

**DENISON INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2014

DENISON INDEPENDENT SCHOOL DISTRICT

Table of Contents for Year Ended August 31, 2014

<u>Exhibit</u>		<u>Page Number</u>
	Certificate of Board	3
	Independent Auditor's Report	4
	Management's Discussion and Analysis	7
	<u>Basic Financial Statements:</u>	
	Government-wide Financial Statements:	
A-1	Statement of Net Position	16
B-1	Statement of Activities	17
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	18
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	19
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	20
C-4	Reconciliation of the Governmental Funds Statements of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	21
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	22
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	23
D-3	Statement of Cash Flow	24
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	25
E-2	Statement of Changes in Fiduciary Fund Net Position	26
F-1	Notes to the Financial Statements	27
	<u>Required Supplementary Information:</u>	
G-1	Budgetary Comparison Schedule - General Fund	52
	<u>Combining Schedules:</u>	
H-1	Combining Balance Sheet – Nonmajor Governmental Funds	54
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	58
	<u>Required Texas Education Agency Schedules:</u>	
J-1	Schedule of Delinquent Taxes Receivable	64
J-4	Budgetary Comparison Schedule – Child Nutrition Program	68
J-5	Budgetary Comparison Schedule – Debt Service Fund	69

DENISON INDEPENDENT SCHOOL DISTRICT
Table of Contents for
Year Ended August 31, 2014
(Continued)

Reports on Internal Controls, Compliance and Federal Awards:

	Report on Internal Controls Over Financial Reporting Based and on Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	72
	Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	74
	Schedule of Findings and Questioned Costs	76
	Schedule of Status of Prior Findings	77
	Corrective Action Plan	78
K-1	Schedule of Expenditures of Federal Awards	79
	Notes to Schedule of Expenditures of Federal Awards	80
L	School First Indicators	81

CERTIFICATE OF THE BOARD

Denison Independent School District
Name of School District

Grayson
County

091-903
Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2014, at a meeting of the board of trustees of such school district on the _____ day of _____, 2014.

Signature of Board Secretary

Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

KIRK, RICHARDSON & POOLE P. C.

Members of the American Institute of Certified Public Accountants

Tom Kirk, CPA

Don Richardson, CPA

Cindy Poole, CPA

7559 John T. White Road

P. O. Box 8342

Fort Worth, Texas 76124

(817) 451-7406

Fax (817) 451-7597

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Denison Independent School District
1201 South Rusk Avenue
Denison, Texas 75020

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denison Independent School District (the "District") as of and for the year ended August 31, 2014, 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity'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, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2014, and the respective changes in financial position, and where applicable, cash flows, thereof 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 and budgetary comparison information on pages 6-12 and 51 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 the District's basic financial statements. The combining fund financial statements 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining fund financial statements, the required Texas Education Agency 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 fund financial statements, required Texas Education Agency 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.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J4 and J-5.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Audit Standards*, we have also issued our report dated December 10, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reports and compliance with 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 the District's internal control over financial reporting and compliance.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole P.C.
Fort Worth, Texas
December 10, 2014

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
UNAUDITED

This section of Denison Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District issued \$9,410,000 in Series 2013 Unlimited School Building Bonds for new construction of school buildings and renovation of existing facilities.
- District's total combined net position was \$20,729,794 at August 31, 2014 a decrease of \$8,727,530 from the prior year.
- Program revenues were \$7,019,153 and general revenues were \$40,557,891 for total District revenues of \$47,577,044. State aid – formula grants accounted for \$18,639,968, or 39.2%, of total revenues. Property taxes accounted for \$19,734,332 million, or 41.5% of total revenues. Grants and contributions accounted for \$6,017,840, or 12.6%. Remaining revenues came charges for services, miscellaneous local and intermediate revenues and other sources.
- During the year, the District's total expenses were \$56,304,574. Instruction and instructional related expenses accounted for \$27,258,006 or 48.4% of this amount. Other student services, such as, food services, school leadership, extracurricular activities, and other student services accounted for \$11,527,561 or 20.5%. The remaining 31.1% or \$17,519,007 was for other services such as plant maintenance and operations, general administration, other costs associated with operating a school district.
- The total costs of the District's programs, other than for capital outlay of \$6,322,929, were basically unchanged from the prior year.
- The general fund reported a fund balance this year of \$10,915,956, a decrease of \$9,138,050 from last year, mainly due to various ongoing construction projects and from receiving less revenue from local and intermediate sources.
- The District completed construction of new high school and renovations of existing school facilities as authorized by prior year bond issue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
UNAUDITED

- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Figure A-1 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	<ul style="list-style-type: none"> • Statement of net positions • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net positions • Statement of revenues, expenses and changes in fund net positions • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net positions • Statement of changes in fiduciary net positions
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of position/liability information	All positions and liabilities, both financial and capital, short-term and long-term	Only positions expected to be used up and liabilities that come due during the year or soon thereafter; no capital positions included	All positions and liabilities, both financial and capital, and short-term and long-term	All positions and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital positions, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
UNAUDITED

The two government-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has three kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.

We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities—such as the District's Self Insurance Fund.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
UNAUDITED

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: The District’s *combined* net position was approximately \$29.5 million at August 31, 2014. (See Table A-1).

Table A-1
The District’s Net Position

	Governmental Activities	
	2014	2013
Assets		
Current and other assets	\$ 23,263,891	\$ 49,779,602
Capital and non-current assets	98,934,059	68,284,640
Total assets	<u>122,197,950</u>	<u>118,064,242</u>
Liabilities		
Current liabilities	9,600,060	5,411,819
Long term liabilities	91,868,096	83,195,099
Total liabilities	<u>101,468,156</u>	<u>88,606,918</u>
Net Position		
Net investment in capital assets	15,528,199	(6,363,598)
Restricted	1,059,931	22,444,781
Unrestricted	4,141,664	13,376,141
Total net position	<u>\$ 20,729,794</u>	<u>\$ 29,457,324</u>

The \$4,141,664 of unrestricted net position represents resources available to fund the programs of the District next year.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
UNAUDITED

Changes in Net Position: As seen in Table A-2, the District’s total revenues were \$47,577,044 and the total cost of all programs and services was \$56,304,574, for a net decrease in net position of \$8,727,530.

Table A-2
Changes in the District’s Net Position

	Governmental Activities	
	2014	2013
Revenues		
<u>Program Revenues</u>		
Charges for services	\$ 1,001,313	\$ 1,158,440
Operating grants and contributions	6,017,840	6,168,023
<u>General Revenues</u>		
Property taxes	19,734,332	19,238,252
State aid – formula/grants	18,639,968	18,714,915
Grants & contributions not restricted	516,240	540,984
Investment earnings	134,925	207,628
Other	1,532,426	2,874,325
Total revenues	<u>47,577,044</u>	<u>48,902,567</u>
Expenses		
Instruction and instructional related	27,258,006	24,912,808
Instructional leadership/school administration	2,664,204	2,481,227
Guidance, social work, health, transportation	3,435,350	3,342,347
Food service	2,876,845	2,597,631
Extracurricular activities	2,551,162	1,924,279
General administration	1,287,211	1,234,614
Plant maintenance and security	4,889,356	4,366,226
Data processing services	534,299	606,082
Debt service	4,094,952	3,514,916
Capital outlay	6,322,929	3,006,187
Other	390,260	534,588
Total Expenses	<u>56,304,574</u>	<u>48,520,905</u>
Increase/(Decrease) in net position	(8,727,530)	381,662
Prior period adjustment	0	(709,248)
Beginning net position	29,457,324	29,784,910
Ending net position	<u>\$20,729,794</u>	<u>\$29,457,324</u>

- State aid – formula Grants contributed 33.1% towards the total expenses of the District; whereas Property Taxes contributed 35.0%.
- Operating Grants and Contributions covered 10.7% of total expenses.
- Charges for Services and other revenue sources accounted for another 1.8% of the total District expenses.
- Net result was that the sum of all District expenses exceed revenues by \$8,727,530 or 15.5%.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
UNAUDITED

Table A-3 presents the total expense of each of the District’s largest activities, as well as each activities *net expense* (total expense less charges for services and operating grants and contributions). The net cost reflects what was funded by State Aid – Formula Grants, Property Taxes, and other sources of revenues.

Table A-3

	Total Cost of		Net Cost of Services	
	Services		2014	2013
	2014	2013		
Instruction	\$26,172,043	\$23,760,175	\$23,404,928	\$20,763,101
Facilities maint. & operations	4,721,015	4,219,926	4,582,043	4,087,926
Capital outlay	6,322,929	3,006,187	6,322,929	3,006,187

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$47,680,690, a decrease of 3.1% from the preceding year’s revenue of \$49,225,943. Local revenues decreased by \$1,291,348, state revenue increased by \$127,245 and federal revenues decreased by \$381,150.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its budget to reflect changes that occurred during the year. Actual expenditures were \$3,819,116 below final budget amount of \$47,161,928. The most significant positive variance was in instruction. Resources available were \$1,109,706 less than the final budgeted amount. This is mainly the result of receiving \$318,499 less in local revenue and \$589,662 less in state program revenues than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had a net investment \$98,934,059 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
District’s Capital Assets

	Governmental Activities	
	2014	2013
Land	\$ 2,462,102	\$ 2,462,102
Construction in process	5,680,314	34,645,092
Building and improvements	101,022,839	39,246,021
Furniture and equipment	9,315,596	8,892,446
Total at historical cost	118,480,851	85,245,661
Less total accumulated depreciation	19,546,792	16,961,021
Net Capital Assets	\$ 98,934,059	\$68,284,640

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2014
UNAUDITED

Long-Term Debt

At year-end the District had \$83.2 million in bonds, accreted interest, and compensated absences as shown in Table A-5. More detailed information about the District’s debt is presented in the Notes to the Financial Statements.

Table A-5
District’s Long Term Debt

	Governmental Activities	
	2014	2013
Bonds payable	\$81,388,954	\$72,798,051
Accreted Interest	8,088,693	8,138,636
Unamortized Premium/(Discount)	2,016,906	1,850,186
Compensated Absences	373,543	408,226
Totals	<u>\$91,868,096</u>	<u>\$83,195,099</u>

Bond Ratings - The District’s bonds presently carry “AAA” ratings with underlying ratings as follows: Moody’s Investor Services “A3” and Standard & Poors “A”

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES.

Appraised value used for the 2015 budget preparation will be up \$19.34 million, or 1.37% from 2014.

General operating fund spending per student increases in the 2015 budget from \$8,368 to \$8,660. This is a 3.5% increase.

The District’s 2015 refined average daily attendance is expected to be 4,200, an increase of 75 over 2014.

These indicators were taken into account when adopting the general fund budget for 2015. Amounts available for appropriation in the general fund budget are \$40.17 million, an increase of 6.8% compared to the final 2014 budget of \$37.63 million. Property taxes will not increase due to an increase in appraised values. The tax rate will remain \$1.4992.

Expenditures are budgeted at \$40.17 million. Property tax revenue will increase approximately \$229,000 and State Funding will increase approximately \$888,000. Investment revenue will decrease by approximately \$30,000.

If these estimates are realized, the District’s budgetary fund balance in the general fund is expected to decrease by \$2,069,000 by the close of 2015.

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 the money it receives. If you have questions about this report or need additional financial information, contact the District’s Business Services Department.

BASIC FINANCIAL STATEMENTS

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 18,894,508
1210 Property Taxes - Current	473,515
1220 Property Taxes Receivable (Delinquent)	860,062
1230 Allowance for Uncollectible Taxes	(26,672)
1240 Due from Other Governments	1,425,779
1250 Accrued Interest	1,333
1290 Other Receivables, net	1,549,739
1300 Inventories	85,627
Capital Assets:	
1510 Land	2,462,102
1520 Buildings, Net	88,569,160
1530 Furniture and Equipment, Net	2,222,483
1580 Construction in Progress	5,680,314
1000 Total Assets	122,197,950
LIABILITIES	
2110 Accounts Payable	8,279,699
2140 Interest Payable	333,097
2160 Accrued Wages Payable	668,508
2180 Due to Other Governments	290,441
2300 Unearned Revenue	28,315
Noncurrent Liabilities	
2501 Due Within One Year	775,830
2502 Due in More Than One Year	91,092,266
2000 Total Liabilities	101,468,156
NET POSITION	
3200 Net Investment in Capital Assets	15,528,199
3820 Restricted for Federal and State Programs	415,410
3850 Restricted for Debt Service	365,486
3870 Restricted for Campus Activities	158,772
3890 Restricted for Other Purposes	120,263
3900 Unrestricted	4,141,664
3000 Total Net Position	\$ 20,729,794

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 26,172,043	\$ 9,110	\$ 2,758,005	\$ (23,404,928)
12 Instructional Resources and Media Services	420,935	-	10,232	(410,703)
13 Curriculum and Staff Development	665,028	-	361,293	(303,735)
21 Instructional Leadership	706,520	-	113,370	(593,150)
23 School Leadership	1,957,684	-	75,476	(1,882,208)
31 Guidance, Counseling and Evaluation Services	1,661,217	-	250,840	(1,410,377)
33 Health Services	369,748	-	235,850	(133,898)
34 Student (Pupil) Transportation	1,404,385	-	39,021	(1,365,364)
35 Food Services	2,876,845	500,197	2,022,892	(353,756)
36 Extracurricular Activities	2,551,162	139,950	17,541	(2,393,671)
41 General Administration	1,287,211	239,785	35,110	(1,012,316)
51 Facilities Maintenance and Operations	4,721,015	63,994	74,978	(4,582,043)
52 Security and Monitoring Services	168,341	-	2,518	(165,823)
53 Data Processing Services	534,299	-	11,486	(522,813)
61 Community Services	9,228	-	9,228	-
72 Debt Service - Interest on Long Term Debt	3,942,282	48,277	-	(3,894,005)
73 Debt Service - Bond Issuance Cost and Fees	152,670	-	-	(152,670)
81 Capital Outlay	6,322,929	-	-	(6,322,929)
99 Other Intergovernmental Charges	381,032	-	-	(381,032)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 56,304,574	\$ 1,001,313	\$ 6,017,840	(49,285,421)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			15,399,555
DT	Property Taxes, Levied for Debt Service			4,334,777
SF	State Aid - Formula Grants			18,639,968
GC	Grants and Contributions not Restricted			516,240
IE	Investment Earnings			134,925
MI	Miscellaneous Local and Intermediate Revenue			1,532,426
TR	Total General Revenues			40,557,891
CN	Change in Net Position			(8,727,530)
NB	Net Position - Beginning			29,457,324
NE	Net Position - Ending			\$ 20,729,794

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

DENISON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 13,036,605	\$ 727,839	\$ 4,421,816
1210 Property Taxes - Current	369,539	103,976	-
1220 Property Taxes - Delinquent	747,593	112,469	-
1230 Allowance for Uncollectible Taxes (Credit)	(22,343)	(4,329)	-
1240 Receivables from Other Governments	833,333	-	-
1250 Accrued Interest	1,333	-	-
1260 Due from Other Funds	12,362	-	1,718,634
1290 Other Receivables	749,739	-	800,000
1300 Inventories	30,062	-	-
1000 Total Assets	<u>\$ 15,758,223</u>	<u>\$ 939,955</u>	<u>\$ 6,940,450</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,128,564	\$ -	\$ 6,940,450
2160 Accrued Wages Payable	626,733	-	-
2170 Due to Other Funds	1,701,740	29,256	-
2180 Due to Other Governments	290,441	-	-
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>3,747,478</u>	<u>29,256</u>	<u>6,940,450</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,094,789	212,116	-
2600 Total Deferred Inflows of Resources	<u>1,094,789</u>	<u>212,116</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	30,062	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	698,583	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	10,885,894	-	-
3000 Total Fund Balances	<u>10,915,956</u>	<u>698,583</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,758,223</u>	<u>\$ 939,955</u>	<u>\$ 6,940,450</u>

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

Other Funds	Total Governmental Funds
\$ 198,858	\$ 18,385,118
-	473,515
-	860,062
-	(26,672)
592,446	1,425,779
-	1,333
-	1,730,996
-	1,549,739
55,565	85,627
<u>\$ 846,869</u>	<u>\$ 24,485,497</u>
\$ 82,334	\$ 8,151,348
41,775	668,508
-	1,730,996
-	290,441
28,315	28,315
<u>152,424</u>	<u>10,869,608</u>
-	1,306,905
<u>-</u>	<u>1,306,905</u>
38,846	68,908
376,564	376,564
-	698,583
120,263	120,263
158,772	158,772
-	10,885,894
<u>694,445</u>	<u>12,308,984</u>
<u>\$ 846,869</u>	<u>\$ 24,485,497</u>

DENISON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$	12,308,984
1 The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		381,039
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$85,245,661 and the accumulated depreciation was \$16,961,021. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, the balance of these liabilities was \$83,195,098. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to (decrease) net position.		(14,910,458)
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2014 capital outlays and debt principal payments is to increase (decrease) net position.		34,161,288
4 The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,597,660)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(8,613,399)
19 Net Position of Governmental Activities	<u>\$</u>	<u>20,729,794</u>

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

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DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 15,997,501	\$ 4,460,599	\$ 1,120,778
5800 State Program Revenues	19,495,338	470,919	-
5900 Federal Program Revenues	363,455	-	-
5020 Total Revenues	<u>35,856,294</u>	<u>4,931,518</u>	<u>1,120,778</u>
EXPENDITURES:			
Current:			
0011 Instruction	22,948,557	-	-
0012 Instructional Resources and Media Services	380,284	-	-
0013 Curriculum and Instructional Staff Development	294,995	-	-
0021 Instructional Leadership	619,333	-	-
0023 School Leadership	1,936,865	-	-
0031 Guidance, Counseling and Evaluation Services	1,459,418	-	-
0033 Health Services	130,980	-	-
0034 Student (Pupil) Transportation	1,065,714	-	-
0035 Food Services	108,210	-	-
0036 Extracurricular Activities	1,771,098	-	-
0041 General Administration	1,267,488	-	-
0051 Facilities Maintenance and Operations	4,774,012	-	-
0052 Security and Monitoring Services	167,231	-	-
0053 Data Processing Services	559,974	-	-
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long Term Debt	-	819,098	-
0072 Interest on Long Term Debt	-	4,036,985	-
0073 Bond Issuance Cost and Fees	-	1,250	151,420
Capital Outlay:			
0081 Facilities Acquisition and Construction	5,477,621	-	33,764,348
Intergovernmental:			
0099 Other Intergovernmental Charges	381,032	-	-
6030 Total Expenditures	<u>43,342,812</u>	<u>4,857,333</u>	<u>33,915,768</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,486,518)</u>	<u>74,185</u>	<u>(32,794,990)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued (Regular Bonds)	-	-	9,410,000
7912 Sale of Real and Personal Property	50,208	-	-
7915 Transfers In	-	-	1,701,740
7916 Premium or Discount on Issuance of Bonds	-	-	241,420
8911 Transfers Out (Use)	(1,701,740)	-	-
7080 Total Other Financing Sources (Uses)	<u>(1,651,532)</u>	<u>-</u>	<u>11,353,160</u>
1200 Net Change in Fund Balances	<u>(9,138,050)</u>	<u>74,185</u>	<u>(21,441,830)</u>
0100 Fund Balance - September 1 (Beginning)	<u>20,054,006</u>	<u>624,398</u>	<u>21,441,830</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,915,956</u>	<u>\$ 698,583</u>	<u>\$ -</u>

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

Other Funds	Total Governmental Funds
\$ 933,830	\$ 22,512,708
439,387	20,405,644
4,398,883	4,762,338
5,772,100	47,680,690
2,119,413	25,067,970
-	380,284
356,645	651,640
87,187	706,520
162	1,937,027
191,958	1,651,376
232,181	363,161
10,490	1,076,204
2,553,838	2,662,048
198,263	1,969,361
-	1,267,488
-	4,774,012
-	167,231
-	559,974
9,228	9,228
-	819,098
-	4,036,985
-	152,670
-	39,241,969
-	381,032
5,759,365	87,875,278
12,735	(40,194,588)
-	9,410,000
-	50,208
2,000	1,703,740
-	241,420
(2,000)	(1,703,740)
-	9,701,628
12,735	(30,492,960)
681,710	42,801,944
\$ 694,445	\$ 12,308,984

DENISON 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 AUGUST 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	(30,492,960)
The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to (decrease) net position.		(122,308)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2014 capital outlays and debt principal payments is to increase net position.		34,161,288
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.		(2,597,660)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(9,675,890)
Change in Net Position of Governmental Activities	\$	(8,727,530)

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 509,390
Total Assets	509,390
LIABILITIES	
Current Liabilities:	
Accounts Payable	128,351
Total Liabilities	128,351
NET POSITION	
Unrestricted Net Position	381,039
Total Net Position	\$ 381,039

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 103,177
Total Operating Revenues	103,177
OPERATING EXPENSES:	
Professional and Contracted Services	225,485
Total Operating Expenses	225,485
Operating Income (Loss)	(122,308)
Total Net Position - September 1 (Beginning)	503,347
 Total Net Position - August 31 (Ending)	 \$ 381,039

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 103,177
Cash Payments for Insurance Claims	(224,224)
Net Cash Provided by Operating Activities	(121,047)
Net Increase in Cash and Cash Equivalents	3,790
Cash and Cash Equivalents at Beginning of Year	505,600
Cash and Cash Equivalents at End of Year	\$ 509,390
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ (122,308)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	126,098
Net Cash Provided by Operating Activities	\$ 3,790

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	Private Purpose Trust Fund	Agency Fund	Fiduciary Component Unit
ASSETS			
Cash and Cash Equivalents	\$ 54,206	\$ 254,010	\$ 1,804,768
Total Assets	<u>54,206</u>	<u>\$ 254,010</u>	<u>1,804,768</u>
LIABILITIES			
Accounts Payable	-	\$ 145	-
Due to Student Groups	-	253,865	-
Total Liabilities	<u>-</u>	<u>\$ 254,010</u>	<u>-</u>
NET POSITION			
Restricted for Scholarships	<u>54,206</u>		<u>1,804,768</u>
Total Net Position	<u>\$ 54,206</u>		<u>\$ 1,804,768</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

	Private Purpose Trust Fund	Fiduciary Component Unit
ADDITIONS:		
Local and Intermediate Sources	\$ 27,575	\$ 365,749
Total Additions	<u>27,575</u>	<u>365,749</u>
DEDUCTIONS:		
Other Operating Costs	-	94,983
Scholarships and Grants Awarded	36,400	64,598
Total Deductions	<u>36,400</u>	<u>159,581</u>
Change in Net Position	(8,825)	206,168
Total Net Position - September 1 (Beginning)	<u>63,031</u>	<u>1,598,600</u>
Total Net Position - August 31 (Ending)	<u>\$ 54,206</u>	<u>\$ 1,804,768</u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Denison Independent School District is a public educational agency under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (“GASB”) and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the *Financial Accountability System Resource Guide*, issued by the Texas Education Agency (“TEA”), and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The Board of Trustees (“Board”), a seven-member group, has governance responsibilities over all the activities related to public elementary and secondary education within the jurisdiction of the District. Because members of the board are elected by the public, they have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and they have primary accountability for fiscal matters. The District is not included in any other governmental “reporting entity” as defined by GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus; and amendment of GASB Statements No. 14 and No. 34.*” The accompanying financial statements present the District’s financial statements and those of a blended component unit, which is included because of the significance of its operations or financial relationship with the District. The blended component unit is described below.

- Blended component unit. The Component Unit columns in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Fund Net Position include financial data of The Denison Independent School District Education Foundation, Inc., (“Foundation”) a component unit of the District. The component unit is fiduciary in nature and as such is included only in the fund financial statements with the District’s fiduciary funds. The primary purpose of the Foundation is to generate resources to enhance the quality of education of all students of the District. The Foundation is governed by a board of directors consisting of citizens of the community, District employees, and District board members.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have business-type activities.

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase,

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

use or directly benefit from goods, services, or privileges provided by a given function and fees, fines, and charges paid by recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The fund financial statements provide reports on financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide financial statements. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary's fund's principal ongoing operations. All other revenues and expenses are non-operating.

Major Governmental Funds

General Fund – The General Fund is the District's primary operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the schools except for costs incurred by programs accounted for in the Special Revenue Funds, Debt Service Fund, and Capital Projects Fund. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

Debt Service Fund – The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made on long-term general obligation debt of governmental funds. Revenues include collections on general property taxes, state funding under the Instructional Facilities and Existing Debt Allotments, and earnings of interest on bonded debt. The fund balance represents amounts that will be used for retirement of bonds and payments of interest in the future.

Capital Projects Fund – This fund is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

Other Non-major Governmental Funds

Special Revenue Funds - These funds are used to account for federal, state and locally financed programs where unused balances are generally returned to the grantor at the close of specified project periods. Proceeds of specific revenues resources are restricted or committed to expenditures for specified purposes other than debt service or capital projects are accounted for in a special revenue fund. Project accounting is employed to maintain integrity for the various sources of funds.

Proprietary Funds

Internal Service Funds – These funds are conceived to be self-supporting. Revenues are earned mainly from sales of services to the schools and operating departments of the District. The District uses this fund type to report its workers compensation activities.

Fiduciary Funds

Private-purpose Trust Fund – This fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.

Fiduciary Funds – Agency Funds – The Agency Fund, which is an unbudgeted fund, is custodial in nature and accounts for activities of student groups and other types of activities requiring clearing accounts. The fund has no equity. Assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District. This accounting reflects the District’s agency relationship with student activity organizations. Fiduciary funds use the accrual basis of accounting to recognize assets and liabilities.

Fiduciary Component Unit - The component unit fund is used to account for the Denison Independent School District Education Foundation, Inc., an organization formed to provide financial assistance to the District.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual are principally certain inter-governmental revenues, property taxes and investment income. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Funds received from federal, state and other grants designated for payment of specific District expenditures are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Management's Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

The amount of state foundation revenue a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as into the next fiscal year. It is at least reasonably possible that the foundation revenue for fiscal 2014 will ultimately change from the amount calculated as of August 31, 2014 because of the factors that TEA uses in its calculations.

D. Assets, Liabilities, and Net Position or Fund Balances

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

2. Receivables and payables

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "internal balances" line of the governmental-wide statement of net position.

3. Property taxes

Property taxes are levied by October 1 based upon property valuations as of January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to \$1.17 per \$100 of assessed valuation for general governmental services other than debt services

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

on general obligation bonds. The tax rate which may be levied to service general obligation bonds is limited to \$0.50, except under certain conditions. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt services of \$1.17 per \$100 valuation and \$0.3292 per \$100 valuation, respectively, based on a net assessed valuation of \$1,326,312,166.

Delinquent property taxes receivables are prorated between the General and Debt Service Funds based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2014 are as follows:

	<u>Gross Delinquent Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Delinquent Taxes Receivables</u>
General Fund	\$1,117,132	(\$22,343)	\$1,094,789
Debt Service Fund	216,445	(4,329)	212,116
Totals	<u>\$1,333,577</u>	<u>(\$26,672)</u>	<u>\$1,306,905</u>

Current tax collections for the levy year ended August 31, 2014 were 97.6% of the year-end adjusted tax levy.

4. Inventories and prepaid items

The District uses the consumption method 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. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayment in both government-wide and fund financial statements.

5. Interfund transactions and receivables and payables

Interfund receivables and payables arise from interfund transactions in the normal course of operations and are recorded in all affected funds in the period in which transactions are executed. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations.

6. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the governmental fund types on the governmental fund financial statements. Encumbrances are liquidated at year end.

7. Capital assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. The District defines capital assets with an initial, individual cost which equals or exceeds \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Land and construction in progress are not depreciable.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, furniture and equipment, and capital lease assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Asset Classification</u>	<u>Useful Life</u>
Land	Not depreciated
Construction in progress	Not depreciated
Buildings and improvements	45
Furniture and equipment	5-10

8. Compensated absences

Employees of the District earn and accumulate leave according to terms set by the State of Texas at the rate of five (5) days per year. If employees retire from the District and are eligible for full retirement benefits as determined by the Teachers' Retirement System, the District pays the employees one-half of their regular rate of pay for up to 50 days of unused sick leave.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is not recorded.

The activity within the accrued compensated absences account follows:

Balance, September 1	\$408,226
Net change	(34,683)
Balance, August 31	<u>\$373,543</u>

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

9. Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the appropriate effective interest rate and straight-line methods.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as 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.

10. Unearned revenues

Unearned revenues at year end represents revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

Special Revenue Funds	_____
National Breakfast & Lunch Program – commodities	\$16,719
Advanced Placement Incentives – state revenue	11,183
State Textbook Fund – state revenue	413
Total Special Revenue Funds	_____
	\$28,315

11. Deferred outflows/inflow of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District did not have deferred outflows of resources during the year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds reports \$1,094,789 and \$212,116 as unavailable revenues from property taxes within the General Fund and Debt Service Fund respectively. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

12. Net position and fund balances

Net position on the statement of net position include the following:

Net investment in capital assets – the component of net position that reports capital assets less both the accumulated depreciation and the outstanding balance of debt and is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted for federal and state programs – the component of net position that reports the difference between assets and liabilities related to federal and state programs that consist of assets with constraints placed on their use by granting agencies.

Restricted for debt service – the component of net position that reports the difference between assets and liabilities adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Restricted for campus activities – funds that have been committed solely for the use by various campuses within the District.

Restricted for other purposes – funds that have designated by the District to classify locally funded grants.

Unrestricted net position - the difference between the assets and liabilities that are not reported in net investment in capital assets or restricted net position.

Net position flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restrict bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance – Non-spendable fund balance is that portion of fund balance that is not in spendable form, such as inventory.

Spendable fund balance – Spendable fund balance includes restricted, committed, assigned, and unassigned components. These components can be described as follows:

Restricted fund balance – the component of the spendable fund balance constrained to a specific purpose by a provider, such as creditor, grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, construction programs, debt service, and other restrictions.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

Committed fund balance – the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind a fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balance includes funds for construction and capital expenditures for equipment.

Assigned fund balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is a specific purpose that is narrower than the general purposes of the District itself. The District does not have assigned fund balances.

Unassigned fund balance – the component of the spendable fund balance which may be spent for any legal purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures.

Fund balance flow assumptions – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The District does not have a minimum fund balance policy.

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
 For Fiscal Year Ending August 31, 2014

	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
Nonspendable Fund Balance				
Inventories	\$ 30,062	\$ 0	\$ 38,846	\$ 68,908
Restricted Fund Balance				
Nat’l School Break. & Lunch Program	0	0	376,564	376,564
Retirement of long-term debt	0	698,583	0	698,583
Other restricted	0	0	120,263	120,263
Committed Fund Balance				
Campus activity fund	0	0	158,772	158,772
Unassigned	10,885,894	0	0	10,885,894
Total Fund Balance	<u>\$10,915,956</u>	<u>\$698,583</u>	<u>\$694,445</u>	<u>\$12,308,984</u>

13. Data control codes

The data control codes refer to the account code structure prescribed by the TEA. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to insure accuracy in building a statewide data base for policy development and funding plans.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.

Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position” provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as unavailable revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts.

Exhibit C-4 “Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities” provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Information

The District is legally required to adopt budgets for the General Fund, Debt Service Fund and the Child Nutrition Program. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The general fund budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

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

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

1. The superintendent or his designee prepares a budget covering all estimated revenues and proposed expenditures of the District for the next succeeding fiscal year. The budget is prepared by generic fund type and function.
2. Ten days after public notice of the meeting has been given, a public hearing is held, allowing the public to comment on the proposed budget.
3. A public meeting of the Board of Trustees is called for the purpose of adopting the budget. The State Board of Education requires that the budget be prepared no later than August 20th of each year.
4. Budget data must be received by the Texas Education Agency on or before December 15 each year. The legal level of budgetary control is at the function level within each generic fund type. Budget amounts are as originally adopted, or as amended by the Board. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustment of local and state revenues and appropriations and operating costs; and year-end adjustments to revise estimates of revenues and expenditures based on the latest information on student attendance, interest earnings, and operating costs. All budget appropriations lapse at year-end.

	Original Budget	Increase (Decrease)	Amended Budget
	<u>Appropriations</u>	<u>(Decrease)</u>	<u>Appropriations</u>
General Fund – Exhibit G-1	\$37,636,472	\$9,525,456	\$47,161,928
Child Nutrition Program – Exhibit J-4	2,689,534	21,000	2,710,534
Debt Service Fund – Exhibit J-5	4,884,685	0	4,884,685

The two most significant budget amendments within the General Fund was to add \$6,030,000 for facilities acquisition and construction and to add \$1,906,516 for instruction.

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

	August 31, 2014 Fund Balance
Child Nutrition Program	\$415,410
Non-appropriated Budgeted Funds	<u>279,035</u>
All Special Revenue Funds	<u>\$694,445</u>

B. Excess of Expenditures over Appropriations

There were no excess of expenditures over appropriations during the year.

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2014.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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 Cooperation ("FDIC") insurance.

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 returns, (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. The District maintains an investment policy which authorizes the District to invest in obligations of U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public investment pools. 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 policy.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

At August 31, 2014, the carrying value of the District's deposits was \$4,580,999, excluding petty cash of \$4,182 and \$13,799,937 of investments considered as cash equivalents, and the bank balance was \$4,605,832. The District's cash deposits at August 31, 2014, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Petty cash	\$ 4,182
Cash in bank	4,580,999
Investments considered as cash equivalents	<u>13,799,937</u>
Total cash and cash equivalents	<u>\$18,385,118</u>

The following investments are considered as cash equivalents:

<u>Investments</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair Value</u>	Percentage of <u>Investments</u>	Weighted Average <u>Maturity (Days)</u>
FDIC insured investments	\$11,199,455	\$11,199,455	81.2%	On demand
Savings accounts	2,600,181	2,600,181	18.8%	On demand
Public funds money markets	301	301	0.0%	On demand
	<u>\$13,799,937</u>	<u>\$13,799,937</u>	<u>100.0%</u>	

The carrying value of deposits in the Proprietary Fund was \$509,390.

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. The collateral shall always be held by and independent third party with whom the District has a current custodial agreement. The District is not exposed custodial credit risk for its deposits as all were covered by depository insurance or securities pledged to the District and held by a third-party custodian.

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 possession of an outside party. The District's investment in public funds money market accounts not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. The FDIC insured investments are in insured cash management program for state and local governments. These programs provides FDIC protection on deposits beyond the current \$250,000 limit for each category of legal ownership by linking to multiple FDIC insured banks and savings institutions. District investments are fully protected by FDIC

Credit Risk – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor's (S&P) or Moody's Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

Interest-rate Risk – This type of risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District's investment policy does not allow the purchase of investments that would expose the District to interest-rate risk.

Concentration of Credit Risk – This type of risk is defined as positions of 5 percent or more in securities of a single issuer. The District is not exposed to concentration of credit risk because the investment portfolio mainly consists of external investment pools.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

The fair value of investments in external investment pools is the same as the value of the pool shares. The District reports investment at amortized cost. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, state that investments should be reported at fair value, but provides an exception which applies to all investments of the District. Investments with a remaining maturity at time of purchase of one year or less and investments in an external pool that operates as a "2a7-like" pool may be reported at amortized cost. The external investment pools are not registered with the SEC, but are under the regulatory oversight of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

B. Receivables and Payables

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of August 31, 2014.

C. Due from Other Governments

Receivables due from other governments, as of August 31, 2014, are as follows:

	<u>Due From State</u>	<u>Due From Other Governments</u>
General Fund	\$ 0	\$833,333
Special Revenue Funds		
Head Start	133,298	0
ESEA I,A Improving Basic Programs	279,103	0
IDEA – Part B Formula	152,837	0
IDEA – Part B Preschool	5,659	0
Summer Feeding Program	16,260	0
Title III,A English Language Acquisition	4,689	0
Non-Educational Community Based Support	600	0
Totals	<u>\$592,446</u>	<u>\$833,333</u>

D. Interfund Receivables and Payables

The following is a summary of amounts due to and due from other funds:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$12,362	
Debt Service Fund		\$12,362
Capital Projects Fund	\$1,718,634	
General Fund		\$1,701,740
Debt Service Fund		16,894

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

E. Other Financing Sources (Uses)

The District had the following financing sources and uses during the year:

General Fund Other Financing Sources (Uses)	
Sale of real and personal property	\$ 50,208
Transfers Out(Use)	1,701,740
Capital Projects Fund Other Financing Sources (Uses)	
Capital related debt issued (regular bonds)	\$9,410,000
Transfer In	1,701,740
Premium or discount on issuance of bonds	241,420
Special Revenue Funds Other Financing Sources (Uses)	
State Textbook Fund Transfer In	2,000
Technology Allotment Transfers Out (Uses)	(2,000)

The General Fund transferred \$1,701,740 to the Capital Projects Fund to supplement this fund. The transfer of \$2,000 from the Technology Allotment to the State Textbook Fund was to close out the Technology Allotment Fund.

F. Operating Leases

The District leases office equipment under noncancelable operating leases. Total costs for such leases were \$80,641 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2015	\$25,710
2016	7,453
2017	4,969
2018	0
Total	<u>\$38,132</u>

G. Capital Assets

Capital asset activity for the year ended August 31, 2014 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,462,102	\$ 0	\$ 0	\$ 2,462,102
Construction in progress	34,645,092	5,477,621	34,442,399	5,680,314
Total Capital Assets, not being depreciated	<u>37,107,194</u>	<u>5,477,621</u>	<u>34,442,399</u>	<u>8,142,416</u>
Capital assets, being depreciated:				
Buildings and improvements	39,246,021	61,883,818	107,000	101,022,839
Furniture and equipment	8,892,446	423,150	0	9,315,596
Total capital assets, being depreciated	<u>48,138,467</u>	<u>62,306,968</u>	<u>107,000</u>	<u>110,338,435</u>
Less accumulated depreciation for:				
Buildings and improvements	10,648,424	1,817,144	11,889	12,453,679
Furniture and equipment	6,312,597	780,516	0	7,093,113
Total accumulated depreciation	<u>16,961,021</u>	<u>2,597,660</u>	<u>11,889</u>	<u>19,546,792</u>
Governmental activities capital assets, net	<u>\$68,284,640</u>	<u>\$65,186,929</u>	<u>\$34,537,510</u>	<u>\$ 98,934,059</u>

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

Depreciation expense was charged to governmental functions of the District as follows:

Governmental activities:	
11 – Instruction	\$1,128,337
12 – Instruction resources & media services	40,651
13 – Curriculum & instructional staff development	13,388
23 – School leadership	18,211
31 – Guidance, counseling & evaluation services	7,395
33 – Health services	6,587
34 – Student (Pupil) Transportation	314,727
35 – Food services	194,005
36 – Extracurricular activities	581,801
41 – General administration	19,723
51 – Plant maintenance & operations	127,865
52 – Security & monitoring services	8,357
53 – Data processing services	136,613
Total Depreciation Expense	<u>\$2,597,660</u>

H. Long-Term Debt

Long-term debt of the District is comprised of bonds payable, accreted interest, premium on bonds, capital leases payable and maintenance tax note payable. Debt service requirements for general obligation bonds are payable from fund balance and future revenues of the Debt Service Fund which consists principally of property taxes collected by the District, state funding, and interest earnings. Capital leases and maintenance tax notes are payable from fund balance and future revenues of the General Fund.

The following is a summary of changes in long-term debt for government activities for the year ended August 31, 2014.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$72,798,052	\$ 9,410,000	\$ 819,098	\$81,388,954	\$775,830
Accreted interest	8,138,636	990,959	1,040,902	8,088,693	0
Premium on bonds	1,850,186	241,420	74,700	2,016,906	0
Compensated absences	408,226	0	34,683	373,543	0
Total	<u>\$83,195,100</u>	<u>\$10,642,379</u>	<u>\$1,969,383</u>	<u>\$91,868,096</u>	<u>\$775,830</u>

Bonds Payable

During the current year the District issued \$9,410,000 in Series 2013 Unlimited School Building Bonds for the construction of new facilities and renovation of existing facilities. Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the debt service fund within the fund financial statements.

Issue/Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Series 1997 ULTSB&R Bonds/ 2021	4.3%/ 6.0%	\$13,224,677	\$ 3,796,689	\$ 0	\$589,098	\$ 3,207,592	\$ 555,830
Series 2011 ULTSB Bonds/2041	1.75%/ 5.0%	69,001,362	69,001,362	0	0	69,001,362	0
Series 2013 ULTSB Bonds/ Totals	1.75%/ 4.5%	9,410,000	0	9,410,000	230,000	9,180,000	220,000
			<u>\$72,798,051</u>	<u>\$9,410,000</u>	<u>\$819,098</u>	<u>\$81,388,954</u>	<u>\$775,830</u>

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

Interest and fees paid on general obligation bonds during the year were \$4,038,235.

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31	Principal	Interest	Total Requirements
2015	\$ 775,830	\$ 4,077,164	\$ 4,852,994
2016	799,939	4,108,655	4,908,594
2017	883,136	4,156,520	5,039,656
2018	968,010	4,207,709	5,175,719
2019	1,037,479	4,271,339	5,308,818
2020-2024	8,038,549	20,353,520	28,392,069
2025-2029	10,391,011	20,245,258	30,636,269
2030-2034	20,120,000	11,766,456	31,886,456
2035-2039	26,125,000	6,263,206	32,388,206
2040-2044	12,250,000	789,113	13,039,113
Totals	<u>\$81,388,954</u>	<u>\$80,238,940</u>	<u>\$161,627,894</u>

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions as of August 31, 2014.

I. Revenue from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Fund Totals
Property Taxes	\$15,389,864	\$4,404,765	\$ 0	\$ 0	\$19,794,629
Food Sales	0	0	0	500,197	500,197
Investment Income	66,322	7,825	1,120,778	6,066	1,200,991
Penalties, interest & other tax related income	295,687	48,009	0	0	343,696
Extracurricular activities	102,383	0	0	270,024	372,407
Other	143,245	0	0	157,543	300,788
Total	<u>\$15,997,501</u>	<u>\$4,460,599</u>	<u>\$1,120,778</u>	<u>\$933,830</u>	<u>\$22,512,708</u>

J. State Aid Revenue

The District receives state revenues from TEA based upon application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

Revenues	General Fund	Debt Service Fund	Other Funds	Totals
Per Capita Apportionment	\$ 1,037,430	\$ 0	\$ 0	\$ 1,037,430
Foundation School Program Act Entitlements	17,131,619	0	0	17,131,619
State Program Revenues	181,568	470,919	405,809	1,058,296
TRS On-behalf Payments	1,076,059	0	33,578	1,109,637
TRS Medicare Part-D	68,662	0	0	68,662
Totals	<u>\$19,495,338</u>	<u>\$470,919</u>	<u>\$439,387</u>	<u>\$20,405,644</u>

K. Employee Benefits

The following is a summary of the various insurance, reimbursement and retirement programs provided for the benefit of District employees and their dependents.

1. Employees Retirement Plan

Plan Description – The District contributes to the Teacher Retirement System of Texas (“TRS”), a cost-sharing, multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805 respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

Funding Policy – Contribution requirements are not actuarially determined but are established and amended pursuant to the following policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the current year; (2) state statute prohibit benefit improvements, if as a result of a particular action, the time to amortize TRS’s unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2014-2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state’s and/or member’s contribution and on the portion of the employees’ salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts					
Year	Member		State		Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2014	6.4%	\$1,647,928	6.8%	\$1,750,92	\$248,817
2013	6.4%	1,640,023	6.4%	1,640,023	225,725
2012	6.4%	1,716,985	6.0%	1,609,673	189,640

2. Retiree Health Plan

Plan Description – The 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

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

is Texas Insurance Code, Chapter 1575. Section 1575.052 grants to the TRS Board of Trustees the authority to establish and amend 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 under the TRS Publication heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

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.

Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2014-2012.

Contribution Rates and Contribution Amounts						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	.65%	\$167,369	1.0%	257,489	.55%	\$141,621
2013	.65%	166,565	0.5%	128,127	.55%	140,945
2012	.65%	163,481	1.0%	251,511	.55%	138,335

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 Part 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 must be recognized as equal revenues and expenditures/expenses by each reporting entity. For the fiscal years ended August 31, 2014, August 31, 2013, and August 31, 2012, the contributions made on behalf of the District were \$68,662, \$64,148, and \$58,428, respectively.

3. Health Care Coverage

During the year ended August 31, 2013 employees of the District were covered by the Teacher Retirement System-Active Care, a statewide health coverage program for public education employees. The District paid premiums of \$334 on behalf of the employees to the Plan; and, employees, at their option, could authorize payroll withholdings to pay premiums for dependents.

4. Worker’s Compensation

During the year, the District met its statutory workers’ compensation obligations through participation in the Texas Association of School Boards (“TASB”) Risk Management Fund (the “Fund”). The Fund was created and is operated under the provision of the Inter-local Cooperation

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

Act, Chapter 491 of the Texas Governmental Code. The Fund’s Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers’ compensation benefits to its members and their injured employees.

The member participates in the Fund’s reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member’s Contribution and Coverage Summary document. After the member’s deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund’s self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year-ended August 31, 2014, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2014, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The following is the District’s estimated outstanding liability as of August 31, 2014.

Fund Year	Claim Count at 8/31/14	Aggregate Liability	Estimated Paid Loss & ALAE at 8/31/14	Estimated Ultimate Loss & ALAE at 8/31/14	Estimated Outstanding Loss & ALAE at 8/31/14
2009-10	18	\$198,207	\$33,651	\$45,968	\$12,317
2010-11	36	169,603	87,458	105,124	17,666
2011-12	19	185,473	77,359	96,443	19,084
2012-13	24	190,610	43,787	61,916	18,129
2013-14	18	180,798	18,958	44,302	25,344

L. Commitments and Contingencies

State and Federal Grants

The District receives monies under various state and federal grant project awards. These grants are subject to audit by the individual grantors and any disallowed costs arising from these audits would have to be refunded by the District. Management believes that the District has substantially complied with the terms and provisions of these grants, and any refunds, which might arise from these audits, would not be material.

Litigation

The District is not a party in any litigation.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2014

Exhibit F-1

M. Risk Management

The District purchases 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.

N. Construction Contracts

The District was obligated at August 31, 2014, under major contracts for construction, renovations or repairs of various facilities. The construction contracts associated with some of the major contracts are as follows:

Project	Approved Construction Budget	Construction In Progress	Estimated Remaining Commitment
Various construction projects	<u>\$9,211,222</u>	<u>\$5,680,314</u>	<u>\$3,530,908</u>

O. Subsequent events

The District has evaluated subsequent events through December 10, 2014, the date which the financial statements were available.

REQUIRED SUPPLEMENTARY INFORMATION

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DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 16,316,000	\$ 16,316,000	\$ 15,997,501	\$ (318,499)
5800	State Program Revenues	20,085,000	20,085,000	19,495,338	(589,662)
5900	Federal Program Revenues	565,000	565,000	363,455	(201,545)
5020	Total Revenues	36,966,000	36,966,000	35,856,294	(1,109,706)
EXPENDITURES:					
Current:					
0011	Instruction	22,616,695	24,523,211	22,948,557	1,574,654
0012	Instructional Resources and Media Services	435,571	614,650	380,284	234,366
0013	Curriculum and Instructional Staff Development	336,366	336,366	294,995	41,371
0021	Instructional Leadership	633,552	633,552	619,333	14,219
0023	School Leadership	1,863,033	2,220,669	1,936,865	283,804
0031	Guidance, Counseling and Evaluation Services	1,437,299	1,549,599	1,459,418	90,181
0033	Health Services	334,744	228,444	130,980	97,464
0034	Student (Pupil) Transportation	1,343,150	1,505,150	1,065,714	439,436
0035	Food Services	-	108,211	108,210	1
0036	Extracurricular Activities	1,561,863	1,921,777	1,771,098	150,679
0041	General Administration	1,391,670	1,391,670	1,267,488	124,182
0051	Facilities Maintenance and Operations	4,477,965	4,886,565	4,774,012	112,553
0052	Security and Monitoring Services	180,443	187,943	167,231	20,712
0053	Data Processing Services	634,121	634,121	559,974	74,147
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	6,030,000	5,477,621	552,379
Intergovernmental:					
0099	Other Intergovernmental Charges	390,000	390,000	381,032	8,968
6030	Total Expenditures	37,636,472	47,161,928	43,342,812	3,819,116
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(670,472)	(10,195,928)	(7,486,518)	2,709,410
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	50,208	50,208
8911	Transfers Out (Use)	-	-	(1,701,740)	(1,701,740)
7080	Total Other Financing Sources (Uses)	-	-	(1,651,532)	(1,651,532)
1200	Net Change in Fund Balances	(670,472)	(10,195,928)	(9,138,050)	1,057,878
0100	Fund Balance - September 1 (Beginning)	20,054,006	20,054,006	20,054,006	-
3000	Fund Balance - August 31 (Ending)	\$ 19,383,534	\$ 9,858,078	\$ 10,915,956	\$ 1,057,878

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COMBINING SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
ASSETS			
1110 Cash and Cash Equivalents	\$ (126,203)	\$ (238,348)	\$ (139,795)
1240 Receivables from Other Governments	133,298	279,103	152,837
1300 Inventories	-	-	-
1000 Total Assets	<u>\$ 7,095</u>	<u>\$ 40,755</u>	<u>\$ 13,042</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ 20,055	\$ -
2160 Accrued Wages Payable	7,095	20,700	13,042
2300 Unearned Revenues	-	-	-
2000 Total Liabilities	<u>7,095</u>	<u>40,755</u>	<u>13,042</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 7,095</u>	<u>\$ 40,755</u>	<u>\$ 13,042</u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	288 Title VII Indian Education	392 Non-Ed. Community Based Support
\$ (4,721)	\$ 436,647	\$ (14,064)	\$ -	\$ -	\$ (4,689)	\$ -	\$ (600)
5,659	-	16,260	-	-	4,689	-	600
-	55,565	-	-	-	-	-	-
<u>\$ 938</u>	<u>\$ 492,212</u>	<u>\$ 2,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 60,083	\$ 2,196	\$ -	\$ -	\$ -	\$ -	\$ -
938	-	-	-	-	-	-	-
-	16,719	-	-	-	-	-	-
<u>938</u>	<u>76,802</u>	<u>2,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	38,846	-	-	-	-	-	-
-	376,564	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>415,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 938</u>	<u>\$ 492,212</u>	<u>\$ 2,196</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2014

Data Control Codes	397 Advanced Placement Incentives	410 State Textbook Fund	411 Technology Allotment	461 Campus Activity Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 11,183	\$ 413	\$ -	\$ 158,772
1240 Receivables from Other Governments	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 11,183</u>	<u>\$ 413</u>	<u>\$ -</u>	<u>\$ 158,772</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	-
2300 Unearned Revenues	11,183	413	-	-
2000 Total Liabilities	<u>11,183</u>	<u>413</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	158,772
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,772</u>
4000 Total Liabilities and Fund Balances	<u>\$ 11,183</u>	<u>\$ 413</u>	<u>\$ -</u>	<u>\$ 158,772</u>

483	Total Nonmajor Governmental Funds
Local Grants	
\$ 120,263	\$ 198,858
-	592,446
-	55,565
<u>\$ 120,263</u>	<u>\$ 846,869</u>
\$ -	\$ 82,334
-	41,775
-	28,315
<u>-</u>	<u>152,424</u>
-	38,846
-	376,564
120,263	120,263
-	158,772
<u>120,263</u>	<u>694,445</u>
<u>\$ 120,263</u>	<u>\$ 846,869</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	<u>237,577</u>	<u>987,036</u>	<u>894,405</u>
5020 Total Revenues	<u>237,577</u>	<u>987,036</u>	<u>894,405</u>
EXPENDITURES:			
Current:			
0011 Instruction	227,087	594,172	609,789
0013 Curriculum and Instructional Staff Development	-	154,716	-
0021 Instructional Leadership	-	134	87,053
0023 School Leadership	-	-	162
0031 Guidance, Counseling and Evaluation Services	-	-	191,958
0033 Health Services	-	228,786	3,395
0034 Student (Pupil) Transportation	10,490	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	2,048
0061 Community Services	-	9,228	-
6030 Total Expenditures	<u>237,577</u>	<u>987,036</u>	<u>894,405</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	288 Title VII Indian Education	392 Non-Ed. Community Based Support
\$ -	\$ 577,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	48,470	-	-	-	-	-	900
36,421	1,914,712	21,939	57,515	197,066	22,460	29,752	-
36,421	2,541,131	21,939	57,515	197,066	22,460	29,752	900
36,421	-	-	57,515	-	22,460	29,752	900
-	-	-	-	197,066	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,531,899	21,939	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
36,421	2,531,899	21,939	57,515	197,066	22,460	29,752	900
-	9,232	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	9,232	-	-	-	-	-	-
-	406,178	-	-	-	-	-	-
\$ -	\$ 415,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	397 Advanced Placement Incentives	410 State Textbook Fund	411 Technology Allotment	461 Campus Activity Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 198,458
5800	State Program Revenues	6,983	383,034	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>6,983</u>	<u>383,034</u>	<u>-</u>	<u>198,458</u>
EXPENDITURES:					
Current:					
0011	Instruction	2,120	385,034	-	-
0013	Curriculum and Instructional Staff Development	4,863	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	196,215
0061	Community Services	-	-	-	-
6030	Total Expenditures	<u>6,983</u>	<u>385,034</u>	<u>-</u>	<u>196,215</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(2,000)</u>	<u>-</u>	<u>2,243</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	2,000	-	-
8911	Transfers Out (Use)	-	-	(2,000)	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>2,000</u>	<u>(2,000)</u>	<u>-</u>
1200	Net Change in Fund Balance	-	-	(2,000)	2,243
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>156,529</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,772</u>

483	Total
Local	Nonmajor
Grants	Governmental
Funds	Funds
\$ 157,423	\$ 933,830
-	439,387
-	4,398,883
<u>157,423</u>	<u>5,772,100</u>
154,163	2,119,413
-	356,645
-	87,187
-	162
-	191,958
-	232,181
-	10,490
-	2,553,838
-	198,263
-	9,228
<u>154,163</u>	<u>5,759,365</u>
<u>3,260</u>	<u>12,735</u>
-	2,000
-	(2,000)
-	-
<u>3,260</u>	<u>12,735</u>
<u>117,003</u>	<u>681,710</u>
<u>\$ 120,263</u>	<u>\$ 694,445</u>

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.490000	0.107100	927,397,376
2007	1.360000	0.107100	1,010,996,932
2008	1.040000	0.107100	1,135,686,527
2009	1.170000	0.107100	1,200,932,083
2010	1.170000	0.107100	1,222,398,324
2011	1.170000	0.101200	1,340,895,332
2012	1.170000	0.298200	1,316,631,590
2013	1.170000	0.311200	1,304,608,898
2014 (School year under audit)	1.170000	0.329200	1,326,312,166
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 166,236	\$ -	\$ 3,295	\$ 237	\$ (89,947)	\$ 72,757
54,764	-	882	64	(2,508)	51,310
60,649	-	1,870	147	(3,394)	55,238
65,998	-	4,140	426	(3,954)	57,478
89,229	-	10,785	987	(5,517)	71,940
129,811	-	20,869	1,910	(5,243)	101,789
135,662	-	27,493	2,378	(3,905)	101,886
238,451	-	67,863	17,297	(13,965)	139,326
452,720	-	166,362	44,249	(33,771)	208,338
-	19,884,072	15,157,104	4,264,717	11,264	473,515
<u>\$ 1,393,520</u>	<u>\$ 19,884,072</u>	<u>\$ 15,460,663</u>	<u>\$ 4,332,412</u>	<u>\$ (150,940)</u>	<u>\$ 1,333,577</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 722,000	\$ 722,000	\$ 577,949	\$ (144,051)
5800 State Program Revenues	55,000	55,000	48,470	(6,530)
5900 Federal Program Revenues	1,825,000	1,825,000	1,914,712	89,712
5020 Total Revenues	<u>2,602,000</u>	<u>2,602,000</u>	<u>2,541,131</u>	<u>(60,869)</u>
EXPENDITURES:				
Current:				
0035 Food Services	<u>2,689,534</u>	<u>2,710,534</u>	<u>2,531,899</u>	<u>178,635</u>
6030 Total Expenditures	<u>2,689,534</u>	<u>2,710,534</u>	<u>2,531,899</u>	<u>178,635</u>
1200 Net Change in Fund Balances	(87,534)	(108,534)	9,232	117,766
0100 Fund Balance - September 1 (Beginning)	<u>406,178</u>	<u>406,178</u>	<u>406,178</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 318,644</u>	<u>\$ 297,644</u>	<u>\$ 415,410</u>	<u>\$ 117,766</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 4,431,500	\$ 4,431,500	\$ 4,460,599	\$ 29,099
5800 State Program Revenues	366,000	366,000	470,919	104,919
5020 Total Revenues	4,797,500	4,797,500	4,931,518	134,018
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	1,188,021	819,099	819,098	1
0072 Interest on Long Term Debt	3,695,664	4,064,336	4,036,985	27,351
0073 Bond Issuance Cost and Fees	1,000	1,250	1,250	-
6030 Total Expenditures	4,884,685	4,884,685	4,857,333	27,352
1200 Net Change in Fund Balances	(87,185)	(87,185)	74,185	161,370
0100 Fund Balance - September 1 (Beginning)	624,398	624,398	624,398	-
3000 Fund Balance - August 31 (Ending)	\$ 537,213	\$ 537,213	\$ 698,583	\$ 161,370

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**REPORT ON INTERNAL CONTROLS, COMPLIANCE
AND FEDERAL AWARDS**

KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124-0342
(817) 451-7406		Fax (817) 451-7597

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

Board of Trustees
Denison Independent School District
1201 S. Rusk Avenue
Denison, Texas 75020

Members of the Board of Trustees:

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 Denison Independent School District (the "District") as of and for the year ended August 31, 2014, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated December 10, 2014.

Internal Control over Financial Reports

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 opinion 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charged with governance.

Our consideration of the 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 over financial reporting 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P. C.
Fort Worth, Texas
December 10, 2014

KIRK, RICHARDSON & POOLE, P. C

Members of the American Institute of Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P. O. Box 8342	Fort Worth, Texas 76124-0342
(817) 451-7406		Fax (817) 451-7597

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

Board of Trustees
Denison Independent School District
1201 South Rusk Avenue
Denison, Texas 75020

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Denison Independent School District (the "District") compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings 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 the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on the compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control over Compliance

Management of the 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 the 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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control* 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 of compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P.C.
Fort Worth, Texas
December 10, 2014

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	ESEA, Title I, Part A – Improving Basic Programs
84.027	IDEA – Part B, Formula
84.173	IDEA – Part B, Preschool

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

N/A - None

Section III – Federal Award Findings and Questioned Costs

N/A – None.

DENISON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

PRIOR YEAR'S FINDING/NONCOMPLIANCE:

N/A – not required.

DENISON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

CORRECTIVE ACTION PLAN:

Contact Person: Mike Archer, Director of Business
1-903-462-7037

CORRECTIVE ACTION PLAN:

None required.

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Grayson County Flood Control	12.112		\$ 52,573
Total Direct Programs			\$ 52,573
TOTAL DEPARTMENT OF DEFENSE			\$ 52,573
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101091903	\$ 987,036
*IDEA - Part B, Formula	84.027	14660001091903	894,405
*IDEA - Part B, Preschool	84.173	14661001091903	36,421
Total Special Education Cluster (IDEA)			930,826
Career and Technical - Basic Grant	84.048	14420006091903	57,515
Title III, Part A - English Language Acquisition	84.365A	14671001057950	22,460
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14694501091903	197,066
Title VII, Indian Education Formula Grant	84.060		29,952
Total Passed Through State Department of Education			\$ 2,224,855
TOTAL DEPARTMENT OF EDUCATION			\$ 2,224,855
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600		\$ 237,577
Total Passed Through State Department of Education			\$ 237,577
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 237,577
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 477,863
*National School Lunch Program - Cash Assistance	10.555		1,271,864
*National School Lunch Prog. - Non-Cash Assistance	10.555		164,986
Total CFDA Number 10.555			1,436,850
*Summer Feeding Program - Cash Assistance	10.559		21,939
Total Child Nutrition Cluster			1,936,652
Total Passed Through the State Department of Agriculture			\$ 1,936,652
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,936,652
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,451,657

*Clustered Programs

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS
AUGUST 31, 2014

Note 1 – Basis of Presentation

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency’s *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus.

The modified accrual basis of accounting is used for the General and Special Revenue 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 liability is incurred, if measurable, except for 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 revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 2 – Period of Availability

Federal awards may specify a time period during which the District may use the Federal funds. Where a funding period is specified, the District may charge to the award only costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency. Also, if authorized by the Federal program, unobligated balances may be carried over and charged for obligations of a subsequent funding period. Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the District during the same or future period.

The District shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request. Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement 2014.

Note 3 – Reconciliation of Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$4,762,338
School Health & Related services (SHARS) reimbursements not reported	
In the Schedule of Expenditures of Federal Awards	<u>(310,681)</u>
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$4,451,657</u>

SCHOOLS FIRST QUESTIONNAIRE

DENISON INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2014

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$8,088,693