350	2	1.07%
Target Corporation	Distribution Center	144,648	3	1.02%
Columbia Medical Center	Hospital	107,156	4	0.75%
Inland Western Crossing Ltd.	Retail Shopping	56,300	5	0.40%
AC Denton LLC	Student Housing Mgmt.	52,417	6	0.37%
American Campus Community	Student Housing Mgmt.	43,500	7	0.31%
Sally Beauty Supply	Beauty Supply Retailer	42,991	8	0.30%
Timberlink Apartments LLC	Apartment Leasing	39,500	9	0.28%
Rayzor Ranch Marketplace	Retail Shopping	39,320	10	0.28%
SCI Gateway at Denton Fund	Residential Developer			
Anderson Merchandisers	Merch. Serv. Company			
TTHR Limited Partnership	Hospital			
Allegiance Hillview LP	Retail Development			
Verizon Southwest	Communications Tech.			
Devon Energy Production Co.	Oil and Gas			
Flowers Baking Co of Denton	Wholesale Bakery			
Value Family Properties- Pecan Creek LP	Residential Developer			
<b>TOTAL</b>		<b>\$ 876,901</b>		<b>6.18%</b>

Source of information: Denton Central Appraisal District

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2008		
Taxable Assessed Value (in thousands)	Rank	Percentage of Total Taxable Assessed Value
\$ 76,207	2	0.87%
56,336	3	0.64%
29,674	8	0.34%
31,753	7	0.36%
107,543	1	1.23%
32,938	6	0.38%
47,041	4	0.54%
42,475	5	0.48%
29,421	9	0.34%
<u>28,511</u>	10	<u>0.32%</u>
<u>\$ 481,899</u>		<u>5.50%</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS  
(amounts expressed in thousands)  
(UNAUDITED)

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Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections
2008	\$ 125,862	\$ 123,303	97.9%	\$ 2,120	\$ 125,423
2009	140,161	136,754	97.6%	2,747	139,501
2010	142,291	139,947	98.4%	1,634	141,581
2011	145,429	143,143	98.4%	2,293	145,436
2012	148,426	146,577	98.8%	1,997	148,574
2013	154,762	152,993	98.8%	1,863	154,856
2014	162,095	160,468	99.0%	1,796	162,264
2015	182,078	180,330	99.0%	2,523	182,853
2016	195,766	193,973	99.1%	1,406	195,379
2017	219,378	217,541	99.2%	2,614	220,155

(1) The percentage of levy exceeds 100% due to the exclusion of delinquent taxes collected from prior years compared to current year levy.

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<u>Total Collected as % of Current Tax Levy (1)</u>	<u>Outstanding Delinquent Taxes</u>	<u>Outstanding Delinquent Taxes as % of Tax Levy</u>
99.65%	\$ 146	0.12%
99.53%	220	0.16%
99.50%	203	0.14%
100.01%	224	0.15%
100.10%	318	0.21%
100.06%	381	0.25%
100.10%	458	0.28%
100.43%	591	0.32%
99.80%	1,793	0.92%
100.35%	1,837	0.84%

DENTON INDEPENDENT SCHOOL DISTRICT  
RATIO OF BONDED DEBT TO ASSESSED VALUE AND BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS

Fiscal Year	Gross Bonded Debt	Population	Gross Bonded Debt Per Capita	Personal Income (thousands of dollars)	Gross Bonded Debt as % of Personal Income	Estimated Actual Value - Real and Personal Property (thousands of dollars)
2008	\$ 703,265,508	116,500	\$ 6,037	\$ 2,710,000	25.95%	\$ 8,777,025
2009	694,176,911	118,994	5,834	2,641,786	26.28%	9,406,792
2010	684,730,930	122,830	5,575	2,793,031	24.52%	9,549,766
2011	675,969,123	113,383	5,962	2,595,450	26.04%	9,760,325
2012	706,350,537	117,187	6,028	2,521,981	28.01%	9,701,067
2013	691,479,160	121,123	5,709	2,857,534	24.20%	10,115,154
2014	874,114,064	123,099	7,101	2,703,008	32.34%	10,594,447
2015	855,533,659	128,205	6,673	3,110,253	27.51%	11,823,268
2016	1,023,851,410	131,044	7,813	3,149,905	32.50%	12,712,091
2017	1,013,780,498	133,808	7,576	3,216,343	31.52%	14,245,317

Note: Net bonded debt consists of general obligation bonds, accreted interest, and premiums on bond issuance, less the deferred loss on bond refunding and the debt service fund balance.

Note: Details regarding the District's outstanding debt can be found in the notes to the financial statements.



Gross Debt as % of Estimated Actual Value	Net Bonded Debt	Net Bonded Debt Per Capita	Net Bonded Debt as % of Personal Income	Net Debt as % of Estimated Actual Value
8.01%	\$671,437,072	\$ 5,763	24.78%	7.65%
7.38%	660,045,475	5,547	24.98%	7.02%
7.17%	646,682,891	5,265	23.15%	6.77%
6.93%	631,490,966	5,570	24.33%	6.47%
7.28%	651,961,951	5,563	25.85%	6.72%
6.84%	628,138,257	5,186	21.98%	6.21%
8.25%	806,361,305	6,551	29.83%	7.61%
7.24%	771,274,768	6,016	24.80%	6.52%
8.05%	886,129,477	6,762	28.13%	6.97%
7.12%	884,832,356	6,613	27.51%	6.21%

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DENTON INDEPENDENT SCHOOL DISTRICT  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
JUNE 30, 2017  
(UNAUDITED)

Taxing Body	Debt Outstanding	% Overlapping (1)	Amount Overlapping
Bartonville, Town of	\$ 445,000	51.95%	\$ 231,178
Copper Canyon, Town of	3,215,000	24.87%	799,571
Corinth, City of	30,980,000	56.71%	17,568,758
Denton, City of	762,850,000	97.49%	743,702,465
Denton County	605,835,000	19.13%	115,896,236
Denton Co. FWSD #6	53,840,000	100.00%	53,840,000
Denton Co. FWSD #7	76,555,540	100.00%	76,555,540
Denton Co. FWSD #8-A	20,857,980	100.00%	20,857,980
Denton Co. FWSD #8-B	10,345,000	100.00%	10,345,000
Denton Co. FWSD #10	83,486,205	63.67%	53,155,666
Denton Co. FWSD #11-A	37,010,540	100.00%	37,010,540
Denton Co. FWSD #11-B	13,260,000	95.92%	12,718,992
Denton Co. FWSD #11-C	6,660,000	100.00%	6,660,000
Denton Co. MUD #4	10,720,000	100.00%	10,720,000
Denton Co. MUD #5	12,325,000	100.00%	12,325,000
Flower Mound, Town of	134,620,000	0.65%	875,030
Highway 380 MMD #1	6,415,000	100.00%	6,415,000
Oak Point, City of	195,000	38.16%	74,412
Providence Village WC & ID	7,256,100	51.26%	3,719,477
Providence Village, Town of	28,085,000	42.66%	11,981,061
<b>Total Overlapping Debt</b>			<b>1,195,451,906</b>
Denton ISD	1,013,780,498	100.00%	<u>1,013,780,498</u>
<b>Total Overlapping and Direct Debt</b>			<b><u>\$2,209,232,404</u></b>

Source of information: Municipal Advisory Council of Texas

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Denton Independent School District. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of each entity's taxable assessed value that is within the District's boundaries and dividing it by each entity's total taxable assessed value.

DENTON INDEPENDENT SCHOOL DISTRICT  
LEGAL DEBT MARGIN INFORMATION  
LAST TEN FISCAL YEARS

Fiscal Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Assessed Value	<u>\$8,777,025,035</u>	<u>\$9,406,791,745</u>	<u>\$9,549,766,309</u>	<u>\$9,760,324,966</u>
Debt Limit (10% of Total Assessed Value)	<u>\$ 877,702,503</u>	<u>\$ 940,679,174</u>	<u>\$ 954,976,630</u>	<u>\$ 976,032,496</u>
Debt Applicable to Limit:				
General Obligation Bonds	\$ 666,712,004	\$ 653,259,277	\$ 640,151,302	\$ 623,946,013
Less Net Position in Debt Service Fund	<u>31,828,436</u>	<u>34,131,436</u>	<u>38,048,039</u>	<u>42,142,928</u>
Total Amount of Debt Applicable to Debt Limit	<u>634,883,568</u>	<u>619,127,841</u>	<u>602,103,263</u>	<u>581,803,085</u>
Legal Debt Margin	<u>\$ 242,818,935</u>	<u>\$ 321,551,333</u>	<u>\$ 352,873,367</u>	<u>\$ 394,229,411</u>
Total Net Debt Applicable to the Limit as a percentage of Debt Limit	72.33%	65.82%	63.05%	59.61%

Note: Under state finance law, Denton Independent School District's outstanding general obligation debt should not exceed 10 percent of the total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>\$9,701,066,797</u>	<u>\$10,115,153,791</u>	<u>\$10,594,446,862</u>	<u>\$ 11,823,268,442</u>	<u>\$12,712,090,714</u>	<u>\$14,245,317,208</u>
<u>\$ 970,106,679</u>	<u>\$ 1,011,515,379</u>	<u>\$ 1,059,444,686</u>	<u>\$ 1,182,326,844</u>	<u>\$ 1,271,209,071</u>	<u>\$ 1,424,531,720</u>
<u>\$ 642,485,696</u>	<u>\$ 622,993,649</u>	<u>\$ 790,107,283</u>	<u>\$ 755,312,979</u>	<u>\$ 879,287,257</u>	<u>\$ 839,287,749</u>
<u>47,127,851</u>	<u>50,832,071</u>	<u>56,166,524</u>	<u>59,552,880</u>	<u>67,642,629</u>	<u>62,651,625</u>
<u>595,357,845</u>	<u>572,161,578</u>	<u>733,940,759</u>	<u>695,760,099</u>	<u>811,644,628</u>	<u>776,636,124</u>
<u>\$ 374,748,834</u>	<u>\$ 439,353,801</u>	<u>\$ 325,503,927</u>	<u>\$ 486,566,745</u>	<u>\$ 459,564,443</u>	<u>\$ 647,895,596</u>
61.37%	56.56%	69.27%	58.85%	63.85%	54.52%

DENTON INDEPENDENT SCHOOL DISTRICT  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

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Fiscal Year	Population	Personal Income (thousands of dollars)	Per Capita Personal Income (dollars)	Unemployment Rate
2007/2008	116,500	\$ 2,710,000	\$ 23,262	3.50%
2008/2009	118,994	2,641,786	22,201	6.00%
2009/2010	122,830	2,793,031	22,739	6.90%
2010/2011	113,383	2,595,450	22,891	7.30%
2011/2012	117,187	2,521,981	21,521	6.40%
2012/2013	121,123	2,857,534	23,592	5.80%
2013/2014	123,099	2,703,008	21,958	3.90%
2014/2015	128,205	3,110,253	24,260	3.50%
2015/2016	131,044	3,149,905	24,037	3.60%
2016/2017	133,808	3,216,343	24,037	3.60%

Source of Information: City of Denton "Statistical Trends and News of Denton" report.

DENTON INDEPENDENT SCHOOL DISTRICT  
CAPITAL ASSET INFORMATION  
LAST TEN FISCAL YEARS  
(UNAUDITED)

School Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Early Childhood Facilities</b>										
Buildings	1	2	2	3	3	3	3	3	3	3
Square Foot	41,200	49,418	49,418	109,809	109,809	109,809	109,809	109,809	109,809	109,809
Maximum capacity	315	385	499	1,134	1,134	1,134	1,134	1,134	1,134	1,134
Enrollment	506	498	388	813	921	953	729	813	904	910
<b>Elementary Schools</b>										
Buildings	18	20	20	21	21	21	21	22	22	23
Square Foot	1,433,710	1,568,266	1,643,788	1,739,469	1,741,161	1,755,811	1,755,811	1,840,645	1,840,645	1,928,551
Maximum capacity	14,580	12,932	15,977	16,878	16,898	16,984	16,984	17,708	17,708	18,556
Enrollment	10,485	11,254	11,508	11,927	12,275	12,567	12,652	12,718	12,629	12,926
<b>Middle Schools</b>										
Buildings	5	6	6	6	6	6	7	7	7	7
Square Foot	889,255	1,043,400	1,065,553	1,065,553	1,073,503	1,073,503	1,254,977	1,258,049	1,258,049	1,258,049
Maximum capacity	5,000	6,000	6,000	6,000	6,000	6,000	7,000	8,518	8,518	8,518
Enrollment	4,416	4,767	4,976	5,104	5,335	5,583	5,860	6,098	6,371	6,528
<b>High Schools</b>										
Buildings	5	5	5	5	5	5	5	5	5	6
Square Foot	1,244,616	1,365,316	1,487,176	1,487,176	1,487,176	1,533,548	1,533,548	1,533,548	1,533,548	2,060,286
Maximum capacity	6,135	10,166	10,166	10,166	10,166	10,166	10,166	11,071	11,071	14,584
Enrollment	5,419	5,497	5,685	5,988	6,207	6,611	6,806	7,117	7,392	8,018
<b>Administration</b>										
Buildings	10	10	10	10	10	10	10	10	10	11
Square Foot	388,795	268,095	268,095	274,239	274,239	274,849	274,849	274,081	274,081	274,849
<b>Transportation</b>										
Buildings	1	1	1	1	1	1	1	1	1	1
Square Foot	14,336	14,336	14,336	14,336	14,336	14,336	14,336	15,872	15,872	15,872
Buses	139	188	152	163	171	186	188	176	186	195
<b>Totals for DISD</b>										
Buildings	40	44	44	46	46	46	47	48	48	51
Square Foot	4,011,912	4,308,831	4,528,366	4,690,582	4,700,224	4,761,856	4,943,330	5,032,004	5,032,004	5,647,416
Maximum capacity	26,030	29,483	32,642	34,178	34,198	34,284	35,284	38,431	38,431	42,792
Enrollment	20,826	22,016	22,557	22,832	24,738	25,714	26,047	26,746	27,296	28,382
<b>Athletics</b>										
Football Stadiums	4	4	4	4	4	4	4	4	4	5
Track Field	3	3	3	3	3	3	3	3	3	4
Baseball Fields	3	3	3	3	3	3	3	3	3	4
Softball Fields	3	3	3	3	3	3	3	3	3	4
Tennis Court Sites	8	8	8	8	8	8	10	10	10	11
Swimming Pools	1	1	1	1	1	1	1	1	1	1

Source of information: District records and Texas Academic Performance Report

DENTON INDEPENDENT SCHOOL DISTRICT  
PRINCIPAL EMPLOYERS  
CURRENT YEAR AND NINE YEARS AGO

Employer	Description	2017		Percentage of Total City Employment
		Employees	Rank	
University of North Texas	University	8,738	1	12.00%
Denton Independent School District	School District	4,417	2	6.07%
Peterbilt Motors	Truck Manufacturer	2,314	3	3.18%
Denton State Supported Living Center	State Agency	1,700	4	2.33%
Texas Woman's University	University	1,672	5	2.30%
Denton County	County Government	1,581	6	2.17%
City of Denton	Municipal Government	1,383	7	1.90%
Texas Health Presbyterian of Denton	Hospital/Healthcare	1,076	8	1.48%
Medical City-Denton	Hospital/Healthcare	950	9	1.30%
Sally Beauty Company, Inc.	Beauty Supplies Dist.	950	10	1.30%
Golden Triangle Mall	Retail Shopping			
FEMA	Government Agency			
Thermadyne Holding Corp.	Manufacturing			
TOTAL		<u>24,781</u>		<u>34.03%</u>

Source of Information: Denton Economic Development Partnership and U.S. Dept. of Labor



2008		
<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
7,762	1	12.54%
2,948	2	4.76%
1,404	6	2.27%
1,500	5	2.42%
1,586	3	2.56%
1,523	4	2.46%
750	9	1.21%
800	7	1.29%
600	10	0.97%
<u>751</u>	8	<u>1.21%</u>
<u>19,624</u>		<u>31.69%</u>

DENTON INDEPENDENT SCHOOL DISTRICT  
OPERATING STATISTICS  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Percentage Change</u>	<u>Teaching Staff</u>	<u>Pupil/Teacher Ratio</u>
2007-2008	20,826	\$ 163,170,071	\$ 7,835	6.51%	1,631	12.8
2008-2009	22,016	182,054,326	8,269	5.54%	1,791	12.29
2009-2010	22,557	182,484,305	8,090	-2.16%	1,827	12.35
2010-2011	23,832	183,960,787	7,719	-4.58%	1,835.5	12.98
2011-2012	24,738	182,115,069	7,362	-4.63%	1,763.2	14.03
2012-2013	25,714	192,780,903	7,497	1.83%	1,794.5	14.33
2013-2014	26,047	203,934,449	7,829	4.43%	1,898.4	13.72
2014-2015	26,746	212,211,345	7,934	1.34%	1,886.2	14.18
2015-2016	27,296	224,713,282	8,232	3.76%	1,978.9	13.79
2016-2017	28,382	240,882,424	8,487	3.10%	2,068.0	13.72

Source of Information: Texas Academic Performance Report

<u>Economically Disadvantaged</u>	<u>Limited English Proficient</u>	<u>Percentage of Students Receiving Free or Reduced-Price Meals</u>
7,830	3,208	37.57%
8,519	3,389	37.65%
8,951	3,255	40.91%
9,892	3,433	40.77%
10,689	3,564	41.91%
11,063	3,695	42.84%
11,022	3,751	44.23%
11,299	3,952	43.13%
11,468	4,104	43.04%
11,778	4,236	42.21%

DENTON INDEPENDENT SCHOOL DISTRICT  
STAFF INFORMATION  
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Teachers</u>	<u>Professional Support</u>	<u>Campus Administration</u>	<u>Central Administration</u>	<u>Total Professional Staff</u>	<u>Educational Aides</u>
2007-2008	1,630.5	348.0	79.0	24.0	2,081.5	235.3
2008-2009	1,791.0	364.0	87.0	28.0	2,270.0	250.3
2009-2010	1,826.5	389.5	87.0	27.0	2,330.0	217.4
2010-2011	1,835.5	418.6	88.7	18.0	2,360.8	257.3
2011-2012	1,763.2	394.8	84.7	15.0	2,257.7	210.7
2012-2013	1,794.5	427.0	86.9	13.3	2,321.7	217.5
2013-2014	1,898.4	425.0	89.0	13.6	2,426.0	247.3
2014-2015	1,886.2	458.2	94.4	13.0	2,451.8	260.0
2015-2016	1,978.9	460.8	96.8	13.0	2,549.5	302.5
2016-2017	2,068.0	485.7	98.6	12.6	2,664.9	291.3

Source of Information: Texas Academic Performance Report

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<u>Auxiliary Staff</u>	<u>Total Staff</u>	<u>% Change</u>
631.7	2,948.5	9.97%
729.1	3,249.4	10.21%
669.7	3,217.1	-0.99%
648.1	3,266.2	1.52%
598.8	3,067.2	-6.09%
588.0	3,127.2	1.96%
552.9	3,226.2	3.16%
591.8	3,303.6	2.40%
638.0	3,490.0	5.64%
700.7	3,656.9	4.78%

DENTON INDEPENDENT SCHOOL DISTRICT  
TEACHER SALARY DATA  
JUNE 30, 2017

<u>Years of Experience</u>	<u>Bachelor's Degree</u>	<u>Master's Degree</u>	<u>Doctorate Degree</u>
0	\$ 51,000	\$ 52,750	\$ 54,500
1	51,200	52,950	54,700
2	51,400	53,150	54,900
3	51,675	53,425	55,175
4	52,475	54,225	55,975
5	52,875	54,625	56,375
6	53,075	54,825	56,575
7	53,275	55,025	56,775
8	53,475	55,225	56,975
9	53,675	55,425	57,175
10	53,875	55,625	57,375
11	54,075	55,825	57,575
12	54,275	56,025	57,775
13	54,475	56,225	57,975
14	54,675	56,425	58,175
15	54,875	56,625	58,375
16	55,075	56,825	58,575
17	55,625	57,375	59,125
18	55,825	57,575	59,325
19	56,025	57,775	59,525
20	56,225	57,975	59,725
21	57,095	58,845	60,595
22	58,295	60,045	61,795
23	59,115	60,865	62,615
24	60,340	62,090	63,840
25+	61,585	63,335	65,085

Average Salary by Years of Experience

Beginning Teachers	\$ 50,624
1-5 Years of Experience	\$ 52,002
6-10 Years of Experience	\$ 53,822
11-20 Years of Experience	\$ 55,394
Over -20 Years of Experience	\$ 63,535

Average Actual Salaries

Teachers	\$ 54,994
Professional Staff	\$ 62,564
Campus Administration	\$ 83,671
Central Administration	\$ 130,018

DENTON INDEPENDENT SCHOOL DISTRICT  
 ENROLLMENT AND ATTENDANCE DATA  
 LAST TEN FISCAL YEARS  
 (UNAUDITED)

	Enrollment		Average Daily Attendance		
	Amount	Percent of Increase	Amount	Percent of Increase	Percent of Enrollment
2007/08	20,826	5.93%	19,537	6.02%	93.81%
2008/09	22,016	5.71%	20,659	5.74%	93.84%
2009/10	22,557	2.46%	21,299	3.10%	94.42%
2010/11	23,832	5.65%	22,454	5.42%	94.22%
2011/12	24,738	3.80%	23,440	4.39%	94.75%
2012/13	25,714	3.95%	24,088	2.76%	93.68%
2013/14	26,047	1.29%	24,625	2.23%	94.54%
2014/15	26,746	2.68%	25,255	2.56%	94.43%
2015/16	27,296	2.06%	25,748	1.95%	94.33%
2016/17	28,382	3.98%	26,773	3.98%	94.33%

Source of information: Summary of Finance Texas Education Agency and 2016-17 Texas Academic Performance Report.

DENTON INDEPENDENT SCHOOL DISTRICT  
 MISCELLANEOUS STATISTICAL DATA  
 JUNE 30, 2017  
 (UNAUDITED)

Date of Organization: 1884  
 Forms of Government: Independent School District

Number of Employees:

Teachers	2,068
Other Professional	597
Paraprofessionals	291
Auxiliary	701
	<u>3,657</u>

Denton Independent School District Facilities and Services:

Education services provided to early childhood through grade twelve; all grade levels fully accredited by both the Texas Education Agency and AdvancED.

Total square feet-campus	5,647,416
Total acreage-campus	940.45
Total acreage-future growth	478.44

Facilities include:

	Maximum Capacity	2016-17 Enrollment	Number of Facilities
Senior high schools	14,584	8,018	6
Middle schools	8,518	6,528	7
Elementary schools	18,556	12,926	23
Early childhood	1,134	910	3
Total	<u>42,792</u>	<u>28,382</u>	<u>39</u>
Central services and annex			5
Special education services			1
Maintenance/Transportation			2
Natatorium			1
Technology Center			1
Athletic stadium complex			1
AEP facility			1
Total Facilities			<u>51</u>

Student Data:

National Merit Scholars Class of 2017	
Semi-finalists	3
Commended	11



***SINGLE AUDIT SECTION***

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TONN & SEAY**  
A PROFESSIONAL CORPORATION  

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CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977  
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FAX (940) 383-4746

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denton Independent School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Denton Independent School District's basic financial statements, and have issued our report dated November 14, 2017.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Hankins, Eastup, Deaton, Tonn & Seay*

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

November 14, 2017

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

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

**Report on Compliance for Each Major Federal Program**

We have audited Denton Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Denton Independent School District's major federal programs for the year ended June 30, 2017. Denton Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Denton Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

## Report on Internal Control Over Compliance

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

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

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

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



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

November 14, 2017

DENTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:  
Material weakness(es) identified: None  
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:  
Child Nutrition Cluster:  
CFDA 10.553 School Breakfast Program  
CFDA 10.555 National School Lunch Program  
CFDA 10.559 Summer Feeding Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None

III. Other Findings

None

DENTON INDEPENDENT SCHOOL DISTRICT  
STATUS OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

None



DENTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

(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	\$ 190,030
Total Direct Programs			\$ 190,030
			\$ 190,030
<b>TOTAL U.S. DEPARTMENT OF DEFENSE</b>			
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Direct Programs</u>			
Impact Aid - P.L. 81.874 (Note A)	84.041	01-061901	\$ 128,290
Total Direct Programs			\$ 128,290
<u>Passed through University of North Texas</u>			
Title III, Part A - English Language Acq-Nexus	84.365	T365Z120143	\$ 4,927
Total Passed through University of North Texas			\$ 4,927
<u>Passed through American Institute of Research</u>			
Descrubiendo La Lectura (DLL)	84.365	R305A160060	\$ 7,374
Total Passed through American Institute of Research			\$ 7,374
<u>Passed through Texas Workforce Commission</u>			
SSA - Adult Education (ABE) - Federal	84.002A	0416AEL001	\$ 2,080,466
SSA - Temporary Assistance for Needy Families	93.558	0416AEL004	45,012
Total Passed through Texas Workforce Commission			\$ 2,125,478
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101061901	\$ 26,986
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101061901	2,693,168
ESEA, Title I, Part D, Subpart 2	84.010A	16610103061901	1,651
ESEA, Title I, Part D, Subpart 2	84.010A	17610103061901	169,788
Total CFDA Number 84.010A			2,891,593
*IDEA - Part B, Formula	84.027	166600010619016600	56,075
*IDEA - Part B, Formula	84.027	176600010619016600	5,446,945
*SSA - IDEA - Part B, Discretionary	84.027	176600020619016673	72,340
*SSA - IDEA - Part B, Deaf	84.027	176600010619016601	20,586
Total CFDA Number 84.027			5,595,946
*IDEA - Part B, Preschool	84.173	176610010619016610	63,507
Total Special Education Cluster (IDEA)			5,659,453
SSA - Career and Technical - Basic Grant	84.048	16420006061901	9,124
SSA - Career and Technical - Basic Grant	84.048	17420006061901	247,513
Total CFDA Number 84.048			256,637
SSA - IDEA, Part C - Early Intervention (Deaf)	84.181A	1739110106190139111	2,868
Title IV, Pt B-21st Cent. Community Learning Cent.	84.287	176950167110013	128,622
Title III, Part A - English Language Acquisition	84.365A	16671001061901	523
Title III, Part A - English Language Acquisition	84.365A	17671001061901	422,032
Total CFDA Number 84.365A			422,555
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501061901	5,645
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501061901	482,079
Total CFDA Number 84.367A			487,724
Summer School LEP	84.369A	69551602	16,474
Total Passed Through State Department of Education			\$ 9,865,926
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 12,131,995</b>

DENTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

(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 HEALTH AND HUMAN SERVICES</b>			
<u>Direct Programs</u>			
Medicaid Administrative Claiming Program - MAC	93.778	01-061901	\$ 96,860
Head Start	93.600	06CH7130-03-01	1,286,446
Total Direct Programs			\$ 1,383,306
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>\$ 1,383,306</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401701	\$ 1,396,542
*National School Lunch Program - Cash Assistance	10.555	71301701	4,857,432
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301701	731,222
Total CFDA Number 10.555			5,588,654
*Summer Feeding Program - Cash Assistance	10.559	TX061-1701	56,943
Total Child Nutrition Cluster			7,042,139
Total Passed Through the State Department of Agriculture			\$ 7,042,139
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 7,042,139</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 20,747,470</b>

\*Clustered Programs

DENTON INDEPENDENT SCHOOL DISTRICT  
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2017

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

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

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

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The period of availability for federal grant funds for the purposes of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in the Uniform Guidance.
5. During the current year, the District received the following funds which are not included in the Schedule of Expenditures of Federal Awards.

Total Expenditures of Federal Awards	\$20,747,470
Indirect Costs	708,689
Federal Excise Tax Rebate	205,835
Medicaid Reimbursement (SHARS)	<u>4,721,227</u>
 Federal Revenues per Financial Statements	 <u>\$26,383,221</u>

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