

DENISON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2021

DENISON INDEPENDENT SCHOOL DISTRICT

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INTRODUCTORY SECTION

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CERTIFICATE OF THE BOARD

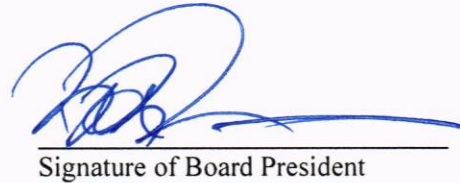
Denison Independent School District
Name of School District

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) X approved _____ disapproved for the year ended August 31, 2021, at a meeting of the board of trustees of such school district on the 18th day of January, 2022.


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)

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FINANCIAL SECTION

Kirk & Richardson, P.C.

Members of the American Institute of Certified Public Accountants
Governmental Audit Quality Center

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denison Independent School District (the "District") as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the district's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

2332 Gravel Dr. * P.O. Box 8342 * Fort Worth, TX 76124
Phone: (817) 451-7406 Fax: (817) 451-7597
Don Richardson, CPA * Sandhya Magar, CPA

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, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2021, the District adopted a new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements and the required Texas Education Agency schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required Texas Education Agency schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-2, and J-3. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kirk & Richardson, P.C.

Kirk & Richardson, P.C.
Fort Worth, Texas
January 17, 2022



DENISON INDEPENDENT SCHOOL DISTRICT

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MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED AUGUST 31, 2021 UNAUDITED

As management of the Denison Independent School District (the “District”), we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2021. Please read this narrative in conjunction with the independent auditor’s report and the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The net position of the District at the close of its fiscal year was \$5,282,458, a net increase of \$2,039,432 over last year’s \$3,423,026, all from current year operations.
- Current year unrestricted net position is \$(16,329,945) as compared to \$(16,522,287) last year.
- Net Investment in Capital Assets is \$12,759,531. The remaining \$8,852,872 restricted as follows:

Federal and State Programs	\$ 747,303
Debt Service	2,690,985
Capital Projects	4,826,946
Campus Activities	423,799
Other Purposes	163,839

- As of the close of the current fiscal year, the District’s governmental funds reported a combined ending fund balance of \$29,539,608 a net decrease of \$(15,866,593) from the prior year.
- The General Fund decreased by \$(306,359) from current year operations.
- The Debt Service Fund decreased \$(837,595) from current year operations.
- The Capital Projects Fund decreased \$(14,637,596) from current year operations.
- Other Funds decreased by \$(85,043) from current year operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$20,369,966 or 42.5% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$20,683,263, or 42.6% of total General Fund expenditures.
- No new programs were added during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

- Government-wide financial statements - These statements provide information about the activities of the District as a whole and present both a long-term and short-term view of the District’s finances. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information on all of the District's assets, deferred outflows/inflows, and liabilities, with the difference being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information on all current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

The District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (government activities) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

Fund financial statements – These statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants. The District has a blended component unit, which is included because of the significance of its operations or financial relationship with the District. The blended component unit is described below.

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

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

- Governmental funds – these financial statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget.
- Proprietary funds – these financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the revenues covered the expenses of the goods or services.
- Fiduciary funds – these financial statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's operations.

- Notes to the financial statements - The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.
- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management’s Discussion and Analysis is required supplementary information under governmental accounting standards. The “Combining Schedules” for nonmajor funds contain even more information about the District’s individual funds. The “Required Texas Education Agency Schedules” and “Reports on Internal Controls, Compliance and Federal Awards” contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table 1) and the statement of activities (Table 2) of the District’s governmental activities.

**Table 1
Net Position**

	Governmental Activities	
	2021	2020
ASSETS:		
Current and other assets	\$ 39,571,941	\$ 54,666,881
Capital assets	106,544,937	93,708,602
Total assets	146,116,878	148,375,483
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred Charge for Refunding	7,262,738	7,670,149
TRS – Pension	4,433,926	5,799,669
TRS – Other Post Employee Benefits	3,469,427	3,336,853
Total deferred outflow of resources	15,166,091	16,806,671
LIABILITIES:		
Current liabilities	8,398,369	7,743,780
Long-term liabilities	109,884,179	115,764,215
Sub-total	118,282,548	123,507,995
TRS – Pension (District’s Share)	11,439,598	12,136,721
TRS – Other Post Employee Benefits (District’s Share)	13,720,328	16,673,129
Total liabilities	143,442,474	152,317,845
DEFERRED INFLOW OF RESOURCES:		
TRS – Pension	2,511,240	2,408,241
TRS – Other Post Employee Benefits	10,046,797	7,213,042
Total deferred inflow of resources	12,558,037	9,621,283
NET POSITION:		
Net investment in capital assets	12,759,531	11,734,464
Restricted	8,852,872	8,030,849
Unrestricted	(16,329,945)	(16,522,287)
Total net position	\$ 5,282,458	\$ 3,243,026

The District’s governmental activities net position increased by a net increase of \$2,039,432, as previously discussed, from \$3,243,026 to \$5,282,458. A large portion of net position, \$12,759,531 reflects the District’s net investment in capital assets (e.g., land, buildings, furniture and equipment, and accumulated depreciation), less any related debt used to acquire those assets that

are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 2
Statement of Activities**

	Governmental Activities	
	2021	2020
REVENUES:		
Program revenues:		
Charges for services	\$ 1,150,968	\$ 1,246,887
Operating grants and contributions	10,684,485	11,087,059
General revenues:		
Maintenance and operations taxes	22,205,057	21,434,363
Debt service taxes	7,361,130	6,602,666
State aid – formula grants	20,856,040	23,636,442
Grants and contributions not restricted	1,480,167	1,254,886
Investment earnings	98,081	408,735
Miscellaneous local & intermediate revenue	146,390	416,741
Total revenues	<u>63,982,318</u>	<u>66,087,779</u>
EXPENSES:		
Instruction & instructional-related services	33,775,821	33,154,690
Instructional & school leadership	2,860,531	3,238,144
Guidance, social work, health, transportation	4,654,321	4,925,168
Food service	3,503,710	4,103,463
Extracurricular activities	2,690,270	2,803,882
General administration	1,651,275	1,839,433
Plant maintenance & security	8,593,611	7,568,549
Data processing services	857,560	700,110
Community services	15,194	3,276
Debt service	2,801,771	7,326,089
Capital outlay	0	0
Other intergovernmental charges	538,822	519,880
Total expenses	<u>61,942,886</u>	<u>66,182,684</u>
Increase/(Decrease) in net position before inflows/ outflows and special items	2,039,432	(94,905)
Net position beginning of year	3,243,026	3,090,896
Prior period adjustment	0	247,035
Net position end of year	<u>\$ 5,282,458</u>	<u>\$ 3,243,026</u>

Governmental Revenue by Source

	Governmental Activities	
	2021	2020
Program Revenues:		
Charges for services	1.8%	1.9%
Operating grants and contributions	16.7%	16.8%
General Revenues:		
Maintenance & operating taxes	34.7%	32.4%
Debt service taxes	11.5%	10.0%
State aid – formula grants	32.6%	35.8%
Grants and contributions not restricted	2.3%	1.9%
All others	0.4%	1.2%
Total Revenues	<u>100.0%</u>	<u>100.0%</u>

Governmental Expenses by Function

	Governmental Activities	
	2021	2020
Instruction & instructional-related services	54.5%	50.1%
Instructional & school leadership	4.6%	4.9%
Guidance, social work, health, transportation	7.5%	7.4%
Food service	5.7%	6.2%
Extracurricular activities	4.3%	4.2%
General administration	2.7%	2.8%
Plant maintenance & security	13.9%	11.4%
Data processing services	1.4%	1.1%
Community services	0.0%	0.0%
Debt service	4.5%	11.1%
Capital outlay	0.0%	0.0%
Other intergovernmental charges	0.9%	0.8%
	<u>100.0%</u>	<u>100.0%</u>

The District's net position increased by \$2,039,432 from current fiscal year operations over last year as shown below.

1) Total net change in Fund Balances – Governmental Funds	\$(15,866,593)
2) Increase due to internal service fund activities	12,632
3) Capital outlays and long-term debt principal	21,426,103
4) Depreciation	(3,014,840)
5) GASB 68 adjustments	(771,619)
6) GASB 75 adjustment	251,620
7) Other miscellaneous adjustments	2,129
Total	<u>\$ 2,039,432</u>

The District is required under GASB 68 and GASB 75 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan and TRS – other post-employment benefits. The required entries to record the effects of GASB 68 and GASB 75, are book entries only in the statement of governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and are discussed in greater detail in the notes to the financial statements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balance of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

The District's governmental funds reported a combined ending fund balance of \$29,539,608, a net decrease of \$(15,866,593) from last year's combined fund balance. Unassigned fund balance is \$20,369,960, or 69.0%, and was available for spending at the District's discretion. The remainder of fund balance is not available for discretionary spending because it is classified as either nonspendable, restricted, or committed for the following items:

Nonspendable fund balance:	
Inventories – General Fund	\$ 48,890
Inventories – National Breakfast & Lunch Program	43,273
Prepaid items – General Fund	1,228
Restricted fund balance:	
Federal or state funds grant restrictions	747,303
Capital Acquisition & contractual	4,826,946
Retirement of long-term debt	2,914,364
Other restricted – local grants	120,134
Other restricted – scholarship funds	43,705
Committed fund balance:	
Campus activity funds	423,799

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the General Fund’s unassigned fund balance was \$20,369,966 or 99.8% of the total fund balance was \$20,420,084.

The Debt Service Fund ending fund balance was \$2,914,364, all of which is reserved for the payment of future debt service.

The Capital Projects Fund ending fund balance was \$4,826,946, all of which is reserved for future construction projects within the District.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District’s budget several times. These budget amendments fall into three categories:

1. Amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we originally estimated).
2. Major amendment was to increase Function 81 – Facilities Acquisition and Construction by \$1,225,000 for various renovation projects throughout the District.
3. Amendments to move funds from programs that did not need all the resources originally appropriated to programs with resource needs.

The District’s actual General Fund balance of \$20,420,084 differs from the General Fund’s budgetary fund balance of \$18,012,993. The difference of \$2,407,091 is primarily due to state program revenues been \$(3,220,309) less than expected and actual expenditures of \$47,886,906 being less than the final budget by \$5,166,044.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District’s investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$106,544,937 (net of accumulated depreciation) for a net increase of \$12,836,335 or 13.4% over last year. Major addition to capital assets is primarily Construction in Progress for

various construction projects throughout the District for \$13,870,968. These amounts were offset by current year depreciation. The investment in capital assets includes land, buildings and improvements, and furniture and equipment.

More detailed information about the District’s capital assets is presented in the notes to the financial statements.

CAPITAL ASSETS		
	2021	2020
Land	\$ 2,462,102	\$ 2,462,102
Buildings & improvements	112,078,542	110,855,992
Furniture & equipment	14,894,146	14,345,586
Construction in Progress	15,299,739	1,428,771
Less depreciation	(38,189,592)	(35,383,849)
Totals	<u>\$ 106,544,937</u>	<u>\$ 93,708,602</u>

Long Term Debt

At year-end, the District had \$135,044,105 in long-term debt versus \$144,574,065 last year. The District elected to pay an additional \$950,000 principal payment on our Series 2011 Unlimited Tax School Building Bonds (Capital Appreciation Bonds). More detailed information about the District’s long term debt is presented in the notes to the financial statements.

LONG TERM DEBT		
	Governmental Activities	
	2021	2020
Bonds payable	\$ 88,763,160	\$ 92,906,093
Accreted interest	8,585,814	9,607,957
Unamortized premium/(discount)	12,284,173	13,009,692
Compensated absences	251,032	240,472
Sub-totals	<u>109,884,179</u>	<u>115,764,214</u>
Net pension liability (District share – TRS)	11,439,598	12,136,721
Net OPEB liability (District share – TRS)	13,720,328	16,673,129
Totals	<u>\$135,044,105</u>	<u>\$144,574,065</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Appraised value used for the 2022 budget preparation will be up 169.6 million, or 8.3% from 2021.

General operating fund spending per student decrease in the 2022 budget from \$11,648 to \$11,640. This is a 0.009% decrease.

The District’s 2022 refined average daily attendance is expected to be 4,395, and increase of 0% over 2021.

These indicators were taken into account when adopting the general fund budget for 2022. Amounts available for appropriation in the general fund budget are \$50.2 million, an increase of 1.2% compared to the final 2021 budget of \$49.6 million. Property tax revenues will increase due to an increase in appraised values. The tax rate will reduce from \$1.3223 to \$1.2895.

Expenditures are budgeted at \$51.2 million. Property tax revenue will increase approximately \$1,510,000 and State Funding will decrease approximately \$1,510,000. Investment revenue is expected to decrease by \$110,000 in 2022.

If these estimates are realized, the District's budgetary fund balance in the general fund is expected to decrease by \$989,515 by the close of 2022.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The 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 show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District's Business Services Department.

BASIC FINANCIAL STATEMENTS

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 34,251,548
1220 Property Taxes - Delinquent	1,528,339
1230 Allowance for Uncollectible Taxes	(30,567)
1240 Due from Other Governments	3,706,972
1300 Inventories	92,163
1410 Prepayments	23,486
Capital Assets:	
1510 Land	2,462,102
1520 Buildings, Net	85,867,420
1530 Furniture and Equipment, Net	2,915,676
1580 Construction in Progress	15,299,739
1000 Total Assets	146,116,878
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	7,262,738
1705 Deferred Outflow Related to TRS Pension	4,433,926
1706 Deferred Outflow Related to TRS OPEB	3,469,427
1700 Total Deferred Outflows of Resources	15,166,091
LIABILITIES	
2110 Accounts Payable & Bank Overdrafts	4,545,933
2140 Interest Payable	223,379
2150 Payroll Deductions and Withholdings	3,351
2160 Accrued Wages Payable	1,014,524
2180 Due to Other Governments	2,607,195
2300 Unearned Revenue	3,987
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	4,103,160
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	105,781,019
2540 Net Pension Liability (District's Share)	11,439,598
2545 Net OPEB Liability (District's Share)	13,720,328
2000 Total Liabilities	143,442,474
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	2,511,240
2606 Deferred Inflow Related to TRS OPEB	10,046,797
2600 Total Deferred Inflows of Resources	12,558,037
NET POSITION	
3200 Net Investment in Capital Assets	12,759,531
Restricted:	
3820 Restricted for Federal and State Programs	747,303
3850 Restricted for Debt Service	2,690,985
3860 Restricted for Capital Projects	4,826,946
3870 Restricted for Campus Activities	423,799
3890 Restricted for Other Purposes	163,839
3900 Unrestricted	(16,329,945)
3000 Total Net Position	\$ 5,282,458

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, 2021

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 32,758,841	\$ 621,508	\$ 5,570,226	\$ (26,567,107)
12	Instructional Resources and Media Services	496,899	-	105,324	(391,575)
13	Curriculum and Instructional Staff Development	520,081	-	204,586	(315,495)
21	Instructional Leadership	640,114	-	154,583	(485,531)
23	School Leadership	2,220,417	-	234,713	(1,985,704)
31	Guidance, Counseling, and Evaluation Services	2,093,094	-	422,765	(1,670,329)
33	Health Services	476,476	-	46,342	(430,134)
34	Student (Pupil) Transportation	2,084,751	-	137,404	(1,947,347)
35	Food Services	3,503,710	95,917	3,200,799	(206,994)
36	Extracurricular Activities	2,690,270	433,543	32,816	(2,223,911)
41	General Administration	1,651,275	-	118,139	(1,533,136)
51	Facilities Maintenance and Operations	8,081,285	-	307,391	(7,773,894)
52	Security and Monitoring Services	512,326	-	99,140	(413,186)
53	Data Processing Services	857,560	-	35,088	(822,472)
61	Community Services	15,194	-	15,169	(25)
72	Debt Service - Interest on Long-Term Debt	2,793,761	-	-	(2,793,761)
73	Debt Service - Bond Issuance Cost and Fees	8,010	-	-	(8,010)
99	Other Intergovernmental Charges	538,822	-	-	(538,822)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 61,942,886	\$ 1,150,968	\$ 10,684,485	(50,107,433)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			22,205,057	
DT	Property Taxes, Levied for Debt Service			7,361,130	
SF	State Aid - Formula Grants			20,856,040	
GC	Grants and Contributions not Restricted			1,480,167	
IE	Investment Earnings			98,081	
MI	Miscellaneous Local and Intermediate Revenue			146,390	
TR	Total General Revenues			52,146,865	
CN	Change in Net Position			2,039,432	
NB	Net Position - Beginning			3,243,026	
NE	Net Position - Ending			\$ 5,282,458	

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

DENISON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 22,782,135	\$ 2,914,364	\$ 6,806,973
1220 Property Taxes - Delinquent	1,189,693	338,646	-
1230 Allowance for Uncollectible Taxes	(23,794)	(6,773)	-
1240 Due from Other Governments	1,765,174	-	-
1300 Inventories	48,890	-	-
1410 Prepayments	1,228	-	-
1000 Total Assets	<u>\$ 25,763,326</u>	<u>\$ 3,246,237</u>	<u>\$ 6,806,973</u>
LIABILITIES			
2110 Accounts Payable & Bank Overdrafts	\$ 605,344	\$ -	\$ 1,980,027
2150 Payroll Deductions and Withholdings Payable	3,351	-	-
2160 Accrued Wages Payable	961,453	-	-
2180 Due to Other Governments	2,607,195	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>4,177,343</u>	<u>-</u>	<u>1,980,027</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,165,899	331,873	-
2600 Total Deferred Inflows of Resources	<u>1,165,899</u>	<u>331,873</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	48,890	-	-
3430 Prepaid Items	1,228	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	4,826,946
3480 Retirement of Long-Term Debt	-	2,914,364	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	20,369,966	-	-
3000 Total Fund Balances	<u>20,420,084</u>	<u>2,914,364</u>	<u>4,826,946</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 25,763,326</u>	<u>\$ 3,246,237</u>	<u>\$ 6,806,973</u>

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

Other Funds	Total Governmental Funds
\$ 1,248,803	\$ 33,752,275
-	1,528,339
-	(30,567)
1,941,798	3,706,972
43,273	92,163
22,258	23,486
<u>\$ 3,256,132</u>	<u>\$ 39,072,668</u>
\$ 1,820,860	\$ 4,406,231
-	3,351
53,071	1,014,524
-	2,607,195
3,987	3,987
<u>1,877,918</u>	<u>8,035,288</u>
-	1,497,772
<u>-</u>	<u>1,497,772</u>
43,273	92,163
-	1,228
747,303	747,303
-	4,826,946
-	2,914,364
163,839	163,839
423,799	423,799
-	20,369,966
<u>1,378,214</u>	<u>29,539,608</u>
<u>\$ 3,256,132</u>	<u>\$ 39,072,668</u>

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DENISON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	29,539,608
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.		359,571
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 \$129,092,451 and the accumulated depreciation was \$(35,383,849). 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. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(14,711,146)
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 2021 capital outlays and debt principal payments is to increase net position.		21,426,103
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$4,433,926, a deferred resource inflow in the amount of \$2,511,240, and a net pension liability in the amount of \$11,439,598. This resulted in a decrease in net position.		(9,516,912)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$3,469,427, a deferred resource inflow in the amount of \$10,046,797, and a net OPEB liability in the amount of \$13,720,328. This resulted in a decrease in net position.		(20,297,698)
6 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(3,014,840)
7 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		1,497,772
19 Net Position of Governmental Activities	\$	5,282,458

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 23,062,084	\$ 7,366,672	\$ 11,675
5800 State Program Revenues	23,242,691	182,991	-
5900 Federal Program Revenues	1,275,772	-	-
5020 Total Revenues	<u>47,580,547</u>	<u>7,549,663</u>	<u>11,675</u>
EXPENDITURES:			
Current:			
0011 Instruction	27,191,959	-	-
0012 Instructional Resources and Media Services	366,700	-	-
0013 Curriculum and Instructional Staff Development	313,802	-	-
0021 Instructional Leadership	524,270	-	-
0023 School Leadership	2,123,657	-	-
0031 Guidance, Counseling, and Evaluation Services	1,781,906	-	-
0033 Health Services	452,590	-	-
0034 Student (Pupil) Transportation	2,028,588	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,551,846	-	-
0041 General Administration	1,596,636	-	-
0051 Facilities Maintenance and Operations	7,068,463	-	-
0052 Security and Monitoring Services	388,824	-	-
0053 Data Processing Services	736,292	-	-
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long-Term Debt	-	4,142,933	-
0072 Interest on Long-Term Debt	-	4,236,315	-
0073 Bond Issuance Cost and Fees	-	8,010	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	1,222,551	-	14,649,271
Intergovernmental:			
0099 Other Intergovernmental Charges	538,822	-	-
6030 Total Expenditures	<u>47,886,906</u>	<u>8,387,258</u>	<u>14,649,271</u>
1200 Net Change in Fund Balances	(306,359)	(837,595)	(14,637,596)
0100 Fund Balance - September 1 (Beginning)	<u>20,726,443</u>	<u>3,751,959</u>	<u>19,464,542</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 20,420,084</u>	<u>\$ 2,914,364</u>	<u>\$ 4,826,946</u>

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

Other Funds	Total Governmental Funds
\$ 524,640	\$ 30,965,071
527,621	23,953,303
7,330,214	8,605,986
8,382,475	63,524,360
3,840,788	31,032,747
83,407	450,107
186,118	499,920
105,783	630,053
39,741	2,163,398
271,267	2,053,173
9,265	461,855
44,020	2,072,608
3,331,144	3,331,144
364,791	1,916,637
15,927	1,612,563
69,684	7,138,147
85,267	474,091
5,147	741,439
15,169	15,169
-	4,142,933
-	4,236,315
-	8,010
-	15,871,822
-	538,822
8,467,518	79,390,953
(85,043)	(15,866,593)
1,463,257	45,406,201
\$ 1,378,214	\$ 29,539,608

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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, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (15,866,593)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	12,632
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 2021 capital outlays and debt principal payments is to increase net position.	21,426,103
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(3,014,840)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	2,129
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,014,667. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$881,535. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$904,751. The net result is a decrease in the change in net position.	(771,619)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$290,701. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$274,862. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$235,781. The net result is a decrease in the change in net position.	251,620
Change in Net Position of Governmental Activities	\$ 2,039,432

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2021

	Governmental Activities -	
		Internal Service Fund
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	499,273
Total Assets		499,273
LIABILITIES		
Current Liabilities:		
Accounts Payable		139,702
Total Liabilities		139,702
NET POSITION		
Unrestricted Net Position		359,571
Total Net Position	\$	359,571

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 144,444
Total Operating Revenues	144,444
OPERATING EXPENSES:	
Professional and Contracted Services	131,812
Total Operating Expenses	131,812
Operating Income	12,632
Total Net Position - September 1 (Beginning)	346,939
Total Net Position - August 31 (Ending)	\$ 359,571

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

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DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT D-3

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 144,444
Cash Payments for Insurance Claims	(102,279)
Net Cash Provided by Operating Activities	42,165
Net Increase in Cash and Cash Equivalents	42,165
Cash and Cash Equivalents at Beginning of Year	457,108
Cash and Cash Equivalents at End of Year	\$ 499,273
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 12,632
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	29,533
Net Cash Provided by Operating Activities	\$ 42,165

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2021

	Private Purpose Trust Fund	Custodial Fund	Fiduciary Component Unit
ASSETS			
Cash and Cash Equivalents	\$ -	\$ 20	\$ 3,513,643
Total Assets	<u>-</u>	<u>20</u>	<u>3,513,643</u>
NET POSITION			
Restricted for Other Purposes	-	20	-
Unrestricted Net Position	<u>-</u>	<u>-</u>	<u>3,513,643</u>
Total Net Position	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 3,513,643</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

	Private Purpose Trust Fund	Custodial Fund	Fiduciary Component Unit
ADDITIONS:			
Contributions, Gifts and Donations	\$ -	\$ 3,070	\$ 511,833
Unrealized Gain or (Loss) on Investments	-	-	280,842
Total Additions	<u>-</u>	<u>3,070</u>	<u>792,675</u>
DEDUCTIONS:			
Supplies and Materials	-	-	65,894
Other Deductions	-	3,050	124,148
Total Deductions	<u>-</u>	<u>3,050</u>	<u>190,042</u>
Change in Fiduciary Net Position	-	20	602,633
Total Net Position - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>2,911,010</u>
Total Net Position - August 31 (Ending)	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 3,513,643</u>

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

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Denison Independent School District (the “District”) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its’ basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement 76, 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.

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

Other Post-Employment Benefits (OPEB) – The fiduciary net position of the Teacher Retirement System of Texas TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this a pay-as-you-go plan and all cash is held in a cash account.

The District’s investments are accounted for using the cost amortization method.

A. Reporting Entity

The District’s Board of Trustees (the “Board”), consisting of seven members, has governance responsibilities over all activities related to public school education within the District. The daily functioning of the District is under the supervision of the Superintendent. Board members are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by Governmental Accounting Standards Board (GASB) in its *Statement No. 14, The Financial Reporting Entity*. The accompanying financial statements present the District’s financial statements and those of a blended component unit, which is included because of the significance of its operations or financial relationship with the District. The blended component unit is described below.

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

B. Basis of Presentation – Government-wide Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on the District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District does not have business-type activities.

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. The “charges for services” column include payments made by parties 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. The “grants and contributions” column includes 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 revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Taxes are always general revenues.

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-Retirement and TRS-Care benefit plans are both cost-sharing plans with special funding situations. Therefore, the on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities.

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

C. Basis of Presentation - Fund Financial Statements

The accounts of the District are organized on a fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues, and expenditures. The fund statements are prepared on a current financial resource measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and the basis of accounting than the government-wide statements’ governmental activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the government-wide financial statements.

Major Governmental Funds:

The General Fund – The General Fund is the District’s general operating fund. It is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except

for costs incurred by programs accounted for in other funds. The General Fund is always considered a major fund as defined by GASB 34.

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

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

In addition, the District maintains the following funds:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

The District's Food Service Fund (National Breakfast and Lunch Program) is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Breakfast and Lunch Program, (2) the General Fund subsidizes the Food Service Program for all expenditures in excess of the National Breakfast and Lunch Program, and (3) the District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes. This is a budgeted fund.

Proprietary Funds:

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

Fiduciary Funds:

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

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

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

The District does not have any business-type funds or permanent funds.

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

The accounting and financial reporting treatment are determined by the applicable measurement focus and the basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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 resources 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 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, 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 collected 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, that is, when they are both measurable and available. The District considers them “available” if they will be collected within 60 days of the end of the fiscal year. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as the deferred inflow of resources in the Governmental Funds Balance Sheet. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until 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 unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Management’s Use of Estimates

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

The amount of state foundation revenue and the related receivables and liabilities a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balances

1. Cash and Cash Equivalents - The District's cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments considered as cash equivalent are reported at fair value.
2. Investments - Investments are recorded at fair value. Investments are considered and classified as cash equivalents. Investments are primarily in FDIC insured investments, savings accounts, and public funds money markets and are not significantly affected by the impairment of the credit standing of the issues or other factors.
3. Inventories and Prepaid Items - The District uses the consumption method to account for inventories of food products, school supplies, and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

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

4. Other Receivables and Payables - These may include amounts due from local, state, and federal agencies resulting from an excess of expenditures over revenues incurred, accrued liabilities, interest payable, and accrued wages payable.
5. Interfund Activities - During the year, the District has activity between funds for various purposes. Any residual balances outstanding at year-end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between funds included in governmental activities are eliminated so that only the net amount is included as transfers in governmental activities column.

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

7. Capital Assets - Capital assets, which include land, buildings and improvements, furniture and equipment and construction in progress, are reported in the applicable governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at an 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.

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

<u>Asset Classification</u>	<u>Useful Life</u>
Buildings and improvements	45
Furniture & equipment	5-10

Land and construction in progress are not depreciable.

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

Special Revenue Funds:	
Advanced Placement Incentives	\$ 3,987

9. Long-term Obligations - In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activity, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount. Deferred loss on refunding, will be recognized as a deferred outflow of resources and amortized to interest expense over the life of the bonds. Bond issuance costs are expensed in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs are reported as debt service expenditures.

10. Deferred Outflows/Inflow of Resources - In addition to assets, the District will sometimes report a separate section for deferred outflows of resources. A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for refunding – Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. During the current year, the District had \$7,262,738 in deferred charges for refunding.
- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actuarial experience. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. During the current year, the District had \$4,433,926 deferred outflow related to TRS in accordance with GASB 68. This amount consisted of \$3,419,259 for total net amounts per TRS August 31, 2020 measurement date and \$1,014,667 for contributions paid to TRS subsequent to the measurement date.
- Deferred outflow of resources related to TRS OPEB – Reported in the government-wide financial statement of net position, this deferred outflow results related to TRS OPEB contributions made after the measurement date of the net pension liability and the results of differences between expected and actuarial experience. The deferred outflows of resources related to TRS OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net TRS OPEB liability in the next fiscal year. During the current year, the District had \$3,469,427 deferred outflow related to TRS OPEB in accordance with GASB 75. This amount consisted of \$3,178,726 for total net amounts per TRS OPEB August 31, 2020 measurement date and \$290,701 for contributions paid to TRS OPEB subsequent to the measurement date.

In addition to liabilities, the District will sometimes report a separate section for deferred inflow of resources. A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District had three items that qualify for reporting in this category:

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources \$1,165,899 and \$331,873 as unavailable revenues – property taxes with the General and Debt Service Funds, respectively.

- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. During the current year, the District recorded \$2,511,240 for total net amounts per TRS August 31, 2020 measurement date in accordance with GASB 68.
 - Deferred inflow of resources related to TRS OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on TRS OPEB investments. During the current year, the District recorded \$10,046,797 for total net amounts per TRS OPEB August 31, 2020 measurement date in accordance with GASB 75.
11. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
12. Net Position Flow Assumptions - Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. When both restricted and unrestricted resources are available for use in a specific program or for a specific purpose, the District's normal policy is to use the restricted resource to finance its activities.

The Government-wide Statement of Net Position includes the following:

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

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

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

Restricted for capital projects – funds that have been assigned for future expenditures for equipment. The District does not have any funds restricted for capital projects.

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

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

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

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

Non-spendable fund balance – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.

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

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

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

Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures. Only the General Fund will have unassigned amounts. By accounting for amounts in other funds, the District has implicitly assigned the funds for purposes of those funds.

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2021

Exhibit F-1

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
 for Fiscal Year Ending August 31, 2021

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Total Governmental Funds
Nonspendable Fund Balance:					
Inventories	\$ 48,890	\$ 0	\$ 0	\$ 43,273	\$ 92,163
Prepaid items	1,228	0	0	0	1,228
Restricted Fund Balance:					
Nat'l School Breakfast & Lunch Program	0	0	0	747,303	747,303
Capital Acquist. & Contr.	0	0	4,826,946	0	4,826,946
Retirement of long-term debt	0	2,914,364	0	0	2 914 364
Other restricted – local grants	0	0	0	120,134	120 134
Other restricted – scholarships	0	0	0	43,705	43,705
Committed Fund Balance:					
Campus Activity Funds	0	0	0	423,799	423 799
Unassigned	20,369,966	0	0	0	20 369 966
Total Fund Balance	<u>\$20,420,084</u>	<u>\$2,914,364</u>	<u>\$4,826,946</u>	<u>\$1,378,214</u>	<u>\$29,539,608</u>

The District does not have a minimum fund balance policy.

15. Data Control Codes - The data control codes refer to the account code structure prescribed by the Texas Education Agency (the “Agency”) in the Financial Accountability System Resource Guide. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

F. Implementation of New Standards

GASB No. 84 – Fiduciary Activities. This pronouncement was issued in January 2017 and effective for periods beginning December 15, 2019. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities. The requirements of this Statement will enhance consistency and comparability by (1) establish specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This standard must be applied retroactively and as such beginning net position and/or fund balance in the special revenue fund as well as in the custodial fund to establish the beginning balance. Net position related to governmental activities is also restated.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT

Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position” provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as

liabilities in the funds. Also, the property taxes receivable which is included as unavailable revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts. Also included are the adjustments required by GASB 68 and GASB 75.

Exhibit C-4 “Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities” provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund-basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund-basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts. Also included are all of the adjustments required by GASB 68 and GASB 75.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Board of Trustees adopts an “appropriated budget” for the General Fund, Child Nutrition Program, and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The general fund budget report appears in Exhibit G-1 “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund” and the other two reports are in Exhibit J-2 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Child Nutrition Program” and J-3 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Debt Service Fund”.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose 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 days’ public notices 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. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. Most amendments were for carryover funding, mid-year adjustment of operating costs, and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.
4. Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	Original Budget Appropriation	Increase (Decrease)	Amended Budget Appropriation
General Fund – Exhibit G-1	\$51,193,950	\$1,859,000	\$53,052,950
Child Nutrition Program – Exhibit J-2	3,580,150	60,000	3,640,150
Debt Service Fund – Exhibit J-3	7,436,248	952,000	8,388,248

5. General Fund – Major amendment was to increase Function 81 – Facilities Acquisition & Construction by \$1,225,000 for various renovation projects throughout the District.

Child Nutrition Program – Amendments were made for unanticipated operating costs incurred during the year.

Debt Service Fund – Amendments were made to reflect election to an additional principal and interest payments on the District’s outstanding Series 2011 Unlimited Tax School Building Bonds.

6. Each budget is controlled at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2021 Fund Balance	
Appropriated Budgeted Funds – National Breakfast & Lunch Program	\$ 790,576
Non-appropriated Budgeted Funds	587,638
All Special Revenue Funds	<u>\$1,378,214</u>

B. Excess of Expenditures over Appropriations

No excess of expenditures over appropriations existed for the year ended August 31, 2021.

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2021.

IV.DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

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

Depository information is as follows:

- Depository bank: Independent Bank
- Highest combined balance: \$11,850,349
- Date of highest combined balance: August 11, 2021
- Amount of FDIC insurance: \$250,000
- Amounts of pledged securities: \$15,163,409

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

On August 31, 2021, the carrying value of the District's deposits was \$10,023,591 excluding petty cash of \$8,919 and \$23,719,765 of investments considered as cash equivalents, and the bank balance was \$9,588,650. The District's cash deposits on August 31, 2021, and during the year then ended, were not entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Governmental Funds:	
Petty cash	\$ 8,919
Cash-in-bank	10,023,591
Investments considered as cash equivalents	23,719,765
Total cash and cash equivalents	<u>33,752,275</u>
Proprietary Funds:	
Cash-in-bank	499,273
Total Governmental Activities	<u><u>\$34,251,548</u></u>
Fiduciary Funds:	
Private Purpose Fund	\$ 0
Custodial Funds	20
Fiduciary Component Unit	3,513,643
Total Fiduciary Funds	<u><u>\$3,513,663</u></u>

The following investments are considered as cash equivalents:

Investments	Carrying Amount	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
Savings accounts	\$ 3,613	\$ 3,613	0.0%	On demand
Texpool - AAAM	13,714,061	13,714,061	57.8%	On demand
Lone Star - AAA	7,683,424	7,683,424	32.4%	On demand
Texas Term - AAaf	106	106	0.0%	On demand
Money market funds	2,318,561	2,318,561	9.8%	On demand
Totals	<u><u>\$23,719,765</u></u>	<u><u>\$23,719,765</u></u>		

The District does not have any cash or cash equivalents in foreign currency; therefore, there is no foreign currency risk.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and the establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of returns, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. The District maintains an investment policy that authorizes the District to invest in obligations of U.S. Treasury and U.S. agencies, municipal securities and repurchase agreements and the State Treasurer's investment pool or similar public investment pools. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

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

Custodial Credit Risk – This is the risk, that in the event of the failure of a bank failure counterparty, the District's deposits may not be able to recover the value of its investments or collateral securities that are in possession of an outside party. As of August 31, 2021, the District's cash deposits totaled \$10,235,591. The entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits were not exposed to custodial credit risk.

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. On August 31, 2021, the District held investments in public funds investment pools. Investments in external investment pools are not considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for the investment pool at year-end was AAAM (Standard & Poor's).

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

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of the District's investments in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in securities of a single issuer. The District's investments in public funds investment pools is not subject to the concentration risk.

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

B. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real property 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 following 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. Property tax revenues are considered available (1) when they become due or past due and receivable with the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The Board establishes the District’s property tax rates annually. The authorized tax rates for property taxes assessed on January 1, 2020, were \$0.9931 and \$0.3292 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$2,215,161,234.

The District has not entered into any tax abatement agreements in compliance with Tax Code Chapter 312.

Delinquent taxes are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2021, are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue – Property Taxes
General Fund	\$1,189,693	\$(23,794)	\$1,165,899
Debt Service Fund	338,646	(6,773)	331,873
Totals	<u>\$1,528,339</u>	<u>\$(30,567)</u>	<u>\$1,497,772</u>

Current tax collections for the levy year ended August 31, 2021, were 97.8% of the year-end adjusted tax levy.

Uncollectible personal property taxes are periodically reviewed and written off by the District. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The District has an agreement with Grayson County Tax Office (“County”) whereby the County bills and collects the District’s property taxes.

C. 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 that are not scheduled for collection within one year of August 31, 2021.

D. Receivables from Other Governments

Receivables from other governments, as of August 31, 2021, are as follow:

General Fund	\$1,765,174
Special Revenue Funds:	
Head Start	56,337
ESEA I, A – Improving Basic Programs	425,787
IDEA – Part B Formula	259,905
IDEA – Part B Preschool	9,633
National Breakfast & Lunch Program	252,649
Career & Technical – Basic Grant	36,374
ESEA II, A – Training & Recruiting	16,083
Title I – SIP Academy Grant	9,858
ESSER – School Emergency	652,422
Title IV, Part A, Subpart I	36,354
State Instructional Materials	96,661
Other State Special Revenue Funds	76,439
Other SSA Special Revenue Funds	13,296
Total Special Revenue Funds	<u>1,941,798</u>
Total	<u>\$3,706,972</u>

E. Interfund Receivables and Payables

There were no interfund receivables and payables as of August 31, 2021.

F. Interfund Transfers

There were no interfund transfers during the fiscal year.

G. Other Financing Sources (Uses)

There were no other financing sources (uses) during the current fiscal year.

H. Special Items/Extraordinary Items

There were no special items/extraordinary items during the fiscal year.

I. Operating Leases

The District leases office equipment and automobiles under noncancelable operating leases. Total costs for such leases were \$90,019 for the year. The future minimum lease payments for active operating leases are summarized below:

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<u>Year Ending August 31</u>	<u>Amount</u>
2022	\$95,591
2023	93,995
Thereafter	0

J. Capital Asset Activity

Capital asset activity for the year ended August 31, 2021, is as follows:

	<u>Beginning Balance</u>	<u>Increases/ Adjustments</u>	<u>Decreases/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not depreciated				
Land	\$ 2,462,102	\$ 0	\$ 0	\$ 2,462,102
Construction in Progress	1,428,771	13,870,968	0	15,299,739
Sub-totals	<u>3,890,873</u>	<u>13,870,968</u>	<u>0</u>	<u>17,761,841</u>
Capital assets, depreciated				
Buildings and improvements	110,855,992	1,222,551	0	112,078,543
Furniture and equipment	14,345,586	757,657	209,097	14,894,146
Sub-total	<u>125,201,578</u>	<u>1,980,208</u>	<u>209,097</u>	<u>126,972,689</u>
Less accumulated depreciation				
Buildings and improvements	24,147,294	2,063,828	0	26,211,122
Furniture and equipment	11,236,555	951,012	209,097	11,978,470
Sub-totals	<u>35,383,849</u>	<u>3,014,840</u>	<u>209,097</u>	<u>38,189,592</u>
Governmental activities capital	<u>\$ 93,708,602</u>	<u>\$12,836,336</u>	<u>\$ 0</u>	<u>\$106,544,938</u>

Major additions for the current year included:

Building and improvements:	
Munson stadium video board	\$ 837,789
SMS renovations	176,861
DHS tennis restrooms	144,161
Mayes playground equipment	63,740
Total	<u>\$1,222,551</u>
Furniture and equipment	
Instructional equipment	\$ 9,699
Automotive equipment	491,229
Food service equipment	80,989
Maintenance equipment	175,740
Total	<u>\$757,657</u>

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

Governmental activities:	
11 – Instruction	\$1,012,671
12 – Instruction Resources & Media Services	40,835
13 – Curriculum & Instructional Staff Development	13,388
23 – School Leadership	18,337
31 – Guidance, Counseling & Evaluation Services	7,440
33 – Health Services	6,616
34 – Student (Pupil) Transportation	484,026
35 – Food Services	210,541
36 – Extracurricular Activities	765,084
41 – General Administration	19,723
51 – Plant Maintenance & Operations	290,299
52 – Security & Monitoring Services	35,414
53 – Data Processing Services	110,466
Total Depreciation Expense	<u><u>\$3,014,840</u></u>

K. Construction Commitments

Construction in progress and remaining commitments as of the end of the fiscal year are as follows:

Project	Approved Construction Budget	Construction In Progress	Estimated Remaining Commitment
Mayes Elementary School	\$ 9,712,651	\$ 7,085,257	\$2,627,394
Hyde Park Elementary School	9,055,652	6,785,711	2,269,941
Totals	<u><u>\$18,768,303</u></u>	<u><u>\$13,870,968</u></u>	<u><u>\$4,897,335</u></u>

L. Long-Term Debt

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

The following is a summary of changes in long-term debt for government activities for the year ended August 31, 2021.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$ 92,906,093	\$ 0	\$4,142,933	\$ 88,763,160	\$4,103,160
Accreted interest	9,607,957	255,787	1,277,929	8,585,814	0
Premium on bonds	13,009,692	0	725,520	12,284,173	0
Compensated absences	240,473	10,559	0	251,032	0
Sub-total	<u>115,764,215</u>	<u>266,346</u>	<u>6,146,382</u>	<u>109,884,179</u>	<u>4,103,160</u>
Net pension liability	12,136,721	184,167	881,290	11,439,598	0
Net OPEB liability	16,673,129	0	2,952,801	13,720,328	0
Total	<u><u>\$144,574,065</u></u>	<u><u>\$450,513</u></u>	<u><u>\$9,980,473</u></u>	<u><u>\$135,044,105</u></u>	<u><u>\$4,103,160</u></u>

M. Bonds Payable

Bonded indebtedness of the District is reflected in the statement of net position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund in the fund financial statements.

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The Board of Trustees passed and approved a resolution directing the redemption of a portion of the District's outstanding Unlimited Tax School Building Bonds, Series prior to maturity on August 20, 2019. The District elected to pay an additional \$950,000 bond principal during the current year.

A summary of changes in general obligation bonds for the year ended August 31, 2021, is as follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Series 1997 UTSB&R Bonds/2021	4.3%/6.0%	\$13,224,677	\$ 338,271	\$0	\$ 338,271	\$ 0	\$ 0
Series 2011 UTSB Bonds/2041	1.75%/5.0%	69,001,362	3,292,823	0	1,629,663	1,663,160	1,663,160
Series 2013 UTSB Bonds/2043	1.75%/4.5%	9,410,000	4,870,000	0	250,000	4,620,000	260,000
Series 2017 UTR Bonds/2031	4.0%	8,630,000	8,630,000	0	0	8,630,000	0
Series 2020 UTSB Bonds/2035	4.0%/5.0%	17,655,000	17,655,000	0	1,925,000	15,730,000	2,180,000
Series 2020 UTR Bonds/2040	1.651%/ 2.518%	58,645,000	58,120,000	0	0	58,120,000	0
Totals			\$92,906,094	\$0	\$4,142,934	\$88,763,160	\$4,103,160

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
2022	\$ 4,103,160	\$ 3,541,963	\$ 7,645,123
2023	2,750,000	5,108,323	7,858,323
2024	1,720,000	5,179,548	6,899,548
2025	1,805,000	5,257,173	7,062,173
2026	4,360,000	2,718,823	7,078,823
2027-2033	23,365,000	9,489,071	32,854,071
2032-2036	25,095,000	5,570,995	30,665,995
2037-2041	25,565,000	2,086,884	27,651,884
Totals	\$88,763,160	\$38,952,780	\$127,715,940

Interest and fees paid on general obligation bonds during the year were \$4,224,325.

There are numerous limitations and restrictions contained in the various general obligation bond indentures. The District has complied with all significant limitations and restrictions as of August 31, 2021.

N. Defeasance of Debt

During the current year, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District's financial statements. On August 31, 2021, \$6,731,245 of bonds considered defeased are still outstanding.

O. Revenue from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects	Other Funds	Totals
Property taxes	\$21,969,528	\$7,259,376	\$ 0	\$ 0	\$29,228,904
Food sales	0	0	0	95,917	95,917
Penalties, interest & other tax related	297,630	86,733	0	0	384,363
Tuition & fees	10,317	0	0	0	10,317
Earnings – temporary deposits & Rent	65,843	20,563	11,675	5,574	103,655
Foundations, gifts & bequests	255	0	0	0	255
Insurance recovery	0	0	0	70,842	70,842
Other revenues from local sources	26,341	0	0	0	26,341
Athletics	565,371	0	0	45,563	610,934
Extracurricular activities other than	121,811	0	0	19,237	141,048
Enterprising services revenues	4,988	0	0	14,485	19,473
Total	0	0	0	273,022	273,022
Total	\$23,062,084	\$7,366,672	\$11,675	\$524,640	\$30,965,071

P. State Aid Revenue

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

	General Fund	Debt Service Fund	Other Funds	Totals
Per Capita Apportionment	\$ 2,151,694	\$ 0	\$ 0	\$ 2,151,694
Foundation School Prg. Act Entitlements	18,650,064	0	0	18,650,064
Other Foundation School Program Act	54,282	0	0	54,282
TRS On-behalf Payments	2,219,418	0	84,651	2,304,069
TRS Medicare Part-D	145,821	0	5,345	151,166
Other State Revenue	21,412	182,991	437,625	642,028
Totals	\$23,242,691	\$182,991	\$527,621	\$23,953,303

Q. Federal Program Revenues

The District receives federal program revenues for various programs as follows:

Revenues	General Fund	Other Funds
U.S. Department of Defense – Direct	\$ 61,297	\$ 0
Federal Revenues Distributed by TEA	297,657	0
School Health & Related Services (SHARS)	916,818	0
U. S. Department of Education – Direct	0	51,360
U. S. Department of Education – Passed Through	0	3,966,029
U. S. Department of Health & Human Services – Passed Through	0	237,766
U. S. Department of Agriculture – Passed Through	0	3,075,059
	\$1,275,772	\$7,330,214

R. Employee Benefits

Compensated Absences

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

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

The activity within the accrued compensated absences account follows:

Balance, September 1	\$240,473
Net change	10,559
Balance, August 31	\$251,032

S. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position - Detail information about the Teacher Retirement System’s fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System’s actuary.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018, received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

Contributions - Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
Current fiscal year Employer Contributions	\$1,014,667	
Current fiscal year Member Contributions	\$2,626,189	
2020 measurement date NECE On-behalf Contributions	\$1,927,041	

Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions - The total pension liability in the August 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August, 2020	2.33%
Inflation	2.30 %
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes during the year	None
Ad hoc Post-employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation report dated November 14, 2019.

Discount Rate - A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in the fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class are included in the Systems target asset allocation as of August 31, 2020.

Asset Class	FY 2019 Target Allocation ⁽¹⁾	Long-Term Expected Arithmetic Real Rate of Return ⁽²⁾	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00 %	5.60%	0.83%
Private Equity	14.00 %	6.70%	1.41%
Stable Value			
Government Bonds	16.00 %	(0.70%)	(0.05%)
Stable Value Hedge Funds	5.00%	1.90%	0.11%
Real Return			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources	6.00%	6.00%	0.42%
Risk Parity			
Risk Parity	8.00%	3.00%	0.30%
Leverage			
Cash	2.00%	(1.50%)	(0.03%)
Asset Allocation Leverage	(6.00%)	(1.30%)	0.08%
Inflation Expectation			2.00%
Volatility Drag ⁽³⁾			(0.67%)
Expected Return	100.00%		7.33%

⁽¹⁾ Target allocations are based on the FY2020 policy model.

⁽²⁾ Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020).

⁽³⁾ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis - The following table presents the Net Pension Liability using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percent point higher (8.25 percent) than the current rate.

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	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the net pension liability:	\$17,639,656	\$11,43,598	\$6,402,187

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – On August 31, 2021, the District reported a liability of \$11,439,598 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$11,439,598
State's proportionate share that is associated with District	25,014,028
Total	<u>\$36,453,626</u>

The net pension liability was measured as of August 31, 2019, and rolled forward to August 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019, thru August 31, 2020.

On August 31, 2020, the employer's proportion of the collective net pension liability was 0.0213592866% which was a decrease of 0.0019881380% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of \$4,794,918 and revenue of \$3,008,632 for support provided by the State.

On August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 20,888	\$ 319,249
Changes in actuarial assumptions	2,654,394	1,128,630
Difference between projected and actual investment earnings	231,585	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	512,392	1,063,361
Total as of August 31, 2020 measurement date	<u>3,419,259</u>	<u>2,511,240</u>
Contributions paid to TRS subsequent to the measurement date	1,014,667	0
Total	<u>\$4,433,926</u>	<u>\$2,511,240</u>

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ended August 31	Pension Expense Amount
2022	\$422,907
2023	397,132
2024	357,757
2025	15,300
2026	(241,544)
Thereafter	(43,533)

T. Defined Other Post-Employment Benefit Plans

Plan Description - The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code, Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position - Detail information about the TRS-Care’s fiduciary net position is available in the separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided - TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table:

	TRS-Care Monthly Premium Rates	
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

Contributions - Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25 percent of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65 percent of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2020	2021
Active Employee	0.65%	0.65%
Non-employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year Employer Contributions		\$290,701
Current fiscal year Member Contributions		\$221,691
2020 measurement year NECE On-Behalf Contributions		\$368,625

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether they participate in the TRS Care OPEB program*). When hiring a TRS retiree, employers are required to pay TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in the fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions - The actuarial valuation was performed as August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020.

- | | |
|----------------------|-------------------------|
| Rates of Mortality | General Inflation |
| Rates of Retirement | Wage Inflation |
| Rates of Termination | Expected Payroll Growth |
| Rates of Disability | |

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% - 9.05% including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% pre-65 retirees are assumed to discontinue coverage at age 65.
Ad-hoc Post Employment Benefit Changes	None

Discount Rate - A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with a 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (2.33%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District’s proportionate share of the net OPEB liability:	\$16,464,362	\$13,720,328	\$11,552,935

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – On August 31, 2021, the District reported a liability of \$13,720,328 for its proportionate share of the TRS’s Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows

District’s proportionate share of the collective net OPEB liability	\$13,720,328
State’s proportionate share that is associated with District	18,436,832
Total	<u>\$32,157,160</u>

The net OPEB liability was measured as of August 31, 2019, and rolled forward to August 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2019, thru August 31, 2020.

On August 31, 2020, the employer's proportion of the collective net OPEB liability was 0.0360923398%, which was an increase of 0.0008360591% over its proportion measured as of August 31, 2019.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the health rate assume.

	1% Decrease in Healthcare Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB liability:	<u>\$11,207,750</u>	<u>\$13,720,328</u>	<u>\$17,066,727</u>

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability (TOL) since the prior measurement period:

- The discount rate changed from 2.63 percent as of August 31, 2019, to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the District recognized OPEB expense of \$(88,937) and revenue of \$(128,018) for support provided by the State.

On August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 718,391	\$6,279,124
Changes in actuarial assumptions	846,259	3,767,673
Difference between projected and actual investment earnings	4,459	0
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	<u>1,609,617</u>	<u>0</u>
Total as of August 31, 2020 measurement date	3,178,726	10,046,797
Contributions paid to TRS subsequent to the measurement date	<u>290,701</u>	<u>0</u>
Total	<u>\$3,469,427</u>	<u>\$10,046,797</u>

The net amounts of the employer’s balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31	OPEB Expense Amount
2022	\$(1,181,490)
2023	(1,182,086)
2024	(1,182,427)
2025	(1,182,334)
2026	(815,860)
Thereafter	(1,323,874)

U. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2021, 2020, and 2019, the subsidy payments received by TRS- Care on-behalf of the District were \$145,821, \$135,616, and \$109,263, respectively. These payments are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

V. Active Employee Health Care Coverage

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. The plan is authorized by the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and by the Texas Administrative Code, Title 34, Part 3, Chapter 41. The District contributed approximately \$334 per month per participant to the plan, and employees, at their option, authorized payroll withholdings to pay employee contributions and additional premiums for dependents. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS ActiveCare. That report may be obtained by visiting the TRS Website at www.trs.state.tx.us, by writing the Communications Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

W. Workers’ Compensation Program

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 May 31, 2019, 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 May 31, 2018, 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, 2021.

Fund Year	Claim Count at 5/31/21	Aggregate Liability	Estimated Paid Loss & ALAE at 8/31/2020	Estimated Ultimate Loss & ALAE	Estimated Outstanding Loss & ALAE at 8/31/2021
2016-17	24	\$209,689	\$100,941	\$100,941	\$ 0
2017-18	42	193,717	38,127	38,127	0
2018-19	26	179,060	88,509	96,483	7,974
2019-20	34	180,077	83,733	90,474	6,741
2020-21	13	173,153	35,075	91,034	55,959

X. Commitments and Contingencies

1. State and Federal Grants

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

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

2. Litigation

The District is not a party in any litigation.

Y. 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 the current fiscal year, 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.

Z. Joint Venture-Shared Services Arrangements

The District participates in a shared service arrangement for Special Education Services, with other school districts. The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

AA. Evaluation of Subsequent Events

The District has evaluated subsequent events through January 17, 2022, the date which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

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DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - GENERAL FUND
 FOR THE YEAR ENDED AUGUST 31, 2021

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	\$ 22,666,500	\$ 23,276,500	\$ 23,062,084	\$ (214,416)
5800 State Program Revenues	26,463,000	26,463,000	23,242,691	(3,220,309)
5900 Federal Program Revenues	600,000	600,000	1,275,772	675,772
5020 Total Revenues	49,729,500	50,339,500	47,580,547	(2,758,953)
EXPENDITURES:				
Current:				
0011 Instruction	28,352,176	28,519,176	27,191,959	1,327,217
0012 Instructional Resources and Media Services	488,890	495,490	366,700	128,790
0013 Curriculum and Instructional Staff Development	512,530	515,030	313,802	201,228
0021 Instructional Leadership	691,725	699,725	524,270	175,455
0023 School Leadership	2,546,253	2,582,253	2,123,657	458,596
0031 Guidance, Counseling, and Evaluation Services	1,996,255	2,024,255	1,781,906	242,349
0033 Health Services	589,075	599,075	452,590	146,485
0034 Student (Pupil) Transportation	2,301,750	2,357,750	2,028,588	329,162
0036 Extracurricular Activities	2,070,981	2,077,981	1,551,846	526,135
0041 General Administration	1,957,400	2,058,400	1,596,636	461,764
0051 Facilities Maintenance and Operations	7,684,500	7,885,500	7,068,463	817,037
0052 Security and Monitoring Services	481,600	487,300	388,824	98,476
0053 Data Processing Services	915,815	921,015	736,292	184,723
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,225,000	1,222,551	2,449
Intergovernmental:				
0099 Other Intergovernmental Charges	605,000	605,000	538,822	66,178
6030 Total Expenditures	51,193,950	53,052,950	47,886,906	5,166,044
1200 Net Change in Fund Balances	(1,464,450)	(2,713,450)	(306,359)	2,407,091
0100 Fund Balance - September 1 (Beginning)	20,726,443	20,726,443	20,726,443	-
3000 Fund Balance - August 31 (Ending)	\$ 19,261,993	\$ 18,012,993	\$ 20,420,084	\$ 2,407,091

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.021359287%	0.023347425%	0.023020488%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 11,439,598	\$ 12,136,721	\$ 12,671,035
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	25,014,028	22,472,777	24,169,278
Total	<u>\$ 36,453,626</u>	<u>\$ 34,609,498</u>	<u>\$ 36,840,313</u>
District's Covered Payroll	\$ 31,777,526	\$ 29,361,977	\$ 28,223,304
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	36.00%	41.33%	44.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2020 for year 2021, August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.0245013%	0.0248288%	0.0257218%	0.0148228%
\$ 7,834,199	\$ 9,382,436	\$ 9,092,314	\$ 3,959,374
14,054,242	17,335,072	17,095,382	14,670,278
<u>\$ 21,888,441</u>	<u>\$ 26,717,508</u>	<u>\$ 26,187,696</u>	<u>\$ 18,629,652</u>
\$ 27,776,413	\$ 27,552,253	\$ 27,037,717	\$ 25,748,904
28.20%	34.05%	33.63%	15.38%
82.17%	78.00%	78.43%	83.25%

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 1,014,667	\$ 881,535	\$ 816,272
Contribution in Relation to the Contractually Required Contribution	(1,014,667)	(881,535)	(816,272)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 34,106,252	\$ 31,777,526	\$ 29,361,977
Contributions as a Percentage of Covered Payroll	2.98%	2.77%	2.78%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2018	2017	2016	2015
\$	777,341	\$ 803,010	\$ 788,874	\$ 761,635
	(777,341)	(803,010)	(788,874)	(761,635)
\$	-	\$ -	\$ -	\$ -
\$	28,223,304	\$ 27,776,413	\$ 27,552,253	\$ 27,037,717
	2.75%	2.89%	2.86%	2.82%

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.03609234%	0.035256281%	0.033893398%	0.032722%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 13,720,328	\$ 16,673,129	\$ 16,923,284	\$ 14,229,567
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	18,436,832	22,154,856	23,979,737	21,660,937
Total	<u>\$ 32,157,160</u>	<u>\$ 38,827,985</u>	<u>\$ 40,903,021</u>	<u>\$ 35,890,504</u>
District's Covered Payroll	\$ 31,777,526	\$ 29,361,977	\$ 28,223,304	\$ 27,776,413
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	43.18%	56.78%	59.96%	51.23%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 290,701	\$ 274,862	\$ 249,687	\$ 233,812
Contribution in Relation to the Contractually Required Contribution	(290,701)	(274,862)	(249,687)	(233,812)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 34,106,252	\$ 31,777,526	\$ 29,361,977	\$ 28,223,304
Contributions as a Percentage of Covered Payroll	0.85%	0.86%	0.85%	0.83%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

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COMBINING SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240 Due from Other Governments	56,337	425,787	259,905	9,633
1300 Inventories	-	-	-	-
1410 Prepayments	-	-	-	-
1000 Total Assets	<u>\$ 56,337</u>	<u>\$ 425,787</u>	<u>\$ 259,905</u>	<u>\$ 9,633</u>
LIABILITIES				
2110 Accounts Payable & Bank Overdrafts	\$ 54,404	\$ 412,757	\$ 246,265	\$ 8,574
2160 Accrued Wages Payable	1,933	13,030	13,640	1,059
2300 Unearned Revenue	-	-	-	-
2000 Total Liabilities	<u>56,337</u>	<u>425,787</u>	<u>259,905</u>	<u>9,633</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 56,337</u>	<u>\$ 425,787</u>	<u>\$ 259,905</u>	<u>\$ 9,633</u>

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 ESSER -School Emergency Relief	276 Title I - SIP Academy Grant	277 Coronavirus Relief Fund CARES
\$ 653,015	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
252,649	-	36,374	16,083	-	-	9,858	-
43,273	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 948,937</u>	<u>\$ -</u>	<u>\$ 36,374</u>	<u>\$ 16,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,858</u>	<u>\$ -</u>
\$ 139,208	\$ -	\$ 36,374	\$ 11,827	\$ -	\$ -	\$ 9,858	\$ -
19,153	-	-	4,256	-	-	-	-
-	-	-	-	-	-	-	-
<u>158,361</u>	<u>-</u>	<u>36,374</u>	<u>16,083</u>	<u>-</u>	<u>-</u>	<u>9,858</u>	<u>-</u>
43,273	-	-	-	-	-	-	-
747,303	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>790,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 948,937</u>	<u>\$ -</u>	<u>\$ 36,374</u>	<u>\$ 16,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,858</u>	<u>\$ -</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes	281 ESSER-School Emergency Relief II	288 Title VI, Indian Educ Grant	289 Title IV, Part A, Subpart 1	385 Visually Impaired SSVI
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Due from Other Governments	652,422	-	36,354
1300	Inventories	-	-	-
1410	Prepayments	-	-	-
1000	Total Assets	<u>\$ 652,422</u>	<u>\$ -</u>	<u>\$ 36,354</u>
LIABILITIES				
2110	Accounts Payable & Bank Overdrafts	\$ 652,422	\$ -	\$ 36,354
2160	Accrued Wages Payable	-	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	<u>652,422</u>	<u>-</u>	<u>36,354</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
3490	Other Restricted Fund Balance	-	-	-
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 652,422</u>	<u>\$ -</u>	<u>\$ 36,354</u>

397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	459 Other SSA Special Revenue Funds	461 Campus Activity Funds	483 Local Grants	499 Scholarship Fund	Total Nonmajor Governmental Funds
\$ 3,987	\$ -	\$ -	\$ -	\$ 427,763	\$ 120,333	\$ 43,705	\$ 1,248,803
-	96,661	76,439	13,296	-	-	-	1,941,798
-	-	-	-	-	-	-	43,273
-	22,258	-	-	-	-	-	22,258
<u>\$ 3,987</u>	<u>\$ 118,919</u>	<u>\$ 76,439</u>	<u>\$ 13,296</u>	<u>\$ 427,763</u>	<u>\$ 120,333</u>	<u>\$ 43,705</u>	<u>\$ 3,256,132</u>
\$ -	\$ 118,919	\$ 76,439	\$ 13,296	\$ 3,964	\$ 199	\$ -	\$ 1,820,860
-	-	-	-	-	-	-	53,071
3,987	-	-	-	-	-	-	3,987
<u>3,987</u>	<u>118,919</u>	<u>76,439</u>	<u>13,296</u>	<u>3,964</u>	<u>199</u>	<u>-</u>	<u>1,877,918</u>
-	-	-	-	-	-	-	43,273
-	-	-	-	-	-	-	747,303
-	-	-	-	-	120,134	43,705	163,839
-	-	-	-	423,799	-	-	423,799
-	-	-	-	423,799	120,134	43,705	1,378,214
<u>\$ 3,987</u>	<u>\$ 118,919</u>	<u>\$ 76,439</u>	<u>\$ 13,296</u>	<u>\$ 427,763</u>	<u>\$ 120,333</u>	<u>\$ 43,705</u>	<u>\$ 3,256,132</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	237,766	1,251,980	1,204,251	33,804
5020 Total Revenues	237,766	1,251,980	1,204,251	33,804
EXPENDITURES:				
Current:				
0011 Instruction	234,151	1,114,367	908,374	33,804
0012 Instructional Resources and Media Services	-	76,686	-	-
0013 Curriculum and Instructional Staff Development	-	40,272	-	-
0021 Instructional Leadership	-	1,430	96,323	-
0023 School Leadership	-	4,056	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	199,554	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	3,615	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	15,169	-	-
6030 Total Expenditures	237,766	1,251,980	1,204,251	33,804
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

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 ESSER -School Emergency Relief	276 Title I - SIP Academy Grant	277 Coronavirus Relief Fund CARES
\$ 179,571	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
104,652	-	-	-	-	-	-	-
2,972,130	102,929	57,001	79,646	22,805	321,416	9,858	250,200
3,256,353	102,929	57,001	79,646	22,805	321,416	9,858	250,200
-	-	57,001	-	22,805	257,790	9,858	250,200
-	-	-	-	-	-	-	-
-	-	-	79,646	-	63,626	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,228,215	102,929	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,228,215	102,929	57,001	79,646	22,805	321,416	9,858	250,200
28,138	-	-	-	-	-	-	-
762,438	-	-	-	-	-	-	-
\$ 790,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	281 ESSER-School Emergency Relief II	288 Title VI, Indian Educ Grant	289 Title IV, Part A, Subpart 1	385 Visually Impaired SSVI
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	4,680
5900 Federal Program Revenues	652,422	51,360	82,646	-
5020 Total Revenues	652,422	51,360	82,646	4,680
EXPENDITURES:				
Current:				
0011 Instruction	418,591	51,360	79,480	4,680
0012 Instructional Resources and Media Services	6,691	-	-	-
0013 Curriculum and Instructional Staff Development	2,574	-	-	-
0021 Instructional Leadership	8,030	-	-	-
0023 School Leadership	35,685	-	-	-
0031 Guidance, Counseling, and Evaluation Services	27,794	-	-	-
0033 Health Services	9,265	-	-	-
0034 Student (Pupil) Transportation	40,405	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	6,967	-	-	-
0041 General Administration	15,927	-	-	-
0051 Facilities Maintenance and Operations	69,684	-	-	-
0052 Security and Monitoring Services	5,662	-	3,166	-
0053 Data Processing Services	5,147	-	-	-
0061 Community Services	-	-	-	-
6030 Total Expenditures	652,422	51,360	82,646	4,680
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	459 Other SSA Special Revenue Funds	461 Campus Activity Funds	483 Local Grants	499 Scholarship Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 274,227	\$ 63,365	\$ 7,477	\$ 524,640
-	254,776	120,388	43,125	-	-	-	527,621
-	-	-	-	-	-	-	7,330,214
-	254,776	120,388	43,125	274,227	63,365	7,477	8,382,475
-	254,776	-	43,125	-	100,426	-	3,840,788
-	-	30	-	-	-	-	83,407
-	-	-	-	-	-	-	186,118
-	-	-	-	-	-	-	105,783
-	-	-	-	-	-	-	39,741
-	-	43,919	-	-	-	-	271,267
-	-	-	-	-	-	-	9,265
-	-	-	-	-	-	-	44,020
-	-	-	-	-	-	-	3,331,144
-	-	-	-	342,324	-	15,500	364,791
-	-	-	-	-	-	-	15,927
-	-	-	-	-	-	-	69,684
-	-	76,439	-	-	-	-	85,267
-	-	-	-	-	-	-	5,147
-	-	-	-	-	-	-	15,169
-	254,776	120,388	43,125	342,324	100,426	15,500	8,467,518
-	-	-	-	(68,097)	(37,061)	(8,023)	(85,043)
-	-	-	-	491,896	157,195	51,728	1,463,257
\$ -	\$ -	\$ -	\$ -	\$ 423,799	\$ 120,134	\$ 43,705	\$ 1,378,214

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ 6,216,543,856
2013	1.170000	0.311200	1,304,608,898
2014	1.170000	0.329200	1,326,312,166
2015	1.170000	0.329200	1,349,069,570
2016	1.170000	0.329200	1,384,519,410
2017	1.170000	0.329200	1,496,209,912
2018	1.170000	0.329200	1,603,965,648
2019	1.170000	0.329200	1,798,602,998
2020	1.068350	0.329200	2,031,368,037
2021 (School year under audit)	0.993100	0.329200	2,215,161,234
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 200,490	\$ -	\$ 16,862	\$ 4,298	\$ (28,815)	\$ 150,515
36,579	-	3,710	987	(1,322)	30,560
46,674	-	4,776	1,344	(1,556)	38,998
53,727	-	7,233	2,035	(947)	43,512
59,659	-	8,584	2,415	(809)	47,851
85,322	-	14,149	3,981	(444)	66,748
128,004	-	27,851	7,836	(950)	91,367
255,397	-	97,340	27,388	21,900	152,569
713,098	-	546,053	168,260	261,798	260,583
-	29,291,077	21,493,976	7,124,980	(26,485)	645,636
<u>\$ 1,578,950</u>	<u>\$ 29,291,077</u>	<u>\$ 22,220,534</u>	<u>\$ 7,343,524</u>	<u>\$ 222,370</u>	<u>\$ 1,528,339</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2021

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	\$ 503,683	\$ 503,683	\$ 179,571	\$ (324,112)
5800 State Program Revenues	104,261	104,261	104,652	391
5900 Federal Program Revenues	2,887,570	2,887,570	2,972,130	84,560
5020 Total Revenues	3,495,514	3,495,514	3,256,353	(239,161)
EXPENDITURES:				
Current:				
0035 Food Services	3,580,150	3,640,150	3,228,215	411,935
6030 Total Expenditures	3,580,150	3,640,150	3,228,215	411,935
1200 Net Change in Fund Balances	(84,636)	(144,636)	28,138	172,774
0100 Fund Balance - September 1 (Beginning)	762,438	762,438	762,438	-
3000 Fund Balance - August 31 (Ending)	\$ 677,802	\$ 617,802	\$ 790,576	\$ 172,774

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, 2021

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	\$ 7,320,000	\$ 7,320,000	\$ 7,366,672	\$ 46,672
5800 State Program Revenues	85,400	85,400	182,991	97,591
5020 Total Revenues	7,405,400	7,405,400	7,549,663	144,263
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	3,192,933	4,394,260	4,142,933	251,327
0072 Interest on Long-Term Debt	4,236,315	3,985,978	4,236,315	(250,337)
0073 Bond Issuance Cost and Fees	7,000	8,010	8,010	-
6030 Total Expenditures	7,436,248	8,388,248	8,387,258	990
1200 Net Change in Fund Balances	(30,848)	(982,848)	(837,595)	145,253
0100 Fund Balance - September 1 (Beginning)	3,751,959	3,751,959	3,751,959	-
3000 Fund Balance - August 31 (Ending)	\$ 3,721,111	\$ 2,769,111	\$ 2,914,364	\$ 145,253

DENISON INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<hr/>		
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<hr/>		
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	4,525,521
<hr/>		
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	2,580,648
<hr/>		

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<hr/>		
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<hr/>		
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	233,952
<hr/>		
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	149,144
<hr/>		

REPORT ON INTERNAL CONTROLS, COMPLIANCE
AND FEDERAL AWARDS

Kirk & Richardson. P.C.

Members of the American Institute of Certified Public Accountants
Governmental Audit Quality Center

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

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

Members of the Board of Trustees:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denison Independent School District (the "District") as of and for the year ended August 31, 2021, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated January 17, 2022.

Internal Control over Financial Reports

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Kirk & Richardson, P.C.

Kirk & Richardson, P.C.
Fort Worth, Texas
January 17, 2022

Kirk & Richardson, P.C.

Members of the American Institute of Certified Public Accountants
Governmental Audit Quality Center

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

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Denison Independent School District (the "District") compliance with the types of compliance requirements described in the *OMB 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, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

2333 Gravel Dr. * P.O. Box 8342 * Fort Worth, TX 76124
Phone: (817) 451-7406 Fax: (817) 451-7597
Don Richardson, CPA * Sandhya Magar, CPA

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control over Compliance

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

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

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

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

Kirk & Richardson, P.C.

Kirk & Richardson, P.C.
Fort Worth, Texas
January 17, 2022

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Audit Requirements for Federal Awards</i> (Uniform Guidance).	No

Identification of major programs:

<u>FALN</u>	<u>Name of Federal Program or Cluster</u>
84.010A	ESEA, Title I, Part A – Improving Basic Programs
84.010A	Title I 1003 School Improvement
84.425D	COVID-19 Elementary & Secondary School Emergency Relief Fund
84.425D	COVID-19 Elementary & Secondary School Emergency Relief II
84.425D	CRF Operation Connectivity Prior Purchase Reimbursement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.



DENISON INDEPENDENT SCHOOL DISTRICT

1201 SOUTH RUSK AVENUE
(903) 462-7000

DENISON, TEXAS 75020-6340
Fax (903) 462-7002

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED AUGUST 31, 2021

PRIOR YEAR'S FINDING/NONCOMPLIANCE:

None required.



DENISON INDEPENDENT SCHOOL DISTRICT

1201 SOUTH RUSK AVENUE
(903) 462-7000

DENISON, TEXAS 75020-6340
Fax (903) 462-7002

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED AUGUST 31, 2021

CORRECTIVE ACTION PLAN:

Contact Person: Randy Reid, Assistant Superintendent for Business Services
1-903-462-7036

None required.

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DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
DEPARTMENT OF THE TREASURY			
<u>Passed Through State Department of Education</u>			
COVID - 19 Coronavirus Relief Fund	21.019	52202002	\$ 250,200
Total Passed Through State Department of Education			250,200
TOTAL DEPARTMENT OF THE TREASURY			250,200
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Title VI, Indian Education Grant	84.060	S060A202561	51,360
Total Direct Programs			51,360
TOTAL U.S. DEPARTMENT OF EDUCATION			51,360
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Grayson County Flood Control	12.112		61,296
Total Direct Programs			61,296
TOTAL U.S. DEPARTMENT OF DEFENSE			61,296
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20610101091903	140,770
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21610101091903	1,080,147
Ttl I 1003 School Improvement	84.010A	21610141091903	31,062
Total Assistance Listing Number 84.010A			1,251,979
*IDEA - Part B, Formula	84.027	206600010919036600	298,847
*IDEA - Part B, Formula	84.027	216600010919036600	905,404
Total Assistance Listing Number 84.027			1,204,251
Total Special Education Cluster (IDEA)			1,238,055
Career and Technical - Basic Grant	84.048	21420006091903	57,001
*IDEA - Part B, Preschool	84.173	206610010919036610	7,626
*IDEA - Part B, Preschool	84.173	216610010919036610	26,178
Total Assistance Listing Number 84.173			33,804
Total Special Education Cluster (IDEA)			1,238,055
Title III, Part A - English Language Acquisition	84.365A	20671001057950	15,775
Title III, Part A - English Language Acquisition	84.365A	21671001057950	7,030
Total Assistance Listing Number 84.365A			22,805
ESEA, Title II, Part A, Teacher Principal Training	84.367A	20694501091903	14,194
ESEA, Title II, Part A, Teacher Principal Training	84.367A	21694501091903	65,452
Total Assistance Listing Number 84.367A			79,646
Instructional Continuity	84.377A	17610740091903	9,858
Title IV, Part A, Subpart 1	84.424	20680101091903	35,309

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
Title IV, Part A, Subpart 1	84.424	21680101091903	47,337
Total Assistance Listing Number 84.424			82,646
COVID-19 - Elem & Sec School Emergency Relief Fd	84.425D	20521001091903	321,416
COVID-19 - Elem & Sec School Emergency Relief II	84.425D	21521001091903	720,828
CRF Operation Connectivity Prior Purch Reimb Prog	84.425D	52102135	229,251
Total Assistance Listing Number 84.425			1,271,495
Total Passed Through State Department of Education			4,013,485
TOTAL U.S. DEPARTMENT OF EDUCATION			4,013,485
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH010655	237,766
Total Passed Through State Department of Education			237,766
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			237,766
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	00426	805,358
*National School Lunch Program - Cash Assistance	10.555	00426	1,932,950
*National School Lunch Prog. - Non-Cash Assistance	10.555	00426	230,000
Total Assistance Listing Number 10.555			2,162,950
Total Child Nutrition Cluster			2,968,308
Child & Adult Care Food Program - Cash Assistance	10.558	00426	97,751
NSLP Equipment Assistant Grant	10.579	00426	9,000
Total Passed Through the State Department of Agriculture			3,075,059
TOTAL U.S. DEPARTMENT OF AGRICULTURE			3,075,059
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 7,689,166

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2021

- For all Federal programs, the District uses the fund types specified in Texas Education Agency’s **Financial Accountability System Resource Guide**.
 - **General Fund** – is used to account for, among other things, resources related to the United States Department of Defense ROTC program and United States Department of Education’s Impact Aid.
 - **Special Revenue Funds** – are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund or, in some instances, in the General Fund which are Governmental Fund type funds.
- 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. 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 due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.
- The period of performance 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 90 days beyond the federal period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, 3 CFR Section 200.343(b).
- CFD numbers for commodity assistance are the CFDA numbers of the programs under which USDA donated the commodities.
- The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.
- Reconciliation Information:

Amount reported on the Schedule of Expenditures of Federal Awards	\$7,689,166
SHARS Revenue reported in the General Fund	916,818
Tax Credit Revenue reported in the Debt Service Fund	0
Plus Revenue Received for Coronavirus Relief Fund for FY20 Expenditures	0
Federal Program Revenue Reported on Exhibit C-3	\$8,605,984
E-Rate Revenue Reported in the Internal Service Fund	
Federal Program Revenue Reported on Exhibit D-2	0
Rounding	2
Total Federal Program Revenue	<u>\$8,605,986</u>