

**DENISON INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2011

DENISON INDEPENDENT SCHOOL DISTRICT

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Year Ended August 31, 2011**

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DENISON INDEPENDENT SCHOOL DISTRICT

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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, 2011, at a meeting of the board of trustees of such school district on the _____ day of _____, 2011.

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

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Independent Auditor's Report

Board of Trustees
Denison Independent School District
Denison, Texas

Members of the Board of Trustees:

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2011, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 13 and 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

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 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked UNAUDITED and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Signed copy on file.

Kirk, Richardson & Poole, P. C.
November 16, 2011

**DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2011
UNAUDITED**

This section of Denison Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2011. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$30.4 million at August 31, 2011 an increase of \$2.9 million over the prior year.
- Program Revenues were \$9.0 million and General Revenues were \$36.0 million for total District revenues of \$45.0 million. State Aid – Formula Grants accounted for \$17.8 million, or 39.6%, of total revenues. Property Taxes accounted for \$16.8 million, or 37.3% of total revenues. Operating Grants and Contributions accounted for \$7.7 million, or 17.0%. Remaining revenues came from Charges for Services and other sources.
- During the year, the District's total expenses were \$42.1 million. Instruction and Instructional Related expenses accounted for \$24.7 million or 58.7% of this amount. Other student services, such as, Food Services, School Leadership, Extracurricular Activities, and other student services accounted for \$10.3 million or 24.4%. The remaining 16.9% or \$7.2 million 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 were basically unchanged from the prior year.
- The general fund reported a fund balance this year of \$15.4 million, an increase of \$2.6 million over last year.

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.
- *Proprietary fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *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 assets • 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 assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
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 asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency’s funds do not currently contain capital assets, 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 assets 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.

The two government-wide statements report the District's *net assets* and how they have changed. Net assets—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 assets 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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets: The District's *combined* net assets were approximately \$30.4 million at August 31, 2011. (See Table A-1).

Table A-1
The District's Net Assets
(in millions of dollars)

	Governmental Activities	
	2011	2010
Assets		
Current and Other Assets	21.3	19.0
Capital and Non-current Assets	25.2	25.6
Total Assets	46.5	44.6
Liabilities		
Current Liabilities	2.6	2.6
Long Term Liabilities	13.5	14.5
Total Liabilities	16.1	17.1
Net Assets		
Invested in Capital Assets, Net of Related Debt	20.1	11.6
Restricted	0.9	5.7
Unrestricted	9.4	10.2
Total Net Assets	30.4	27.5

The \$9.4 million of unrestricted net asset represents resources available to fund the programs of the District next year.

Changes in net assets: As seen in Table A-2, the District’s total revenues were \$45.0 million and the total cost of all programs and services was \$42.1 million, for a net increase in net assets of \$2.9 million.

Table A-2
Changes in the District’s Net Assets
(in millions of dollars)

	Governmental Activities	
	2011	2010
Revenues		
<u>Program Revenues</u>		
Charges for Services	1.4	1.3
Operating Grants and Contributions	7.7	8.6
<u>General Revenues</u>		
Property Taxes	16.8	15.4
State aid – formula/grants	17.8	18.5
Grants & Contributions not restricted	0.7	0.7
Investment earnings	0.0	0.1
Other	0.6	0.4
Total Revenues	45.0	45.0
Expenses		
Instruction and instructional related	24.7	24.6
Instructional leadership/school administration	2.5	2.5
Guidance, social work, health, transportation	3.3	3.2
Food service	2.7	2.5
Extracurricular activities	1.8	1.8
General Administration	1.2	1.2
Plant maintenance and security	4.1	4.6
Data processing services	0.8	0.7
Debt service	0.6	0.7
Other	0.4	0.3
Total Expenses	42.1	42.1
Increase in Net Assets	2.9	2.9
Prior Period Adjustment	0.0	0.0
Beginning Net Assets	27.5	24.6
Ending Net Assets	30.4	27.5

- State aid – formula Grants contributed 42.4% towards the total expenses of the District; whereas Property Taxes contributed 39.9%.
- Operating Grants and Contributions covered 18.2% of total expenses.
- Charges for Services and other revenue sources accounted for another 6.5% of the total District expenses.
- Net result was that the sum of all revenue sources exceeded District expenses by \$2.9 million or 7.0%.

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			
	2011	2010	2011	2010
Instruction	23.6	23.6	19.9	19.4
Food Service	2.7	2.5	0.2	0.0
Plant Maintenance & Operations	4.0	4.5	3.0	4.3

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$45.0 million, an increase of 0.4% over the preceding year’s revenue of \$44.9 million. Local revenues increased by \$1.6 million, state revenue decreased by \$1.2 million primarily as a result of recent changes made in State funding formula, and Federal revenues decreased by \$0.2 million.

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 \$2.3 million below final budget amount of \$35.4 million. The most significant positive variances were in areas of instruction and facilities maintenance and operations. Resources available were \$0.8 million more than the final budgeted amount. This resulted from receiving more local, state, and federal revenues than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had invested \$39.1 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
District's Capital Assets
(in millions of dollars)

	Governmental Activities	
	2011	2010
Land	4.0	4.0
Construction in process	0.0	0.0
Building and improvements	27.8	27.8
Furniture and equipment	7.3	6.5
Total at historical cost	39.1	38.3
Less total accumulated depreciation	13.9	12.7
Net Capital Assets	25.2	25.6

Long-Term Debt

At year-end the District had \$13.5 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
(in millions of dollars)

	Governmental Activities	
	2011	2010
Bonds payable	5.1	5.8
Accreted Interest	8.0	8.3
Compensated Absences	0.4	0.4
Totals	13.5	14.5

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 2012 budget preparation will be down \$25.98 million, or 1.82% from 2011. General operating fund spending per student increases in the 2012 budget from \$7,757 to \$7,797 due to a decrease in enrollment. This is a 0.52 % increase.

The District's 2012 refined average daily attendance is expected to be 4,100, down 85 from 2011.

These indicators were taken into account when adopting the general fund budget for 2012. Amounts available for appropriation in the general fund budget are \$34.96 million, a decrease of 1.24% compared to the final 2011 budget of \$35.40 million. Property taxes will decrease due to a decrease in appraised values. The tax rate will increase from \$1.2712 to \$1.4682 due to an increase in the interest and sinking fund tax rate of \$0.1970.

Expenditures are budgeted at \$34.96 million. Property tax revenue in the general fund will decrease approximately \$293,000 and State Funding will decrease approximately \$558,000. Investment revenue will decrease by approximately \$25,000.

If these estimates are realized, the District's budgetary fund balance in the general fund is expected to decrease \$864,000 by the close of 2012.

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.

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BASIC FINANCIAL STATEMENTS

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 17,759,034
1220 Property Taxes Receivable (Delinquent)	1,417,697
1230 Allowance for Uncollectible Taxes	(14,177)
1240 Due from Other Governments	1,948,204
1250 Accrued Interest	231
1290 Other Receivables, net	1,000
1300 Inventories	71,111
1410 Deferred Expenses	158,332
Capital Assets:	
1510 Land	3,962,102
1520 Buildings, Net	18,409,322
1530 Furniture and Equipment, Net	2,799,200
1000 Total Assets	46,512,056
LIABILITIES	
2110 Accounts Payable	258,705
2140 Interest Payable	78,339
2160 Accrued Wages Payable	1,190,377
2300 Deferred Revenues	1,041,998
Noncurrent Liabilities	
2501 Due Within One Year	676,874
2502 Due in More Than One Year	12,829,448
2000 Total Liabilities	16,075,741
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	20,087,612
3820 Restricted for Federal and State Programs	321,650
3850 Restricted for Debt Service	606,935
3900 Unrestricted Net Assets	9,420,118
3000 Total Net Assets	\$ 30,436,315

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, 2011

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 Assets Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 23,648,211	\$ 62,826	\$ 3,665,348	\$ (19,920,037)
12 Instructional Resources and Media Services	481,601	-	9,903	(471,698)
13 Curriculum and Staff Development	545,895	-	418,598	(127,297)
21 Instructional Leadership	670,415	-	139,298	(531,117)
23 School Leadership	1,822,891	-	63,991	(1,758,900)
31 Guidance, Counseling and Evaluation Services	1,665,114	-	423,021	(1,242,093)
33 Health Services	331,276	-	71,248	(260,028)
34 Student (Pupil) Transportation	1,276,034	-	67,945	(1,208,089)
35 Food Services	2,723,474	690,253	1,811,623	(221,598)
36 Extracurricular Activities	1,789,735	509,683	15,185	(1,264,867)
41 General Administration	1,152,578	-	21,799	(1,130,779)
51 Plant Maintenance and Operations	4,005,804	100,398	894,452	(3,010,954)
52 Security and Monitoring Services	119,789	-	2,451	(117,338)
53 Data Processing Services	751,983	-	29,702	(722,281)
61 Community Services	147,624	11,495	35,917	(100,212)
72 Debt Service - Interest on Long Term Debt	634,247	-	-	(634,247)
99 Other Intergovernmental Charges	300,469	-	-	(300,469)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 42,067,140	\$ 1,374,655	\$ 7,670,481	(33,022,004)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			15,444,994
DT	Property Taxes, Levied for Debt Service			1,335,816
SF	State Aid - Formula Grants			17,829,447
GC	Grants and Contributions not Restricted			734,102
IE	Investment Earnings			50,673
MI	Miscellaneous Local and Intermediate Revenue			584,595
TR	Total General Revenues			35,979,627
CN	Change in Net Assets			2,957,623
NB	Net Assets--Beginning			27,478,692
NE	Net Assets--Ending			\$ 30,436,315

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

DENISON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110	\$ 16,478,465	\$ 649,783	\$ 17,128,248
1220	1,305,681	112,016	1,417,697
1230	(13,057)	(1,120)	(14,177)
1240	764,100	1,184,104	1,948,204
1250	231	-	231
1260	259,523	-	259,523
1290	-	1,000	1,000
1300	26,089	45,022	71,111
1410	-	158,332	158,332
1000	<u>\$ 18,821,032</u>	<u>\$ 2,149,137</u>	<u>\$ 20,970,169</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
2110	\$ 40,637	\$ 213,824	\$ 254,461
2160	1,126,653	63,724	1,190,377
2170	-	259,523	259,523
2300	2,263,864	181,654	2,445,518
2000	<u>3,431,154</u>	<u>718,725</u>	<u>4,149,879</u>
Fund Balances:			
Nonspendable Fund Balance:			
3410	26,089	45,022	71,111
Restricted Fund Balance:			
3450	-	276,628	276,628
3470	-	25,012	25,012
3480	-	685,274	685,274
Assigned Fund Balance:			
3590	-	398,476	398,476
3600	15,363,789	-	15,363,789
3000	<u>15,389,878</u>	<u>1,430,412</u>	<u>16,820,290</u>
4000	<u>\$ 18,821,032</u>	<u>\$ 2,149,137</u>	<u>\$ 20,970,169</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2011

Total Fund Balances - Governmental Funds	\$ 16,820,290
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 assets. The net effect of this consolidation is to increase(decrease) net assets.	626,542
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 \$38,331,438 and the accumulated depreciation was \$12,736,279. 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 \$14,525,113. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	11,070,046
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	1,606,670
4 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(1,309,783)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.	1,622,550
19 Net Assets of Governmental Activities	<u>\$ 30,436,315</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 16,138,933	\$ 2,657,914	\$ 18,796,847
5800 State Program Revenues	18,714,606	559,311	19,273,917
5900 Federal Program Revenues	847,920	6,111,365	6,959,285
5020 Total Revenues	<u>35,701,459</u>	<u>9,328,590</u>	<u>45,030,049</u>
EXPENDITURES:			
Current:			
0011 Instruction	20,687,804	3,124,664	23,812,468
0012 Instructional Resources and Media Services	468,031	1,633	469,664
0013 Curriculum and Instructional Staff Development	114,653	418,598	533,251
0021 Instructional Leadership	550,718	120,441	671,159
0023 School Leadership	1,810,712	8,492	1,819,204
0031 Guidance, Counseling and Evaluation Services	1,243,240	421,781	1,665,021
0033 Health Services	261,989	68,963	330,952
0034 Student (Pupil) Transportation	1,264,420	44,057	1,308,477
0035 Food Services	-	2,710,619	2,710,619
0036 Extracurricular Activities	1,407,801	214,991	1,622,792
0041 General Administration	1,133,599	-	1,133,599
0051 Facilities Maintenance and Operations	3,193,264	798,971	3,992,235
0052 Security and Monitoring Services	102,249	-	102,249
0053 Data Processing Services	458,529	23,858	482,387
0061 Community Services	111,707	35,917	147,624
Debt Service:			
0071 Principal on Long Term Debt	-	721,422	721,422
0072 Interest on Long Term Debt	-	908,578	908,578
Intergovernmental:			
0099 Other Intergovernmental Charges	300,469	-	300,469
6030 Total Expenditures	<u>33,109,185</u>	<u>9,622,985</u>	<u>42,732,170</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,592,274</u>	<u>(294,395)</u>	<u>2,297,879</u>
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	7,500	-	7,500
7080 Total Other Financing Sources (Uses)	<u>7,500</u>	<u>-</u>	<u>7,500</u>
1200 Net Change in Fund Balances	2,599,774	(294,395)	2,305,379
0100 Fund Balance - September 1 (Beginning)	<u>12,790,104</u>	<u>1,724,807</u>	<u>14,514,911</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 15,389,878</u>	<u>\$ 1,430,412</u>	<u>\$ 16,820,290</u>

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

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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	2,305,379
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 increase (decrease) net assets.		74,435
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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,606,670
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(1,309,783)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		280,922
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>2,957,623</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2011

	Governmental Activities -	
		Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 630,786	
Total Assets	<u>630,786</u>	
LIABILITIES		
Current Liabilities:		
Accounts Payable	<u>4,244</u>	
Total Liabilities	<u>4,244</u>	
NET ASSETS		
Unrestricted Net Assets	<u>626,542</u>	
Total Net Assets	<u><u>\$ 626,542</u></u>	

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 ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 190,893
Total Operating Revenues	190,893
OPERATING EXPENSES:	
Professional and Contracted Services	116,458
Total Operating Expenses	116,458
Operating Income	74,435
Total Net Assets - September 1 (Beginning)	552,107
Total Net Assets - August 31 (Ending)	\$ 626,542

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, 2011

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Assessments - Other Funds	\$ 189,317
Cash Payments for Insurance Claims	(113,985)
Net Cash Provided by Operating Activities	<u>75,332</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>1,576</u>
Net Increase in Cash and Cash Equivalents	76,908
Cash and Cash Equivalents at Beginning of the Year:	<u>553,878</u>
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ 630,786</u></u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 74,435
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	2,473
Interest Earned on Investments	<u>(1,576)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 75,332</u></u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2011

	Private Purpose Trust Fund	Agency Fund	Fiduciary Component Unit
ASSETS			
Cash and Cash Equivalents	\$ 70,983	\$ 195,706	\$ 1,336,926
Total Assets	<u>70,983</u>	<u>\$ 195,706</u>	<u>1,336,926</u>
LIABILITIES			
Accounts Payable	-	\$ 32,585	-
Due to Student Groups	-	163,121	-
Total Liabilities	<u>-</u>	<u>\$ 195,706</u>	<u>-</u>
NET ASSETS			
Restricted for Scholarships	<u>70,983</u>		<u>1,336,926</u>
Total Net Assets	<u>\$ 70,983</u>		<u>\$ 1,336,926</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 ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

	Private Purpose Trust Fund	Fiduciary Component Unit
ADDITIONS:		
Local and Intermediate Sources	\$ 101,535	\$ 285,426
Total Additions	<u>101,535</u>	<u>285,426</u>
DEDUCTIONS:		
Other Operating Costs	-	84,334
Scholarships and Grants Awarded	96,285	60,696
Total Deductions	<u>96,285</u>	<u>145,030</u>
Change in Net Assets	5,250	140,396
Total Net Assets - September 1 (Beginning)	<u>65,733</u>	<u>1,196,530</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 70,983</u></u>	<u><u>\$ 1,336,926</u></u>

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

**Denison Independent School District
Notes to the Financial Statements
For the Year ended August 31, 2011**

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Denison Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The District follows the generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting entity

Denison Independent School District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The District is governed by a seven member Board of Trustees (the "Board") elected by the registered voters of the District. The Board has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. All powers and duties not specifically delegated by statute to the Texas Education Agency ("Agency") or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. Therefore, the District is a financial reporting entity as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity." The component unit, as described below, is included in the District's reporting entity because of the significance of its operations or financial relationship with the District.

- Blended component unit. The Component Units columns in the Statement of Fiduciary Net Assets and the Statement of Changes in Fiduciary Fund Net Assets 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 the resources to enhance the quality of education of all students of the District. The Foundation is governed by a board of director's consisting of citizens of the community, District employees, and District board members.

B. Government-Wide and Fund Accounting

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District's non-fiduciary

activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. Direct costs are those that are clearly identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. Charges for services consists of charges to customers or applicants that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. Operating grants and contributions include amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a source of revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenue.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as internal balances on the government-wide Statement of Net Assets.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded

when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses.)

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred 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.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Agency Funds apply the accrual basis of accounting, but do not have a measurement focus. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

The District reports the following major governmental funds:

1. **The General Fund** – The General Fund is used to account for financial resources used for general operations. It is the basic fund of the school system and covers all activities for which a special fund has not been established. All fund balances are considered resources available for current operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds** – These funds are used to account for resources restricted to, or designated for specific purposes by the District or a grantor. Federal and State financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – This fund is used to account for the payment of principal and interest on long-term general obligation debt of the District. The main source of revenue for debt service is the apportionment of local property taxes.
3. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Proprietary Funds:

1. **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:

1. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District.

2. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District’s Agency Fund consists of the Student Activity Funds and other organizational activities requiring clearing accounts.
3. **Component Unit** – This fund is used to account for the Denison Independent School District Education Foundation, Inc., an organization formed to provide financial assistance to the District.

E. Other Accounting Policies

1. For the purpose of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.
2. 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 deferred revenue when received. When requisitioned, inventory and deferred revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.
3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.
4. 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.

5. Capital assets, which include land, buildings and improvements, furniture and equipment, are reported in the applicable governmental column in the government-wide financial statements. The District defines capital assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

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. Interest incurred during construction is not capitalized.

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

Assets	Years
Land	Not depreciated
Buildings and improvements	45
Furniture and equipment	5-10

6. Bond proceeds not spent are restricted for construction.
7. Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the governmental-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid “grossing up” the revenues and expenses of the District as a whole.
8. In accordance with Governmental Accounting Standards Board 54, Fund Balance reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constraint for specific purposes which are externally imposed by creditors, grantors, contributors, or

laws or regulations of other governments; or imposed by law though constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal actions of the Board of Trustees and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. These funds are assigned by the Board of Trustees.

Unassigned – includes fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District uses the restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal constraints that prohibit doing this, such as grant agreements. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

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, 2011

Fund Balance:	General	Other Funds	Total Governmental Funds
Non-Spendable			
General Fund Inventories	\$ 26,089	\$ 0	\$ 26,089
National Breakfast & Lunch Program Inventory – Special Revenue Fund	0	45,022	45,022
Restricted for:			
National Breakfast & Lunch Program – Special Revenue Fund	0	276,628	276,628
Retirement of Long-Term Debt – Debt Service Fund	0	685,274	685,274
Capital Acquisition & Contractual Obligation – Capital Project Fund	0	25,012	25,012
Assigned to:			
High School Allotment – Special Revenue Fund	0	105,426	105,426
Campus Activity Funds – Special Revenue Fund	0	143,260	143,260
Local Grants – Special Revenue Fund	0	149,790	149,790
Unassigned:	15,363,789	0	15,363,789
Total Fund Balance:	<u>\$15,389,878</u>	<u>\$1,430,412</u>	<u>\$16,820,290</u>

- The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (the “Agency”) in their Resource Guide. The Agency requires school districts to display these codes in the financial statements in order to insure accuracy in building a State-wide data base for policy development and funding plans.

10. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items within the deferred expenditures/expenses line item in both government-wide and fund financial statements.
11. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

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

Refer to Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets”, and to Exhibit C-4 “Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities” for explanations.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The official budget was prepared for adoption for the General Fund, Debt Service Fund, and the Food Service Fund, which is included within the Special Revenue Fund. The budget is prepared using the modified accrual basis of accounting.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten day’s public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund	\$35,403,923	\$38,576	\$35,442,499
Food Service Special Revenue Fund	2,634,565	0	2,634,565
Debt Service Fund	1,631,000	0	1,631,000

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

August 31, 2011 Fund Balance	
Appropriated Budgeted Funds – Child Nutrition Program	\$321,650
Non-appropriated Budgeted Funds	398,476
All Special Revenue Funds	\$720,126

B. Excess of expenditures over appropriations

Child Nutrition Program Special Revenue Fund Function 35 – Food Service was over-expended by \$41,779 or 1.6% of the final budgeted amount.

C. Deficit fund equity

There were no deficit fund equities at the end of the fiscal year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

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

1. Cash Deposits:

At August 31, 2011, the carrying amounts of the District's deposits were as follows:

Governmental Funds Cash and Cash Equivalents:	
Cash-in-Bank	\$ 3,765,465
Certificates of Deposits	758,643
Savings	4,285,851
Temporary Investments Considered as Cash Equivalents	8,318,289
Total	<u>\$17,128,248</u>
Proprietary Funds Cash and Cash Equivalents:	
Cash-in-Bank	<u>\$630,786</u>

The District's cash deposits at August 31, 2011, and during the year, were entirely covered by FDIC insurance and pledged collateral held by the District's agent bank in the District's name.

2. Investments Considered as Cash Equivalents:

The State 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. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District's investments at August 31, 2011, are shown below:

<u>Investment Type/Rating</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Lone Star Investment Pool/AAAm	\$6,936,373	\$6,936,373	On demand
TexPool/AAAm	859,236	859,236	On demand
TexasTerm/AAAm	522,680	522,680	On demand
	<u>\$8,318,289</u>	<u>\$8,318,289</u>	

The District's temporary investments consist of balances held by investment pools that are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized

investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by U. S. Government agency securities and placed through a primary government securities dealer. This pool's operates in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Act of 1940.

Policies Governing Deposits and Investments

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

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is all deposits are covered by FDIC insurance and pledged collateral in their entirety. The District has no custodial credit risk for its deposits.
- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investments exposed to Custodial Credit Risk.
- c. Interest-rate Risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for those securities if interest rates rise. The District does not have any investments considered as Interest-rate Risk.
- d. Other Credit Risk Exposure – The District may invest in a securities lending program if the value of securities loaned is not less than 100 percent collateralized, including accrued income, and the loan allows for termination at any time; the loan is secured; the terms of the loan require that the securities being held as collateral be pledged to the investing entity; and, the loan is placed through a primary government securities dealer or a financial institution doing business in this state. The District does not have any investments in a securities lending program.
- e. Concentration Risk – The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District is not exposed to concentration risk.

Defaults and Recovery of Prior-period Losses – The District had no defaults and recovery of prior-period losses.

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and delinquent if not paid before February 1 of the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The tax rates assessed for the year ended August 31, 2011, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.1700 and \$0.1012 per \$100 valuation, respectively, for a total of \$1.2712 per \$100 valuation.

Current tax collections for the year ended August 31, 2011 were 97.1% of the year-end adjusted tax levy.

C. Delinquent Taxes Receivable

Delinquent taxes are prorated between maintenance (General Fund) and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2011, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,292,624 and \$110,896 for the General and Debt Service Funds, respectively.

D. Interfund Receivables, Payables, and Transfers

Interfund balances at August 31, 2011 consisted of the following amounts:

<u>Due to General Fund From:</u>	
Debt Service Fund	\$101,191
Non-Major Capital Project Funds	158,332
Total Due to General Fund	<u>\$259,523</u>

The Debt Service Fund owes the General Fund for monies received, but not yet transferred. Non-Major Capital Project Funds owe the General Fund for deferred expenditures made on behalf of these funds and not yet transferred. This amount is expected to be paid within the year.

There were no Inter-fund transfers during the year ended August 31, 2011.

E. Disaggregation of 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, 2011.

F. Deferred Revenues

Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Deferred Revenues at August 31, 2011 were as follows:

	Unavailable	Unearned	Total
Delinquent Property Taxes Receivable – General	\$1,292,624	\$ 0	\$1,292,624
Delinquent Property Taxes Receivable – Debt Service	110,896	0	110,896
State Foundation Revenue Received Before Earned – General Fund	0	971,240	971,240
Food Service Commodities	0	45,022	45,022
State Foundation Revenue Received Before Earned – Special Revenue	0	25,736	25,736
Total Deferred Revenues	\$1,403,520	\$1,041,998	\$2,445,518

G. Capital Asset Activity

Capital asset activity for the year ended August 31, 2011 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,962,102	\$ 0	\$ 0	\$ 3,962,102
Construction in progress	0	0	0	0
Total capital assets, not being depreciated	3,962,102	0	0	3,962,102
Capital assets, being depreciated:				
Buildings and improvements	27,822,109	0	0	27,822,109
Furniture and equipment	6,547,227	885,248	159,330	7,273,145
Total capital assets, being depreciated	34,369,336	885,248	159,330	35,095,254
Accumulated depreciation for:				
Buildings and improvements	8,896,515	516,272	0	9,412,787
Furniture and equipment	3,839,764	793,511	159,330	4,473,945
Total accumulated depreciation	12,736,279	1,309,783	159,330	13,886,732
Total capital assets, being depreciated, net	21,633,057	(424,535)	0	21,208,522
Governmental activities capital assets, Net	\$25,595,159	\$(424,535)	\$ 0	\$25,170,624

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

Governmental activities:	
11 – Instruction	\$ 238,073
12 – Instructional Resources & Media Services	12,681
13 – Curriculum and Instructional Staff Development	13,388
23 – School Leadership	5,176
31 – Guidance, Counseling & Evaluation Services	1,582
33 – Health Services	1,068
34 – Student Transportation	329,471
35 – Food Services	40,139
36 – Extracurricular Activities	173,482
41 – General Administration	19,723
51 – Plant Maintenance & Operations	107,040
52 – Security & Monitoring Services	18,284
53 – Data Processing	349,676
Total Depreciation Expense	<u>\$1,309,783</u>

H. 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 rates 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,	\$374,734
Net change	<u>(19,377)</u>
Balance, August 31,	<u>\$355,357</u>

I. Bonds Payable

The following is a description of the District's bonds outstanding as of August 31, 2011:

Issue/Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due in One Year
1997 Schoolhouse & Refunding Bonds/2021	4.30% to 6.00%	\$13,224,677	\$5,829,446	\$ 0	\$721,422	\$5,108,024	\$676,874
Accreted Interest			\$8,320,933	\$630,586	\$908,578	\$8,042,941	-

Interest and fees paid on general obligation bonds during the year was \$908,578.

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
2012	\$ 676,874	\$ 953,126	\$ 1,630,000
2013	634,461	995,539	1,630,000
2014	589,098	1,040,902	1,630,000
2015	555,830	1,074,170	1,630,000
2016	524,420	1,105,580	1,630,000
2017-2021	2,127,341	5,832,658	7,959,999
Totals	\$5,108,024	\$11,001,975	\$16,109,999

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 at August 31, 2011.

J. Changes in Long-Term Liabilities

The following changes occurred in long-term liabilities during the year:

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due In One Year
Governmental Activities					
Gen. Obligation Bonds	\$ 5,829,446	\$ 0	\$ 721,422	\$ 5,108,024	\$676,874
Accreted Interest	8,320,933	630,586	908,578	8,042,941	0
Compensated Absences	374,734	0	19,377	355,357	0
	\$14,525,113	\$630,586	\$1,649,377	\$13,506,322	\$676,874

K. Commitments under Operating Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2011, as follows:

<u>Year Ending August 31</u>	
2012	\$ 7,740
2013	7,740
2014	5,160
Thereafter	0
Total Minimum Rentals	<u>\$20,640</u>

Rental expenditures in Fiscal Year 2011: \$10,233.

L. Defined Benefit Pension 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. TRS issues a publicly available financial report that includes financial statements and required supplemental information for the defined benefit plan. That report may be obtained by writing to the TRS Communication Department, 1000 Red River, Austin, Texas 78701, by calling the TRS Communication Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (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 members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, a state contribution rate of 6.58% for fiscal years 2011, 2010, and 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.58% contribution for fiscal year. State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2011, 2010, and 2009 were \$1,622,548, \$1,598,059, and \$973,472, respectively. The District paid additional state contributions for the years ended August 31, 2011, 2010, and 2009, in the amounts of \$216,651, \$198,875, and \$179,603, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

M. 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 is Texas Insurance Code, Chapter 1575. Section 1575.052 grants 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 supplemental information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communication Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78711 or by calling 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010, and 2009. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2011, 2010, and 2009, the State's contributions to TRS-Care were \$253,526, \$249,697, and \$240,787, respectively, the active member contributions were \$164,790, \$162,301, and \$156,513, respectively, and the District's contributions were \$139,441, \$137,334, and \$132,437, respectively, which equaled the required contributions each year.

N. Retiree Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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. For the fiscal years ended August 31, 2011, 2010, and 2009, the District recorded \$72,540, \$64,942, and \$59,714, respectively, as on-behalf payments.

O. Health Care Coverage

During the year ended August 31, 2011, 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 on behalf of the employees to the Plan; and, employees, at their option, could authorize payroll withholdings to pay premiums for dependents.

P. 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 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, 2011, 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, 2010, 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, 2011.

Fund Year	Claim Count at 8/31/11	Aggregate Liability	Paid Loss & ALAE at 8/31/11	Estimated Ultimate Loss & ALAE at 8/31/11	Estimated Outstanding Loss & ALAE at 8/31/11
2006-07	21	\$178,644	\$96,571	\$120,454	\$23,883
2007-08	20	171,720	42,996	58,442	15,446
2008-09	11	181,968	6,602	17,874	11,272
2009-10	18	198,207	29,718	60,134	30,416
2010-11	33	169,603	38,574	106,153	67,579

Q. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2011 are summarized below. All federal grants shown below are passed through TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
General	\$764,100	\$ 0	\$ 764,100
Special Revenue	140,969	1,043,135	1,184,104
Totals	\$905,069	\$1,043,135	\$1,948,204

R. Revenue from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources in the Governmental Fund Types consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Fund Totals
Property Taxes	\$15,455,977	\$ 0	\$1,337,621	\$16,793,598
Food Sales	0	690,254	0	690,254
Investment Income	48,809	828	1,864	51,501
Penalties, interest & other tax related income	241,704	0	21,367	263,071
Co-curricular/Student activities	135,816	309,497	0	445,313
Other	256,627	296,483	0	553,110
Total	\$16,138,933	\$1,297,062	\$1,360,852	\$18,796,847

S. Litigation

The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

T. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

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REQUIRED SUPPLEMENTARY INFORMATION

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 15,971,241	\$ 15,971,241	\$ 16,138,933	\$ 167,692
5800 State Program Revenues	18,612,150	18,612,150	18,714,606	102,456
5900 Federal Program Revenues	325,000	325,000	847,920	522,920
5020 Total Revenues	34,908,391	34,908,391	35,701,459	793,068
EXPENDITURES:				
Current:				
0011 Instruction	21,779,614	21,758,869	20,687,804	1,071,065
0012 Instructional Resources and Media Services	518,057	521,557	468,031	53,526
0013 Curriculum and Instructional Staff Development	189,133	189,133	114,653	74,480
0021 Instructional Leadership	595,620	595,620	550,718	44,902
0023 School Leadership	1,838,498	1,855,743	1,810,712	45,031
0031 Guidance, Counseling and Evaluation Services	1,294,897	1,294,897	1,243,240	51,657
0033 Health Services	288,123	316,699	261,989	54,710
0034 Student (Pupil) Transportation	1,378,390	1,378,390	1,264,420	113,970
0036 Extracurricular Activities	1,467,568	1,477,568	1,407,801	69,767
0041 General Administration	1,229,745	1,229,745	1,133,599	96,146
0051 Facilities Maintenance and Operations	3,790,635	3,790,635	3,193,264	597,371
0052 Security and Monitoring Services	131,310	131,310	102,249	29,061
0053 Data Processing Services	469,723	469,723	458,529	11,194
0061 Community Services	121,610	121,610	111,707	9,903
Intergovernmental:				
0099 Other Intergovernmental Charges	311,000	311,000	300,469	10,531
6030 Total Expenditures	35,403,923	35,442,499	33,109,185	2,333,314
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(495,532)	(534,108)	2,592,274	3,126,382
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	7,500	7,500
7080 Total Other Financing Sources (Uses)	-	-	7,500	7,500
1200 Net Change in Fund Balances	(495,532)	(534,108)	2,599,774	3,133,882
0100 Fund Balance - September 1 (Beginning)	-	12,790,104	12,790,104	-
3000 Fund Balance - August 31 (Ending)	\$ (495,532)	\$ 12,255,996	\$ 15,389,878	\$ 3,133,882

COMBINING SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	
ASSETS					
1110	Cash and Cash Equivalents	\$ (2,076)	\$ (65,156)	\$ (304,191)	\$ (198,406)
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	2,076	75,479	338,521	219,088
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 10,323</u>	<u>\$ 34,330</u>	<u>\$ 20,682</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 3,170	\$ -	\$ -
2160	Accrued Wages Payable	-	7,153	34,330	20,682
2170	Due to Other Funds	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>10,323</u>	<u>34,330</u>	<u>20,682</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 10,323</u>	<u>\$ 34,330</u>	<u>\$ 20,682</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 EnglishLang. Acquisition	266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology
\$ (7,202)	\$ 347,065	\$ -	\$ (5,157)	\$ (77,453)	\$ -	\$ (86,889)	\$ (1,344)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,761	72,577	-	5,157	77,453	-	198,811	1,344
-	-	-	-	-	-	-	-
-	45,022	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,559</u>	<u>\$ 464,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,922</u>	<u>\$ -</u>
\$ -	\$ 97,992	\$ -	\$ -	\$ -	\$ -	\$ 111,922	\$ -
1,559	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	45,022	-	-	-	-	-	-
<u>1,559</u>	<u>143,014</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,922</u>	<u>-</u>
-	45,022	-	-	-	-	-	-
-	276,628	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	321,650	-	-	-	-	-	-
<u>\$ 1,559</u>	<u>\$ 464,664</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,922</u>	<u>\$ -</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	397 Advanced Placement Incentives	
ASSETS					
1110	Cash and Cash Equivalents	\$ (21,419)	\$ (2)	\$ (22,447)	\$ 25,736
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	21,419	2	22,447	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,736</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2300	Deferred Revenues	-	-	-	25,736
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,736</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,736</u>

404 Student Success Initiative	411 Technology Allotment	414 Texas Reading Initiative	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	483 Local Grants	Total Nonmajor Special Revenue Funds
\$ (12,887)	\$ -	\$ -	\$ 105,426	\$ (128,082)	\$ 143,894	\$ 149,896	\$ (160,694)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,887	-	-	-	128,082	-	-	1,184,104
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	45,022
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,426</u>	<u>\$ -</u>	<u>\$ 143,894</u>	<u>\$ 149,896</u>	<u>\$ 1,068,432</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 634	\$ 106	\$ 213,824
-	-	-	-	-	-	-	63,724
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	70,758
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>634</u>	<u>106</u>	<u>348,306</u>
-	-	-	-	-	-	-	45,022
-	-	-	-	-	-	-	276,628
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	105,426	-	143,260	149,790	398,476
<u>-</u>	<u>-</u>	<u>-</u>	<u>105,426</u>	<u>-</u>	<u>143,260</u>	<u>149,790</u>	<u>720,126</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,426</u>	<u>\$ -</u>	<u>\$ 143,894</u>	<u>\$ 149,896</u>	<u>\$ 1,068,432</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	599 Debt Service Fund	616 New DHS Capital Project	617 Old DHS Capital Project	618 McDaniel MS Capital Project	
ASSETS					
1110	Cash and Cash Equivalents	\$ 785,465	\$ -	\$ -	\$ -
1220	Property Taxes - Delinquent	112,016	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	(1,120)	-	-	-
1240	Receivables from Other Governments	-	-	-	-
1290	Other Receivables	1,000	-	-	-
1300	Inventories	-	-	-	-
1410	Deferred Expenditures	-	39,877	750	8,650
1000	Total Assets	<u>\$ 897,361</u>	<u>\$ 39,877</u>	<u>\$ 750</u>	<u>\$ 8,650</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	101,191	39,877	750	8,650
2300	Deferred Revenues	110,896	-	-	-
2000	Total Liabilities	<u>212,087</u>	<u>39,877</u>	<u>750</u>	<u>8,650</u>
Fund Balances:					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
3480	Retirement of Long-Term Debt	685,274	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>685,274</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 897,361</u>	<u>\$ 39,877</u>	<u>\$ 750</u>	<u>\$ 8,650</u>

619 Houston Elem. Capital Project	620 Hyde Park Elem. Capital Project	621 Mayes Elem. Capital Project	622 LamarElem. Capital Project	699 Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 25,012	\$ 25,012	\$ 649,783
-	-	-	-	-	-	112,016
-	-	-	-	-	-	(1,120)
-	-	-	-	-	-	1,184,104
-	-	-	-	-	-	1,000
-	-	-	-	-	-	45,022
6,300	38,817	35,721	28,217	-	158,332	158,332
<u>\$ 6,300</u>	<u>\$ 38,817</u>	<u>\$ 35,721</u>	<u>\$ 28,217</u>	<u>\$ 25,012</u>	<u>\$ 183,344</u>	<u>\$ 2,149,137</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 213,824
-	-	-	-	-	-	63,724
6,300	38,817	35,721	28,217	-	158,332	259,523
-	-	-	-	-	-	181,654
<u>6,300</u>	<u>38,817</u>	<u>35,721</u>	<u>28,217</u>	<u>-</u>	<u>158,332</u>	<u>718,725</u>
-	-	-	-	-	-	45,022
-	-	-	-	-	-	276,628
-	-	-	-	25,012	25,012	25,012
-	-	-	-	-	-	685,274
-	-	-	-	-	-	398,476
-	-	-	-	25,012	25,012	1,430,412
<u>\$ 6,300</u>	<u>\$ 38,817</u>	<u>\$ 35,721</u>	<u>\$ 28,217</u>	<u>\$ 25,012</u>	<u>\$ 183,344</u>	<u>\$ 2,149,137</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	2,076	240,830	1,188,198
5020	Total Revenues	<u>2,076</u>	<u>240,830</u>	<u>1,188,198</u>
EXPENDITURES:				
Current:				
0011	Instruction	2,076	231,994	784,614
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	155,902
0021	Instructional Leadership	-	-	210
0023	School Leadership	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	150,320
0033	Health Services	-	-	61,235
0034	Student (Pupil) Transportation	-	8,836	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0051	Facilities Maintenance and Operations	-	-	-
0053	Data Processing Services	-	-	-
0061	Community Services	-	-	35,917
Debt Service:				
0071	Principal on Long Term Debt	-	-	-
0072	Interest on Long Term Debt	-	-	-
6030	Total Expenditures	<u>2,076</u>	<u>240,830</u>	<u>1,188,198</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>

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	266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology
\$ -	\$ 784,089	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	50,607	-	-	-	-	-	-
24,245	1,689,944	32,337	64,840	255,220	17,800	1,105,825	5,001
24,245	2,524,640	32,337	64,840	255,220	17,800	1,105,825	5,001
24,245	-	-	64,840	-	17,800	306,854	-
-	-	-	-	-	-	-	-
-	-	-	-	255,220	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	2,676,344	32,337	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	798,971	-
-	-	-	-	-	-	-	5,001
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
24,245	2,676,344	32,337	64,840	255,220	17,800	1,105,825	5,001
-	(151,704)	-	-	-	-	-	-
-	473,354	-	-	-	-	-	-
\$ -	\$ 321,650	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	283 IDEA, Pt. B ARRA Formula	284 IDEA, Pt. B ARRA Preschool	285 ESEA I,A Improving Basic Program	397 Advanced Placement Incentives
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	300
5900 Federal Program Revenues	342,439	7,761	291,113	-
5020 Total Revenues	<u>342,439</u>	<u>7,761</u>	<u>291,113</u>	<u>300</u>
EXPENDITURES:				
Current:				
0011 Instruction	259,733	7,761	281,293	300
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	63,085	-	9,820	-
0023 School Leadership	2,214	-	-	-
0031 Guidance, Counseling and Evaluation Services	12,837	-	-	-
0033 Health Services	1,703	-	-	-
0034 Student (Pupil) Transportation	2,867	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
6030 Total Expenditures	<u>342,439</u>	<u>7,761</u>	<u>291,113</u>	<u>300</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

404 Student Success Initiative	411 Technology Allotment	414 Texas Reading Initiative	428 High School Allotment	429 Other State Special Revenue Funds	461 Campus Activity Funds	483 Local Grants	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,813	\$ 296,160	\$ 1,297,062
32,423	122,989	4,745	-	139,515	-	-	350,579
-	-	-	-	-	-	-	6,111,365
<u>32,423</u>	<u>122,989</u>	<u>4,745</u>	<u>-</u>	<u>139,515</u>	<u>216,813</u>	<u>296,160</u>	<u>7,759,006</u>
32,423	96,656	4,745	86,972	124,023	-	250,269	3,124,664
-	-	-	-	1,633	-	-	1,633
-	7,476	-	-	-	-	-	418,598
-	-	-	-	-	-	-	120,441
-	-	-	-	6,123	-	-	8,492
-	-	-	45,289	7,736	-	-	421,781
-	-	-	-	-	-	-	68,963
-	-	-	-	-	-	-	44,057
-	-	-	-	-	-	-	2,710,619
-	-	-	-	-	212,718	-	214,991
-	-	-	-	-	-	-	798,971
-	18,857	-	-	-	-	-	23,858
-	-	-	-	-	-	-	35,917
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>32,423</u>	<u>122,989</u>	<u>4,745</u>	<u>132,261</u>	<u>139,515</u>	<u>212,718</u>	<u>250,269</u>	<u>7,992,985</u>
-	-	-	(132,261)	-	4,095	45,891	(233,979)
-	-	-	237,687	-	139,165	103,899	954,105
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,426</u>	<u>\$ -</u>	<u>\$ 143,260</u>	<u>\$ 149,790</u>	<u>\$ 720,126</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	599 Debt Service Fund	616 New DHS Capital Project	617 Old DHS Capital Project	618 McDaniel MS Capital Project
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,360,852	\$ -	\$ -	\$ -
5800 State Program Revenues	208,732	-	-	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>1,569,584</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Current:				
0011 Instruction	-	-	-	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
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	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	721,422	-	-	-
0072 Interest on Long Term Debt	908,578	-	-	-
6030 Total Expenditures	<u>1,630,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	(60,416)	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>745,690</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 685,274</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

619 Houston Elem. Capital Project	620 Hyde Park Elem. Capital Project	621 Mayes Elem. Capital Project	622 Lamar Elem. Capital Project	699 Capital Project Fund	Total Nonmajor Capital Project Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,657,914
-	-	-	-	-	-	559,311
-	-	-	-	-	-	6,111,365
-	-	-	-	-	-	9,328,590
-	-	-	-	-	-	3,124,664
-	-	-	-	-	-	1,633
-	-	-	-	-	-	418,598
-	-	-	-	-	-	120,441
-	-	-	-	-	-	8,492
-	-	-	-	-	-	421,781
-	-	-	-	-	-	68,963
-	-	-	-	-	-	44,057
-	-	-	-	-	-	2,710,619
-	-	-	-	-	-	214,991
-	-	-	-	-	-	798,971
-	-	-	-	-	-	23,858
-	-	-	-	-	-	35,917
-	-	-	-	-	-	721,422
-	-	-	-	-	-	908,578
-	-	-	-	-	-	9,622,985
-	-	-	-	-	-	(294,395)
-	-	-	-	25,012	25,012	1,724,807
\$ -	\$ -	\$ -	\$ -	\$ 25,012	\$ 25,012	\$ 1,430,412

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.436500	0.113500	824,217,813
2004	1.490000	0.107100	864,855,300
2005	1.490000	0.107100	905,570,370
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 (School year under audit)	1.170000	0.101200	1,340,895,332
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 109,733	\$ -	\$ 1,366	\$ 92	\$ (17,412)	\$ 90,863
21,964	-	545	43	(1,427)	19,949
33,900	-	483	35	(1,804)	31,578
57,033	-	1,473	106	(2,463)	52,991
78,886	-	(419)	(30)	(10,767)	68,568
108,970	-	16,374	1,289	(2,709)	88,598
122,788	-	(10,707)	(1,103)	(39,604)	94,994
258,719	-	20,995	1,922	(72,608)	163,194
638,621	-	197,332	18,063	(115,988)	307,238
-	17,045,461	15,228,534	1,317,203	-	499,724
<u>\$ 1,430,614</u>	<u>\$ 17,045,461</u>	<u>\$ 15,455,976</u>	<u>\$ 1,337,620</u>	<u>\$ (264,782)</u>	<u>\$ 1,417,697</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2011

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ 6,389	\$ -	\$ 201,215	\$ 647,928	\$ -	\$ -	\$ 855,532
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	23,951	-	-	-	23,951
6212	Audit Services	-	-	-	14,985	-	-	14,985
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	318,231	-	-	-	-	318,231
621X	Other Professional Services	-	-	-	33,048	-	-	33,048
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	13,680	-	-	13,680
6240	Contr. Maint. and Repair	-	-	-	-	352	-	352
6250	Utilities	-	-	-	-	2,167	-	2,167
6260	Rentals	-	-	-	16,048	-	-	16,048
6290	Miscellaneous Contr.	-	-	-	12,800	-	-	12,800
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	-	43,077	-	-	43,077
6410	Travel, Subsistence, Stipends	6,047	-	-	8,756	-	-	14,803
6420	Ins. and Bonding Costs	-	-	-	17,604	-	-	17,604
6430	Election Costs	20,005	-	-	-	-	-	20,005
6490	Miscellaneous Operating	-	-	-	47,785	-	-	47,785
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 32,441	\$ 318,231	\$ 225,166	\$ 855,711	\$ 2,519	\$ -	\$ 1,434,068

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 41,187,152

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 971,696
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	3,917,375
Food (Function 35, 6341 and 6499)	(13)	908,332
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		855,711

SubTotal: 6,653,115

Net Allowed Direct Cost \$ 34,534,037

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 27,822,109
Historical Cost of Building over 50 years old	(16)	\$ -
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 7,273,145
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 539,146
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.
 \$300,469 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

DENISON INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
FOR THE YEAR ENDED AUGUST 31, 2011

In accordance with Texas Education Agency guidelines, the District has elected not to present this schedule for the current year.

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, 2011

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	\$ 850,000	\$ 850,000	\$ 784,089	\$ (65,911)
5800 State Program Revenues	55,000	55,000	50,607	(4,393)
5900 Federal Program Revenues	1,700,000	1,700,000	1,689,944	(10,056)
5020 Total Revenues	<u>2,605,000</u>	<u>2,605,000</u>	<u>2,524,640</u>	<u>(80,360)</u>
EXPENDITURES:				
0035 Food Services	<u>2,634,565</u>	<u>2,634,565</u>	<u>2,676,344</u>	<u>(41,779)</u>
6030 Total Expenditures	<u>2,634,565</u>	<u>2,634,565</u>	<u>2,676,344</u>	<u>(41,779)</u>
1200 Net Change in Fund Balances	(29,565)	(29,565)	(151,704)	(122,139)
0100 Fund Balance - September 1 (Beginning)	-	473,354	473,354	-
3000 Fund Balance - August 31 (Ending)	<u>\$ (29,565)</u>	<u>\$ 443,789</u>	<u>\$ 321,650</u>	<u>\$ (122,139)</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, 2011

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	\$ 1,353,000	\$ 1,353,000	\$ 1,360,852	\$ 7,852
5800 State Program Revenues	195,000	195,000	208,732	13,732
5020 Total Revenues	1,548,000	1,548,000	1,569,584	21,584
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	721,422	721,422	721,422	-
0072 Interest on Long Term Debt	908,578	908,578	908,578	-
0073 Bond Issuance Cost and Fees	1,000	1,000	-	1,000
6030 Total Expenditures	1,631,000	1,631,000	1,630,000	1,000
1200 Net Change in Fund Balances	(83,000)	(83,000)	(60,416)	22,584
0100 Fund Balance - September 1 (Beginning)	-	745,690	745,690	-
3000 Fund Balance - August 31 (Ending)	\$ (83,000)	\$ 662,690	\$ 685,274	\$ 22,584

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**REPORTS 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
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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
Denison, Texas

Members of the Board of Trustees:

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, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reports

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in

internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Items 2011-01.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and accordingly, we express no opinion on it.

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

Signed copy on file.

Kirk, Richardson & Poole, P. C.
November 16, 2011

KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Denison Independent School District
Denison, Texas

Members of the Board of Trustees:

Compliance

We have audited the compliance of Denison Independent School District (the "District") with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

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

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

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

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

Signed copy on file.

Kirk, Richardson & Poole, P.C.
November 16, 2011

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
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:	Unqualified
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
84.389	ESEA, Title I, A – ARRA – Improving Basic Programs
84.027	IDEA – Part B, Formula
84.173	IDEA – Part B, Preschool
84.391	IDEA – Part B, Formula – ARRA
84392	IDEA – Part B, Preschool – ARRA
84.394	Title XIV, State Fiscal Stabilization Fund – ARRA
10.553	School Breakfast Program
10.555	National School Lunch Program – Cash Assistance
10.555	National School Lunch Program – Non-Cash Assistance
10.559	Summer Feeding Program – Cash Assistance

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

2011-01 – Excess of Expenditures over Appropriations

Criteria – Public funds of the District may not be spent in any manner other than as provided for in the budget adopted by the Board of Trustees (Texas Education Code Sec. 44.006).

Child Nutrition Program Special Revenue Fund Function 35 – Food Service actual expenditures exceeded the final amended budget by \$41,779.

Context – Review of actual expenditures against final amended budget.

Effect – The District is not in compliance with Texas Education Code Sec. 44.006.

Cause – District’s final budget amendment for year-end underestimated the amount of actual expenditures expended.

Recommendations – Review final year-end budget estimates to ensure it is sufficient to cover actual expenditures.

Views of responsible officials and planned corrective action – The District agrees with this finding and will follow procedures to ensure the District complies with Texas Education Agency budget requirements.

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, 2011

PRIOR YEAR'S FINDING/NONCOMPLIANCE: None

STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE: None required.

DENISON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

CORRECTIVE ACTION PLAN:

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

CORRECTIVE ACTION PLAN:

2011-01 – Excess of Expenditures over Appropriations

The District will review final year-end budget estimates to ensure it is sufficient to cover actual expenditures.

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

(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>			
Flood Control	12.112		\$ 52,587
Total Direct Programs			\$ 52,587
TOTAL DEPARTMENT OF DEFENSE			\$ 52,587
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	11610101091903	\$ 1,188,198
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10551001091903	291,113
Total Title I, Part A Cluster			1,479,311
*IDEA - Part B, Formula	84.027	11660001091903	843,736
*IDEA - Part B, Preschool	84.173	11661001091903	24,245
*IDEA, Part B, Formula - ARRA	84.391	10554001091903	342,439
*IDEA, Part B, Preschool - ARRA	84.392	10555001091903	7,761
Total Special Education Cluster (IDEA)			1,218,181
Career and Technical - Basic Grant	84.048	11420006091903	64,840
ESEA Title IV, Pt. A - Safe and Drug-Free Schools	84.186A	10691001091903	2,076
*Title II D Enhancing Ed Through Technology - ARRA	84.386	10553001091903	5,001
Title III, Part A - English Language Acquisition	84.365A	11671001091903	17,800
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11694501091903	255,220
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	10557001091903	132,320
	84.394	11557001091903	1,057,157
Total CFDA Number 84.394			1,189,477
Total Passed Through State Department of Education			\$ 4,231,906
TOTAL DEPARTMENT OF EDUCATION			\$ 4,231,906
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Dept of Human Services</u>			
Head Start	93.600	06CH0391	\$ 240,830
Total Passed Through Texas Dept of Human Services			\$ 240,830
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 240,830
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 471,355
*National School Lunch Program - Cash Assistance	10.555		1,119,139
*National School Lunch Prog. - Non-Cash Assistance	10.555		99,450
Total CFDA Number 10.555			1,218,589
*Summer Feeding Program - Cash Assistance	10.559		32,337
Total Child Nutrition Cluster			1,722,281
Total Passed Through the State Department of Agriculture			\$ 1,722,281
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,722,281
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,247,604</u>

*Clustered Programs

**DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011**

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
4. The District participates in numerous Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

SCHOOLS FIRST QUESTIONNAIRE

DENISON INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2011

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.	8042941