

**DENISON INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2013

DENISON INDEPENDENT SCHOOL DISTRICT

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Year Ended August 31, 2013**

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CERTIFICATE OF THE BOARD

Denison Independent School District
Name of School District

Grayson
County

091-903
Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2013, at a meeting of the board of trustees of such school district on the _____ day of _____, 2013.

Signature of Board Secretary

Signature of Board President

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

KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Denison Independent School District (the "District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2013, 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.

Change in Accounting Principle

As discussed in Note X to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 and budgetary comparison information on pages 7-14 and 52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked UNAUDITED and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Audit Standards*, we have also issued our report dated November 8, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reports and compliance with the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P.C.
Fort Worth, Texas
November 8, 2013

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
UNAUDITED

This section of Denison Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined Net Position were \$29.5 million at August 31, 2013 a decrease of \$0.3 million from the prior year.
- Program Revenues were \$7.3 million and General Revenues were \$41.6 million for total District revenues of \$48.9 million. State Aid – Formula Grants accounted for \$18.7 million, or 38.3%, of total revenues. Property Taxes accounted for \$19.2 million, or 46.3% of total revenues. Grants and Contributions accounted for \$6.2 million, or 12.6%. Remaining revenues came Charges for Services, Miscellaneous Local and Intermediate Revenues and other sources.
- During the year, the District's total expenses were \$48.5 million. Instruction and Instructional Related expenses accounted for \$24.9 million or 51.4% of this amount. Other student services, such as, Food Services, School Leadership, Extracurricular Activities, and other student services accounted for \$10.3 million or 21.3%. The remaining 27.3% or \$13.3 million was for other services such as Plant Maintenance and Operations, General Administration, other costs associated with operating a school district.
- The total costs of the District's programs, other than for Capital Outlay of \$3.6, were basically unchanged from the prior year.
- The general fund reported a fund balance this year of \$20.0 million, a increase of \$4.9 million over last year.
- The District began construction of new high school and renovations of existing school facilities as authorized by prior year bond issue.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
UNAUDITED

- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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

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

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

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

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of Net Position includes *all* of the government’s assets and liabilities. All of the current year’s

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
UNAUDITED

revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
UNAUDITED

- We use *internal service funds* to report activities that provide supplies and services for the District’s other programs and activities—such as the District’s Self Insurance Fund.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary Net Position and a statement of changes in fiduciary Net Position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: The District’s *combined* Net Position was approximately \$29.5 million at August 31, 2013. (See Table A-1).

Table A-1
The District’s Net Position
(in millions of dollars)

	Governmental Activities	
	2013	2012
Assets		
Current and Other Assets	\$ 49.8	\$ 78.9
Capital and Non-current Assets	68.3	40.4
Total Assets	118.1	119.3
Liabilities		
Current Liabilities	5.4	5.5
Long Term Liabilities	83.2	84.0
Total Liabilities	88.6	89.5
Net Position		
Invested in Capital Assets, Net of Related Debt	(6.4)	19.6
Restricted	22.5	0.8
Unrestricted	13.4	9.4
Total Net Position	\$29.5	\$29.8

The \$13.4 million of unrestricted net position represents resources available to fund the programs of the District next year. Capital Projects account for \$21.4 million of the Restricted Net Position.

Changes in Net Position: As seen in Table A-2, the District’s total revenues were \$48.9 million and the total cost of all programs and services was \$48.5 million, for a net increase

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
UNAUDITED

in Net Position of \$0.4 million. This amount was offset by a prior period adjustment of \$(0.7)

Table A-2
Changes in the District's Net Position
(in millions of dollars)

	Governmental Activities	
	2013	2012
Revenues		
<u>Program Revenues</u>		
Charges for Services	\$ 1.2	\$ 1.2
Operating Grants and Contributions	6.2	6.7
<u>General Revenues</u>		
Property Taxes	19.2	18.9
State aid – formula/grants	18.7	16.0
Grants & Contributions not restricted	0.5	0.8
Investment earnings	0.2	0.2
Other	2.9	0.4
Total Revenues	<u>48.9</u>	<u>44.2</u>
Expenses		
Instruction and instructional related	24.9	24.0
Instructional leadership/school administration	2.5	2.5
Guidance, social work, health, transportation	3.3	3.2
Food service	2.6	2.7
Extracurricular activities	1.9	1.9
General Administration	1.2	1.2
Plant maintenance and security	4.4	4.6
Data processing services	0.6	0.7
Debt service	3.5	3.6
Capital Outlay	3.0	0.0
Other	0.6	0.5
Total Expenses	<u>48.5</u>	<u>44.9</u>
Increase/(Decrease) in Net Position	0.4	(0.7)
Prior Period Adjustment	(0.7)	0.1
Beginning Net Position	29.8	30.4
Ending Net Position	<u>\$29.5</u>	<u>\$29.8</u>

- State aid – formula Grants contributed 38.5% towards the total expenses of the District; whereas Property Taxes contributed 31.3%.
- Operating Grants and Contributions covered 12.7% of total expenses.
- Charges for Services and other revenue sources accounted for another 2.4% of the total District expenses.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
UNAUDITED

- Net result was that the sum of all revenues sources exceeded District expenses \$0.4 million or 0.8%. This was offset by a prior period adjustment of \$0.7 because of the District implementing Governmental Accounting Standards Board Statement No. 65.

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

Table A-3

	Total Cost of			
	Services		Net Cost of Services	
	2013	2012	2013	2012
Instruction	\$23.8	\$22.7	\$20.8	\$19.0
Facilities Maintenance & Operations	4.2	4.5	4.1	4.2
Debt Service	3.5	3.6	3.5	3.6

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$49.2 million, an increase of 11.6% over the preceding year’s revenue of \$44.1 million. Local revenues increased by \$3.1 million, state revenue increased by \$2.9 million and Federal revenues decreased by \$1.0 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its budget to reflect changes that occurred during the year. Actual expenditures were \$1.3 million below final budget amount of \$36.4 million. The most significant positive variance was in instruction. Resources available were \$3.2 million more than the final budgeted amount. This is mainly the result of receiving \$2.4 more in local revenue and \$0.8 more in state program revenues than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had a net investment \$68.3 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
UNAUDITED

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

	Governmental Activities	
	2013	2012
Land	\$ 2.5	\$ 4.0
Construction in process	34.6	15.6
Building and improvements	39.2	27.8
Furniture and equipment	8.9	8.3
Total at historical cost	85.2	55.7
Less total accumulated depreciation	17.0	15.3
Net Capital Assets	<u>\$68.2</u>	<u>\$40.4</u>

Long-Term Debt

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

Table A-5
District's Long Term Debt
(in millions of dollars)

	Governmental Activities	
	2013	2012
Bonds payable	72.8	73.4
Accreted Interest	8.1	8.2
Unamortized Premium/(Discount)	1.9	1.9
Compensated Absences	0.4	0.4
Totals	<u>83.2</u>	<u>83.9</u>

Bond Ratings

The District's bonds presently carry "AAA" ratings with underlying ratings as follows: Moody's Investor Services "A3" and Standard & Poors "A"

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES.

Appraised value used for the 2014 budget preparation will be up \$14.37 million, or 1.03% from 2013.

General operating fund spending per student increases in the 2014 budget from \$7,952 to \$8,368. This is a 5.3% increase.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2013
UNAUDITED

The District's 2014 refined average daily attendance is expected to be 4,125, the same level as 2013.

These indicators were taken into account when adopting the general fund budget for 2014. Amounts available for appropriation in the general fund budget are \$37.6 million, an increase of 5.4% compared to the final 2013 budget of \$35.7 million. Property taxes will increase due to an increase in appraised values. The tax rate will increase from \$1.4812 to \$1.4992.

Expenditures are budgeted at \$37.6 million. Property tax revenue will increase approximately \$239,000 and State Funding will increase approximately \$1,221,000. Investment revenue will increase by approximately \$25,000.

If these estimates are realized, the District's budgetary fund balance in the general fund is expected to decrease by \$670,000 by the close of 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Services Department.

BASIC FINANCIAL STATEMENTS

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 44,678,147
1220 Property Taxes Receivable (Delinquent)	1,393,520
1230 Allowance for Uncollectible Taxes	(27,871)
1240 Due from Other Governments	2,696,348
1250 Accrued Interest	14,493
1290 Other Receivables, net	981,000
1300 Inventories	43,965
Capital Assets:	
1510 Land	2,462,102
1520 Buildings, Net	28,597,597
1530 Furniture and Equipment, Net	2,579,849
1580 Construction in Progress	34,645,092
1000 Total Assets	118,064,242
LIABILITIES	
2110 Accounts Payable	3,470,870
2140 Interest Payable	303,157
2160 Accrued Wages Payable	931,892
2300 Unearned Revenue	705,900
Noncurrent Liabilities	
2501 Due Within One Year	589,098
2502 Due in More Than One Year	82,606,001
2000 Total Liabilities	88,606,918
NET POSITION	
3200 Net Investment in Capital Assets	(6,363,598)
3820 Restricted for Federal and State Programs	408,178
3850 Restricted for Debt Service	321,241
3860 Restricted for Capital Projects	21,441,830
3870 Restricted for Campus Activities	156,529
3890 Restricted for Other Purposes	117,003
3900 Unrestricted	13,376,141
3000 Total Net Position	\$ 29,457,324

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, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 23,760,175	\$ 103,250	\$ 2,893,824	\$ (20,763,101)
12 Instructional Resources and Media Services	496,720	-	14,416	(482,304)
13 Curriculum and Staff Development	655,913	-	398,316	(257,597)
21 Instructional Leadership	691,033	-	113,580	(577,453)
23 School Leadership	1,790,194	-	78,946	(1,711,248)
31 Guidance, Counseling and Evaluation Services	1,598,492	-	348,557	(1,249,935)
33 Health Services	361,069	-	59,499	(301,570)
34 Student (Pupil) Transportation	1,382,786	42,034	84,536	(1,256,216)
35 Food Services	2,597,631	576,750	2,002,413	(18,468)
36 Extracurricular Activities	1,924,279	361,992	14,191	(1,548,096)
41 General Administration	1,234,614	-	34,779	(1,199,835)
51 Facilities Maintenance and Operations	4,219,926	59,147	72,853	(4,087,926)
52 Security and Monitoring Services	146,300	-	2,264	(144,036)
53 Data Processing Services	606,082	-	9,746	(596,336)
61 Community Services	152,234	15,267	40,103	(96,864)
72 Debt Service - Interest on Long Term Debt	3,514,416	-	-	(3,514,416)
73 Debt Service - Bond Issuance Cost and Fees	500	-	-	(500)
81 Capital Outlay	3,006,187	-	-	(3,006,187)
99 Other Intergovernmental Charges	382,354	-	-	(382,354)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 48,520,905	\$ 1,158,440	\$ 6,168,023	(41,194,442)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			15,195,707
DT	Property Taxes, Levied for Debt Service			4,042,545
SF	State Aid - Formula Grants			18,714,915
GC	Grants and Contributions not Restricted			540,984
IE	Investment Earnings			207,628
MI	Miscellaneous Local and Intermediate Revenue			2,874,325
TR	Total General Revenues			41,576,104
CN	Change in Net Position			381,662
NB	Net Position - Beginning			29,784,910
PA	Prior Period Adjustment			(709,248)
NE	Net Position--Ending			<u>\$ 29,457,324</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 18,551,711	\$ 24,948,123	\$ 672,713	\$ 44,172,547
1220 Property Taxes - Delinquent	1,195,394	-	198,126	1,393,520
1230 Allowance for Uncollectible Taxes (Credit)	(23,908)	-	(3,963)	(27,871)
1240 Receivables from Other Governments	1,951,130	-	745,218	2,696,348
1250 Accrued Interest	7,719	6,774	-	14,493
1260 Due from Other Funds	262,362	16,894	-	279,256
1290 Other Receivables	981,000	-	-	981,000
1300 Inventories	12,108	-	31,857	43,965
1000 Total Assets	<u>\$ 22,937,516</u>	<u>\$ 24,971,791</u>	<u>\$ 1,643,951</u>	<u>\$ 49,553,258</u>
LIABILITIES				
2110 Accounts Payable	\$ 149,038	\$ 3,279,961	\$ 39,618	\$ 3,468,617
2160 Accrued Wages Payable	876,192	-	55,700	931,892
2170 Due to Other Funds	-	250,000	29,256	279,256
2300 Unearned Revenues	686,794	-	19,106	705,900
2000 Total Liabilities	<u>1,712,024</u>	<u>3,529,961</u>	<u>143,680</u>	<u>5,385,665</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,171,486	-	194,163	1,365,649
2600 Total Deferred Inflows of Resources	<u>1,171,486</u>	<u>-</u>	<u>194,163</u>	<u>1,365,649</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	12,108	-	29,143	41,251
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	379,035	379,035
3470 Capital Acquisition and Contractual Obligation	-	21,441,830	-	21,441,830
3480 Retirement of Long-Term Debt	-	-	624,398	624,398
3490 Other Restricted Fund Balance	-	-	117,003	117,003
Committed Fund Balance:				
3545 Other Committed Fund Balance	2,241,590	-	156,529	2,398,119
3600 Unassigned Fund Balance	17,800,308	-	-	17,800,308
3000 Total Fund Balances	<u>20,054,006</u>	<u>21,441,830</u>	<u>1,306,108</u>	<u>42,801,944</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 22,937,516</u>	<u>\$ 24,971,791</u>	<u>\$ 1,643,951</u>	<u>\$ 49,553,258</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2013

Total Fund Balances - Governmental Funds	\$	42,801,944
1 The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase(decrease) net position.		503,347
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 \$55,679,975 and the accumulated depreciation was \$15,328,458. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, the balance of these liabilities was \$83,947,397. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		(43,595,880)
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 2013 capital outlays and debt principal payments is to increase (decrease) net position.		30,200,147
4 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,632,563)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		1,180,329
19 Net Assets of Governmental Activities	<u>\$</u>	<u>29,457,324</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 18,540,467	\$ 148,768	\$ 5,114,821	\$ 23,804,056
5800 State Program Revenues	19,627,530	-	650,869	20,278,399
5900 Federal Program Revenues	572,966	-	4,570,522	5,143,488
5020 Total Revenues	<u>38,740,963</u>	<u>148,768</u>	<u>10,336,212</u>	<u>49,225,943</u>
EXPENDITURES:				
Current:				
0011 Instruction	20,942,375	-	2,305,549	23,247,924
0012 Instructional Resources and Media Services	477,679	-	-	477,679
0013 Curriculum and Instructional Staff Development	251,472	-	390,661	642,133
0021 Instructional Leadership	600,485	-	90,156	690,641
0023 School Leadership	1,770,776	-	11,865	1,782,641
0031 Guidance, Counseling and Evaluation Services	1,294,313	-	301,047	1,595,360
0033 Health Services	309,840	-	49,395	359,235
0034 Student (Pupil) Transportation	1,439,227	-	61,561	1,500,788
0035 Food Services	-	-	2,489,185	2,489,185
0036 Extracurricular Activities	1,477,759	-	201,637	1,679,396
0041 General Administration	1,214,107	-	-	1,214,107
0051 Facilities Maintenance and Operations	4,144,443	-	-	4,144,443
0052 Security and Monitoring Services	127,624	-	-	127,624
0053 Data Processing Services	381,472	-	-	381,472
0061 Community Services	111,740	-	40,103	151,843
Debt Service:				
0071 Principal on Long Term Debt	-	-	634,461	634,461
0072 Interest on Long Term Debt	-	-	3,650,301	3,650,301
0073 Bond Issuance Cost and Fees	-	-	500	500
Capital Outlay:				
0081 Facilities Acquisition and Construction	203,595	33,307,727	-	33,511,322
Intergovernmental:				
0099 Other Intergovernmental Charges	382,354	-	-	382,354
6030 Total Expenditures	<u>35,129,261</u>	<u>33,307,727</u>	<u>10,226,421</u>	<u>78,663,409</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,611,702</u>	<u>(33,158,959)</u>	<u>109,791</u>	<u>(29,437,466)</u>
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	1,250,000	-	-	1,250,000
7080 Total Other Financing Sources (Uses)	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>
1200 Net Change in Fund Balances	4,861,702	(33,158,959)	109,791	(28,187,466)
0100 Fund Balance - September 1 (Beginning)	<u>15,192,304</u>	<u>54,600,789</u>	<u>1,196,317</u>	<u>70,989,410</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 20,054,006</u>	<u>\$ 21,441,830</u>	<u>\$ 1,306,108</u>	<u>\$ 42,801,944</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2013

Total Net Change in Fund Balances - Governmental Funds	\$	(28,187,466)
The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net position.		(39,188)
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 2013 capital outlays and debt principal payments is to increase (decrease) net position.		30,200,147
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.		(1,632,563)
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 taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		40,732
Change in Net Assets of Governmental Activities	\$	381,662

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, 2013

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 505,600
Total Assets	505,600
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,253
Total Liabilities	2,253
NET POSITION	
Unrestricted Net Assets	503,347
Total Net Position	\$ 503,347

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, 2013

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 72,208
Total Operating Revenues	72,208
OPERATING EXPENSES:	
Professional and Contracted Services	111,396
Total Operating Expenses	111,396
Operating Income (Loss)	(39,188)
Total Net Position - September 1 (Beginning)	542,535
Total Net Position - August 31 (Ending)	\$ 503,347

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 68,301
Cash Payments for Insurance Claims	(125,421)
Net Cash Used for Operating Activities	(57,120)
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	3,907
Net Decrease in Cash and Cash Equivalents	(53,213)
Cash and Cash Equivalents at Beginning of Year	558,813
Cash and Cash Equivalents at End of Year	\$ 505,600
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (39,188)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(14,025)
Interest and Dividends on Investments	(3,907)
Net Cash Used for Operating Activities	\$ (57,120)

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, 2013

	Private Purpose Trust Fund	Agency Fund	Fiduciary Component Unit
ASSETS			
Cash and Cash Equivalents	\$ 63,031	\$ 183,890	\$ 1,598,600
Total Assets	<u>63,031</u>	<u>\$ 183,890</u>	<u>1,598,600</u>
LIABILITIES			
Due to Student Groups	-	\$ 183,890	-
Total Liabilities	<u>-</u>	<u>\$ 183,890</u>	<u>-</u>
NET POSITION			
Restricted for Scholarships	<u>63,031</u>		<u>1,598,600</u>
Total Net Position	<u>\$ 63,031</u>		<u>\$ 1,598,600</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, 2013

	Private Purpose Trust Fund	Fiduciary Component Unit
ADDITIONS:		
Local and Intermediate Sources	\$ 64,915	\$ 1,308,667
Total Additions	<u>64,915</u>	<u>1,308,667</u>
DEDUCTIONS:		
Other Operating Costs	-	53,960
Scholarships and Grants Awarded	80,032	1,095,900
Total Deductions	<u>80,032</u>	<u>1,149,860</u>
Change in Net Position	(15,117)	158,807
Total Net Position - September 1 (Beginning)	<u>78,148</u>	<u>1,439,793</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 63,031</u></u>	<u><u>\$ 1,598,600</u></u>

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

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Denison Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The District follows the generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified by the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting entity

Denison Independent School District is a public educational agency under the applicable laws and regulations of the State of Texas. The District is governed by a seven member Board of Trustees (the "Board") elected by the registered voters of the District. The Board has governance responsibilities over the all activities related to public, elementary and secondary, education within the District. Because members of the board are elected by the public; have authority to make decisions, appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental 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.

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the District's non-fiduciary activities with most of the interfund activities removed from these statements. Governmental

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

activities normally are supported by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense and workers' compensation have been allocated to all applicable functions in order to present the expenses of the District more accurately on the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in among program revenues are reported instead as general revenue.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax revenues recorded in the General Fund and Debt Service Fund are recognized under the “susceptible to accrual” concept. The District generally considers property taxes as available if they are collected with 60 days after year-end. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Foundation School Program revenues are recognized as revenue when measurable and available within 60 days of year-end.

Grant revenues are recognized 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 may require the District to refund all or part of the unused amounts.

Proprietary funds operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal operations.

Agency funds are reported using the accrual basis of accounting.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

D. Fund Accounting

The District’s accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts to reflect results of activities.

Major governmental funds:

- The general fund is the District’s primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.
- The capital projects fund is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

Additionally, the District reports the following fund types:

Governmental Funds:

- The special revenue funds are used to account for resources restricted to, or designated for, specific purposes by the District or a grantor. Federal and State financial assistance is generally accounted for in a special revenue fund. Generally unused balances are returned to the grantor at the close of specified project periods. With respect of the campus activity fund, funds are rolled forward from year to year for use in the program.
- The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the District.

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:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other funds.

- The private-purpose trust fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.
- The agency fund is used to account for receipts and disbursements of monies from student activity and other organizations. The student activity and other granting organizations exist with the explicit approval of and are subject to revocation by the District's Board. The fund has no equity, assets are equal to liabilities, and do not include revenues and expenditures of for general operations of the District.
- 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.

E. Other Accounting Policies - Assets, Liabilities, and Net Position or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Current investments include investment pools and short-term investments with original maturities of one year or less from the date of acquisition.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges collateral, which complies with state law. The collateral is approved by the Texas Education Agency and shall be in an amount sufficient to protect the District funds on a day-to-day basis during the period of the contract. The pledge of collateral is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Cooperation ("FDIC") insurance.

State statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, or investment pools.

Investments for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

2. Property Taxes

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is 2 percent of outstanding property taxes at August 31, 2013. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements.

Property taxes are levied each year by October 1 based upon property valuations as of January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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.

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2013

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

4. Encumbrances

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

5. Interfund Receivables, Payables and Transfers

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

6. Capital Assets

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

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

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

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

7. 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

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

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.

8. Long-term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

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

9. Fund Equity

In accordance with Governmental Accounting Standards Board 54, Fund Balance reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable fund balance

- Non-spendable fund balance - includes amounts that are not in spendable form (such as inventory) or are required to be maintained intact because of legal or contractual constraints.

Spendable fund balance

- Restricted fund balance – includes amounts that are constraint for specific purposes externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law though constitutional provisions or enabling legislation.

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2013

- Committed fund balance – includes amounts that are constrained for specific purposes by the District through formal actions of the Board. Committed amounts cannot be used for any other purpose unless the District’s Board takes action to remove or change the constraint.
- Assigned fund balance – includes amounts that are intended to be used for specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance – includes amounts that are available for any purpose.

In general, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which restricted and unrestricted (i.e., committed, assigned, or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Superintendent or a designee through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The District does not have a minimum fund balance policy.

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
 For Fiscal Year Ending August 31, 2013

Fund Balance:	General	Capital Projects	Other Funds	Total Governmental Funds
Non-Spendable Fund Balance:				
Inventories	\$ 12,108	\$ 0	\$ 29,143	\$ 41,251
Restricted Fund Balance:				
National Breakfast & Lunch Program - SRF	0	0	377,035	377,035
Technology Fund – SRF	0	0	2,000	2,000
Capital Acquisition & Cont. Obligations	0	21,441,830	0	21,441,830
Retirement of Long-Term Debt	0	0	624,398	624,398
Local Grants	0	0	117,003	117,003
Committed to:				
New High School Furniture & Equipment	2,000,000	0	0	2,000,000
Demolition Layne & Golden Rule Elems.	241,590	0	0	241,590
Campus Activity Funds	0	0	156,529	156,529
Unassigned:	17,800,308	0	0	17,800,308
Total Fund Balance:	<u>\$20,054,006</u>	<u>\$21,441,830</u>	<u>\$1,306,108</u>	<u>\$42,801,944</u>

DENISON INDEPENDENT SCHOOL DISTRICT
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10. Use of Estimates

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

The amount of state foundation revenue a school 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. It is at least reasonably possible that the foundation revenue for fiscal 2013 will ultimately change from the amount calculated as of August 31, 2013 because of the factors that Texas Education Agency (the "Agency") uses in its calculations.

11. Data Control Codes

In accordance with the Agency's *Financial Accountability System Resource Guide* the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

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

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

Exhibit C-4 "Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities" provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in

DENISON INDEPENDENT SCHOOL DISTRICT
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net position. The debt payments on retirement of debt are recorded as expenditures for fund basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the Government-Wide Statement of Activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The Board of Trustees adopted an “appropriated budget” for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Program (which is included in the Special Revenue 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 and the other two reports are in Exhibit J-4 and J-5.

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

1. Prior to August 20 of the preceding fiscal year, 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 after ten day’s public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District’s campus/department heads may make transfers or appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District’s management. Transfers of appropriations between function require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The District approved budgetary amendments throughout the year. All budget appropriations lapse at year end.

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	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund	\$35,702,684	\$677,894	\$36,380,578
Food Service Special Revenue Fund	2,677,484	20,023	2,697,507
Debt Service Fund	4,285,764	0	4,285,764

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

August 31, 2013 Fund Balance	
Appropriated Budgeted Funds – Food Service Special Revenue Fund	\$ 406,178
Non-appropriated Budgeted Funds	<u>275,532</u>
All Special Revenue Funds	<u>\$681,710</u>

B. Excess of Expenditures over Appropriations

For the period ended August 31, 2013, the General Fund was over-expended in the following functions:

Function	Final Budget	Actual	Over-expenditure
81 – Facilities Acquisition & Construction	\$0	\$203,595	\$203,595

The total General Fund budget was under-expended by \$1,251,317 and the above over-expenditure is considered immaterial. There were no expenditures over appropriations within the Debt Service Fund or Food Service Special Revenue Fund.

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2013.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Statutes of the State of Texas and Board policies authorize the District to invest in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, public investment pools, mutual funds and money market accounts. All cash balances and investments are held separately in each of its funds. The District’s funds are required to be deposited and invested under the terms of a depository contract. The Depository bank deposits for safekeeping and trust with the District’s agent bank approved securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

DENISON INDEPENDENT SCHOOL DISTRICT
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Cash Deposits:

At August 31, 2013, the carrying amounts of the District's deposits were as follows:

Governmental Funds Cash and Cash Equivalents:	
Cash-in-Bank	\$ 3,398,864
Certificates of Deposits	2,008,886
Savings	20,269,886
Money Market	55,353
Temporary Investments Considered as Cash Equivalents	18,439,558
	<u>\$44,172,547</u>
Proprietary Funds Cash and Cash Equivalents:	
Cash-in-Bank	<u>\$505,600</u>

The District's cash deposits at August 31, 2013, and during the year, were entirely covered by FDIC insurance and pledged collateral held by the District's agent bank in the District's name.

Investments Considered as Cash Equivalents:

The State Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of returns, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District's investments at August 31, 2013, are shown below:

<u>Investment/Credit Ratings</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
FDIC Insured Investments	\$18,423,297	\$18,423,297	99.9%	On demand
TexPool – AAAm	13,519	13,519	0.1%	On demand
TexasTERM – AA Af	2,741	2,741	0.0%	On demand
Lone Star – AAAm	1	1	0.0%	On demand
Totals	<u>\$18,439,558</u>	<u>\$18,439,558</u>	<u>100.0%</u>	

DENISON INDEPENDENT SCHOOL DISTRICT
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The District's temporary investments consist of balances held by FDIC insured investments and investment pools that are public funds created to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by U. S. Government agency securities and placed through a primary government securities dealer. These pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Act of 1940.

Policies Governing Deposits and Investments

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

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

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

B. Property Taxes

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to \$1.17 per \$100 of assessed valuation for general governmental services other than debt service on general obligation bonds. The tax rate which may be levied to service general obligation bonds is not limited. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt service of \$1.1700 per \$100 valuation and \$0.3112 per \$100 valuation, respectively, based on a net assessed valuation of \$1,304,608,890.

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

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2013 are as follows:

	Gross Delinquent Taxes Receivable	Allowance for Uncollectible Taxes	Net Delinquent Taxes Receivables
General Fund	\$1,195,394	\$23,903	\$1,171,491
Debt Service Fund	198,126	3,963	194,163
Totals	<u>\$1,393,520</u>	<u>\$27,866</u>	<u>\$1,365,654</u>

Current tax collections for the levy year ended August 31, 2013 were 97.7% of the year-end adjusted tax levy.

C. Receivables and Payables

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

There are no significant receivables which are not scheduled for collection within one year of August 31, 2013.

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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D. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs and various grant programs. Amounts due from federal and state governments as of August 31, 2013 are summarized below. All federal grants shown below are passed through TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Due From State	Due From Federal	Due From Other Governments	Totals
General Operating Fund	\$534,724	\$144,841	\$1,271,565	\$1,951,130
Special Revenue Funds	669,704	48,866	26,648	745,218
Total	<u>\$1,204,428</u>	<u>\$193,707</u>	<u>\$1,298,213</u>	<u>\$2,696,348</u>

E. Interfund Receivables and Payables

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

	Due From Other Funds	Due To Other Funds
General Fund	\$262,362	
Capital Projects		\$250,000
Debt Service Fund		12,362
Capital Projects Fund	16,894	
Debt Service Fund		16,894
Totals	<u>\$279,256</u>	<u>\$279,256</u>

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

F. Interfund Transfers

There were no interfund transfers during the year.

G. Other Financing Sources (Uses)

The District had the following Financing Sources (Uses) associated with sale of land originally purchased in 2002 that is now considered as no longer needed.

Sale of Real and Personal Property	\$1,250,000
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DENISON INDEPENDENT SCHOOL DISTRICT
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H. Capital Asset Activity

Capital asset activity for the year ended August 31, 2013 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,962,102	\$ 0	\$1,500,000	\$ 2,462,102
Construction in Progress	15,563,869	21,576,274	2,495,051	34,645,092
Total Capital Assets, not being depreciated	19,525,971	21,576,274	3,995,051	37,107,194
Capital assets, being depreciated:				
Buildings and improvements	27,822,109	11,423,912	0	39,246,021
Furniture and equipment	8,331,895	560,551	0	8,892,446
Total capital assets, being depreciated	36,154,004	11,984,463	0	48,138,467
Less accumulated depreciation for:				
Buildings and improvements	9,929,060	719,364	0	10,648,424
Furniture and equipment	5,399,398	913,199	0	6,312,597
Total accumulated depreciation	15,328,458	1,632,563	0	16,961,021
Total capital assets, being depreciated, net	20,825,546	10,351,900	0	31,177,446
Governmental capital assets	\$40,351,517	\$31,928,174	\$3,995,051	\$68,284,640

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

Governmental activities:	
11 – Instruction	\$ 527,398
12 – Instructional Resources & Media Services	18,649
13 – Curriculum & Staff Development	13,388
23 – School Leadership	6,377
31 – Guidance, Counseling & Evaluation Services	1,956
33 – Health Services	1,442
34 – Student Transportation	354,917
35 – Food Services	99,433
36 – Extracurricular Activities	244,491
41 – General Administration	19,723
51 – Plant Maintenance & Operations	102,287
52 – Security & Monitoring Services	18,284
53 – Data Processing Services	224,218
Total Depreciation Expense	<u>\$1,632,563</u>

I. Compensated Absences

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

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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,	\$386,447
Net change	<u>21,779</u>
Balance, August 31,	<u>\$408,226</u>

J. Bonds Payable

The following is a description of the District's bonds outstanding as of August 31, 2013:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
1997 UTSB&R Bonds/2021	4.3% to 6.0%	\$13,224,677	\$4,431,150	\$0	\$634,461	\$3,796,689	\$589,098
2011 ULTSB Bonds/2041	1.75% to 5.00%	69,001,362	69,001,362	0	0	69,001,362	0
Sub-total		<u>\$82,226,039</u>	<u>\$73,432,512</u>	<u>\$ 0</u>	<u>\$634,461</u>	<u>\$72,798,051</u>	<u>\$589,098</u>
Accreted Interest			<u>\$8,212,174</u>	<u>\$1,031,335</u>	<u>\$1,104,873</u>	<u>\$8,138,636</u>	
Unamortized Discount			<u>\$1,916,264</u>	<u>\$0</u>	<u>\$66,078</u>	<u>\$1,850,186</u>	

Interest and fees paid on general obligation bonds during the year was \$3,650,801.

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
2014	\$ 589,098	\$ 3,695,664	\$ 4,284,762
2015	555,830	3,728,933	4,284,763
2016	574,937	3,764,824	4,339,761
2017	658,136	3,816,628	4,474,764
2018	738,010	3,871,752	4,609,762
2019/2023	5,970,803	19,023,010	24,993,813
2024/2028	7,411,237	20,032,576	27,443,813
2029/2033	17,200,000	11,657,562	28,857,562
2034/2038	22,705,000	6,817,812	29,522,812
2039/2043	16,395,000	1,415,462	17,810,462
Totals	<u>\$72,798,051</u>	<u>\$77,824,223</u>	<u>\$150,622,274</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2013.

The District has \$9,410,000 in authorized but unissued bonds (see “Evaluation of Subsequent Events” note).

K. Changes in Long-Term Liabilities

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

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due In One Year
Governmental Activities					
Gen. Obligation Bonds	\$73,432,512	\$ 0	\$634,461	\$72,798,051	\$589,098
Accreted Interest	8,212,174	1,031,335	1,104,873	8,138,636	0
Premium/(Discount) on Bonds	1,916,264	0	66,078	1,850,186	0
Compensated Absences	386,447	21,779	0	408,226	0
Total	<u>\$83,947,397</u>	<u>\$1,053,114</u>	<u>\$1,805,412</u>	<u>\$83,195,099</u>	<u>\$589,098</u>

L. Operating Leases

The following is a schedule of the District’s future minimum rental payments required under operating leases that have initial or remaining lease terms in excess of one year as of August 31, 2013.

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$76,174
2015	17,753
2016	0

Rental expense for the year ended August 31, 2013 was \$72,836.

M. Unearned Revenues

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

	<u>State Foundation Revenue</u>	<u>Commodities</u>	<u>State Revenues</u>
General Fund	\$686,794	\$ 0	\$ 0
National Breakfast and Lunch Program - SRF	0	2,714	0
Advanced Placement Incentives –SRF	0	0	16,392
Total			

DENISON INDEPENDENT SCHOOL DISTRICT
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N. Deferred Inflows of Resources

Deferred inflows of resources year end represents assets that are not available for use by the District to liquidate current year liabilities. A summary of deferred inflows of resources by fund follows:

	General Fund	Debt Service Fund	Total
Delinquent Property Taxes - Net	<u>\$1,171,486</u>	<u>\$194,163</u>	<u>\$1,365,649</u>

Property tax revenues are earned but are not available as of year-end; therefore, they are recognized as revenues in the government-wide financial statements and as unavailable in the fund level financial statements.

O. Revenue from Local and Intermediate Sources

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

	General Fund	Capital Projects	Special Revenue Fund	Debt Service Fund	Fund Totals
Property Taxes	\$15,289,488	\$ 0	\$ 0	\$4,032,831	\$19,322,319
Food Sales	0	0	576,750	0	576,750
Investment Income	55,235	148,768	2,035	3,625	209,663
Penalties, interest & other tax related income	231,082	0	0	48,159	279,241
Extracurricular					
Student activities	136,019	0	261,222	0	397,241
Foundation, Gifts, etc.	2,644,677	0	189,717	0	2,834,394
Other	183,966	0	482	0	184,448
Total	<u>\$18,540,467</u>	<u>\$148,768</u>	<u>\$1,030,206</u>	<u>\$4,084,615</u>	<u>\$23,804,056</u>

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:

Revenues	General Fund	Special Revenue Funds	Debt Service Fund	Totals
Per Capita Apportionment	\$ 1,915,139	\$ 0	\$ 0	\$ 1,915,139
Foundation School Prg. Act Entitlements	16,651,279	0	0	16,651,279
Other Foundation School Program Act	0	0	148,497	148,497
State Program Revenues	500	469,890	0	470,390
TEA On-behalf Payments	1,060,612	32,482	0	1,093,094
Totals	<u>\$19,627,530</u>	<u>\$502,372</u>	<u>\$148,497</u>	<u>\$20,278,399</u>

DENISON INDEPENDENT SCHOOL DISTRICT
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Q. Employees' Retirement Plan

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

Funding Policy. The State sets contribution rates for the state and its members. the State contribution rate for the 2012-2013 school year was 6.4% and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state's 6.4% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy:

- (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.58% of the member's annual compensation and a state contribution rate of not less than 6.58% and not more than 10.0% of the aggregate annual compensation of members of the system during that fiscal year; and
- (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years or, if the amortization period already exceeds 31 years, the period would be increased by such action.

State contributions to TRS made on behalf of the District employees are reflected in the District's financial statements as both revenue and expenditures. The District paid additional state contributions on a portion of their employees' salaries that exceeded the statutory minimum. Contributions made by the State and District to TRS for the years ended August 31, 2013, 2012, and 2011 are as follows:

For the Year Ended August 31	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS
2011	\$1,622,548	\$216,651
2012	1,609,673	189,640
2013	1,640,023	225,725

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2013

R. Retiree Health Plan

Plan Description. The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS–Care), a cost-sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplemental information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by writing to the Communication Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78711 or by calling 1-800-223-8778.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 0.5% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012, and 2011. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For employees funded by federal programs, the federal programs are required to contribute 1.0%.

<u>For the Year Ended August 31</u>	<u>State TRS-Care Contributions Made on Behalf of the District</u>	<u>District Required Contributions to TRS-Care</u>	<u>Employee Contributions to TRS-Care</u>
2011	\$253,526	\$139,441	\$164,790
2012	251,511	138,335	163,481
2013	128,127	140,945	166,565

For the current year and each of the past two years, the District’s actual contributions were equal to the required contributions. The contributions made by the State on behalf of the District have been recorded in the District’s governmental funds financial statements as both state revenues and expenditures. These contributions are the legal responsibility of the State.

S. Retiree Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012, and 2011, these

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

on-behalf payments, in the amounts of \$64,148, \$58,428, and \$72,540, were recognized by the District as revenues and expenditures, respectively. These payments are recorded as equal revenues and expenditures in the District's governmental funds financial statements.

T. Health Care Coverage

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

U. Worker's Compensation

During the year, the District met its statutory workers' compensation obligations through participation in the Texas Association of School Boards ("TASB") Risk Management Fund (the "Fund"). The Fund was created and is operated under the provision of the Inter-local Cooperation Act, Chapter 491 of the Texas Governmental Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year-ended August 31, 2013, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2013

The following is the District's estimated outstanding liability as of August 31, 2013.

Fund Year	Claim Count at 8/31/13	Aggregate Liability	Paid Loss & ALAE at 8/31/12	Estimated Ultimate Loss & ALAE at 8/31/13	Estimated Outstanding Loss & ALAE at 8/31/13
2008-09	11	\$181,968	\$6,825	\$ 13,443	\$6,618
2009-10	18	198,207	33,651	47,032	13,382
2010-11	36	169,603	87,434	129,272	41,838
2011-12	19	185,473	78,782	110,429	31,647
2012-13	23	190,180	36,399	104,662	68,262

V. Risk Management

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2013, 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.

W. Litigation, Commitments and Contingencies

Litigation – The District is not a party in any legal action.

Grant Programs - The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2013 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Construction Contracts - The District was obligated at August 31, 2013, under major contracts for construction, renovations or repairs of various facilities. The construction contracts associated with some of the major contracts are as follows:

Project	Approved Construction Budget	Construction In Progress	Estimated Remaining Commitment
Denison High School & Stadium	\$54,863,417	\$33,713,075	\$21,150,342
B. McDaniel Middle School	1,730,346	932,017	798,329
Totals	<u>\$56,593,763</u>	<u>\$34,645,092</u>	<u>\$21,948,671</u>

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

X. Prior Period Adjustment

The District elected to early implement Governmental Accounting Standards Board Statement No. 65. This statement established accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of this early implementation, the District has a prior period adjustment of \$709,248 to reclassify Capitalized Bond and Other Debt Issuance Costs previously reported as an asset on the Statement of Net Position. This prior period adjustment does not affect the governmental fund financial statements.

Y. Evaluation of Subsequent Events

The District has evaluated subsequent events through November 8, 2013, the date which the financial statements were available to be issued.

On September 17, 2013 the District closed on \$9,410,000 Unlimited Tax School Building Bonds, Series 2013 for the purpose of constructing and equipping a new high school and for renovations to existing facilities and to pay the costs of issuance related to the Bonds.

REQUIRED SUPPLEMENTARY INFORMATION

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 16,094,000	\$ 16,094,000	\$ 18,540,467	\$ 2,446,467
5800 State Program Revenues	18,838,600	18,838,600	19,627,530	788,930
5900 Federal Program Revenues	565,000	565,000	572,966	7,966
5020 Total Revenues	35,497,600	35,497,600	38,740,963	3,243,363
EXPENDITURES:				
Current:				
0011 Instruction	21,204,921	21,532,851	20,942,375	590,476
0012 Instructional Resources and Media Services	498,068	498,352	477,679	20,673
0013 Curriculum and Instructional Staff Development	335,266	322,386	251,472	70,914
0021 Instructional Leadership	555,815	632,665	600,485	32,180
0023 School Leadership	1,872,733	1,804,438	1,770,776	33,662
0031 Guidance, Counseling and Evaluation Services	1,362,888	1,439,175	1,294,313	144,862
0033 Health Services	314,788	321,401	309,840	11,561
0034 Student (Pupil) Transportation	1,447,645	1,547,160	1,439,227	107,933
0036 Extracurricular Activities	1,520,743	1,534,283	1,477,759	56,524
0041 General Administration	1,239,937	1,305,351	1,214,107	91,244
0051 Facilities Maintenance and Operations	4,191,478	4,329,857	4,144,443	185,414
0052 Security and Monitoring Services	122,143	150,143	127,624	22,519
0053 Data Processing Services	522,248	430,776	381,472	49,304
0061 Community Services	124,011	141,740	111,740	30,000
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	203,595	(203,595)
Intergovernmental:				
0099 Other Intergovernmental Charges	390,000	390,000	382,354	7,646
6030 Total Expenditures	35,702,684	36,380,578	35,129,261	1,251,317
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(205,084)	(882,978)	3,611,702	4,494,680
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	1,250,000	1,250,000
7080 Total Other Financing Sources (Uses)	-	-	1,250,000	1,250,000
1200 Net Change in Fund Balances	(205,084)	(882,978)	4,861,702	5,744,680
0100 Fund Balance - September 1 (Beginning)	15,192,304	15,192,304	15,192,304	-
3000 Fund Balance - August 31 (Ending)	\$ 14,987,220	\$ 14,309,326	\$ 20,054,006	\$ 5,744,680

COMBINING SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

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	\$ (79,365)	\$ (314,334)	\$ (134,780)	\$ (5,185)
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	89,357	339,677	153,806	6,524
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 9,992</u>	<u>\$ 25,343</u>	<u>\$ 19,026</u>	<u>\$ 1,339</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	9,992	25,343	19,026	1,339
2170 Due to Other Funds	-	-	-	-
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>9,992</u>	<u>25,343</u>	<u>19,026</u>	<u>1,339</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3480 Retirement of Long-Term Debt	-	-	-	-
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, Deferred Inflows & Fund Balances	<u>\$ 9,992</u>	<u>\$ 25,343</u>	<u>\$ 19,026</u>	<u>\$ 1,339</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	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund
\$ 367,787	\$ -	\$ -	\$ (67,683)	\$ (7,995)	\$ 16,392	\$ (2,580)	\$ (2,082)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
48,866	-	-	67,683	7,995	-	2,580	2,082
31,857	-	-	-	-	-	-	-
<u>\$ 448,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,392</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 39,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,714	-	-	-	-	16,392	-	-
<u>42,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,392</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
29,143	-	-	-	-	-	-	-
377,035	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>406,178</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 448,510</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,392</u>	<u>\$ -</u>	<u>\$ -</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2013

Data Control Codes	411 Technology Allotment	426 TX Educator Excellence Award Grant	429 Other State Special Revenue Funds	461 Campus Activity Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ (16,799)	\$ (7,849)	\$ -	\$ 156,529
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	18,799	7,849	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,529</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	-	-	-	-
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	2,000	-	-	-
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	156,529
3000 Total Fund Balances	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>156,529</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,529</u>

483	Total	599	Total
Local	Nonmajor	Debt	Nonmajor
Grants	Special	Service	Governmental
	Revenue Funds	Fund	Funds
\$ 117,003	\$ 19,059	\$ 653,654	\$ 672,713
-	-	198,126	198,126
-	-	(3,963)	(3,963)
-	745,218	-	745,218
-	31,857	-	31,857
<u>\$ 117,003</u>	<u>\$ 796,134</u>	<u>\$ 847,817</u>	<u>\$ 1,643,951</u>
\$ -	\$ 39,618	\$ -	\$ 39,618
-	55,700	-	55,700
-	-	29,256	29,256
-	19,106	-	19,106
<u>-</u>	<u>114,424</u>	<u>29,256</u>	<u>143,680</u>
-	-	194,163	194,163
-	-	194,163	194,163
-	29,143	-	29,143
-	379,035	-	379,035
-	-	624,398	624,398
117,003	117,003	-	117,003
-	156,529	-	156,529
<u>117,003</u>	<u>681,710</u>	<u>624,398</u>	<u>1,306,108</u>
<u>\$ 117,003</u>	<u>\$ 796,134</u>	<u>\$ 847,817</u>	<u>\$ 1,643,951</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

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	253,423	1,059,942	1,008,983	31,083
5020 Total Revenues	<u>253,423</u>	<u>1,059,942</u>	<u>1,008,983</u>	<u>31,083</u>
EXPENDITURES:				
Current:				
0011 Instruction	231,461	682,847	730,891	31,083
0013 Curriculum and Instructional Staff Development	-	164,148	-	-
0021 Instructional Leadership	-	733	88,205	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	126,207	144,600	-
0033 Health Services	-	45,700	3,695	-
0034 Student (Pupil) Transportation	21,962	204	39,395	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	2,197	-
0061 Community Services	-	40,103	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>253,423</u>	<u>1,059,942</u>	<u>1,008,983</u>	<u>31,083</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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	397 Advanced Placement Incentives	404 Student Success Initiative	410 State Textbook Fund
\$ 656,474	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
46,950	-	-	-	-	11,820	16,242	110,016
1,912,081	8,865	51,810	222,286	22,049	-	-	-
<u>2,615,505</u>	<u>8,865</u>	<u>51,810</u>	<u>222,286</u>	<u>22,049</u>	<u>11,820</u>	<u>16,242</u>	<u>110,016</u>
-	-	51,810	-	22,049	7,593	16,242	110,016
-	-	-	222,286	-	4,227	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,480,320	8,865	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,480,320</u>	<u>8,865</u>	<u>51,810</u>	<u>222,286</u>	<u>22,049</u>	<u>11,820</u>	<u>16,242</u>	<u>110,016</u>
135,185	-	-	-	-	-	-	-
270,993	-	-	-	-	-	-	-
<u>\$ 406,178</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	411 Technology Allotment	426 TX Educator Excellence Award Grant	429 Other State Special Revenue Funds	461 Campus Activity Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 187,540
5800 State Program Revenues	95,344	15,355	206,645	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	<u>95,344</u>	<u>15,355</u>	<u>206,645</u>	<u>187,540</u>
EXPENDITURES:				
Current:				
0011 Instruction	93,344	-	178,677	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	1,218	-
0023 School Leadership	-	-	11,865	-
0031 Guidance, Counseling and Evaluation Services	-	15,355	14,885	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	199,440
0061 Community Services	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>93,344</u>	<u>15,355</u>	<u>206,645</u>	<u>199,440</u>
1200 Net Change in Fund Balance	2,000	-	-	(11,900)
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,429</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,529</u>

483	Total	599	Total
Local	Nonmajor	Debt	Nonmajor
Grants	Special	Service	Governmental
	Revenue Funds	Fund	Funds
\$ 186,192	\$ 1,030,206	\$ 4,084,615	\$ 5,114,821
-	502,372	148,497	650,869
-	4,570,522	-	4,570,522
<u>186,192</u>	<u>6,103,100</u>	<u>4,233,112</u>	<u>10,336,212</u>
149,536	2,305,549	-	2,305,549
-	390,661	-	390,661
-	90,156	-	90,156
-	11,865	-	11,865
-	301,047	-	301,047
-	49,395	-	49,395
-	61,561	-	61,561
-	2,489,185	-	2,489,185
-	201,637	-	201,637
-	40,103	-	40,103
-	-	634,461	634,461
-	-	3,650,301	3,650,301
-	-	500	500
<u>149,536</u>	<u>5,941,159</u>	<u>4,285,262</u>	<u>10,226,421</u>
36,656	161,941	(52,150)	109,791
<u>80,347</u>	<u>519,769</u>	<u>676,548</u>	<u>1,196,317</u>
<u>\$ 117,003</u>	<u>\$ 681,710</u>	<u>\$ 624,398</u>	<u>\$ 1,306,108</u>

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.490000	0.107100	905,570,370
2006	1.490000	0.107100	927,397,376
2007	1.360000	0.107100	1,010,996,932
2008	1.040000	0.107100	1,135,686,527
2009	1.170000	0.107100	1,200,932,083
2010	1.170000	0.107100	1,222,398,324
2011	1.170000	0.101200	1,340,895,332
2012	1.170000	0.298200	1,316,631,590
2013 (School year under audit)	1.170000	0.311200	1,304,608,898
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 137,123	\$ -	\$ 901	\$ 65	\$ (10,547)	\$ 125,610
43,820	-	1,612	116	(1,466)	40,626
59,851	-	1,731	124	(3,232)	54,764
72,429	-	7,392	582	(3,806)	60,649
75,268	-	5,336	549	(3,385)	65,998
126,288	-	18,451	1,689	(16,919)	89,229
190,786	-	47,997	4,394	(8,584)	129,811
227,311	-	77,297	6,686	(7,666)	135,662
520,686	-	205,390	52,348	(24,497)	238,451
-	19,323,867	14,912,498	3,966,470	7,821	452,720
<u>\$ 1,453,562</u>	<u>\$ 19,323,867</u>	<u>\$ 15,278,605</u>	<u>\$ 4,033,023</u>	<u>\$ (72,281)</u>	<u>\$ 1,393,520</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2013

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

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 207,540	\$ 670,325	\$ -	\$ -	\$ 877,865
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	21,565	-	-	-	21,565
6212	Audit Services	-	-	-	87,964	-	-	87,964
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	400,218	-	-	-	-	400,218
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	22,385	-	-	22,385
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	17,084	-	-	17,084
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	4,743	-	4,743
6260	Rentals	-	-	-	12,862	-	-	12,862
6290	Miscellaneous Contr.	-	-	-	14,885	-	-	14,885
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	-	36,752	-	-	36,752
6410	Travel, Subsistence, Stipends	3,435	-	-	10,526	-	-	13,961
6420	Ins. and Bonding Costs	-	-	-	17,500	-	-	17,500
6430	Election Costs	35	-	-	-	-	-	35
6490	Miscellaneous Operating	-	-	-	68,642	-	-	68,642
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 3,470	\$ 400,218	\$ 229,105	\$ 958,925	\$ 4,743	\$ -	\$ 1,596,461

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 41,070,420

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 763,493
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	4,102,356
Food (Function 35, 6341 and 6499)	(13)	903,988
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		958,925

SubTotal: 6,728,762

Net Allowed Direct Cost \$ 34,341,658

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 39,246,021
Historical Cost of Building over 50 years old	(16)	-
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 8,892,446
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 618,016
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	-

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs. \$382,354 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

DENISON INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
FOR THE YEAR ENDED AUGUST 31, 2013

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

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 744,500	\$ 744,500	\$ 656,474	\$ (88,026)
5800 State Program Revenues	55,000	55,000	46,950	(8,050)
5900 Federal Program Revenues	1,800,000	1,800,000	1,912,081	112,081
5020 Total Revenues	<u>2,599,500</u>	<u>2,599,500</u>	<u>2,615,505</u>	<u>16,005</u>
EXPENDITURES:				
0035 Food Services	<u>2,677,484</u>	<u>2,697,507</u>	<u>2,480,320</u>	<u>217,187</u>
6030 Total Expenditures	<u>2,677,484</u>	<u>2,697,507</u>	<u>2,480,320</u>	<u>217,187</u>
1200 Net Change in Fund Balances	(77,984)	(98,007)	135,185	233,192
0100 Fund Balance - September 1 (Beginning)	<u>270,944</u>	<u>270,994</u>	<u>270,993</u>	<u>(1)</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 192,960</u>	<u>\$ 172,987</u>	<u>\$ 406,178</u>	<u>\$ 233,191</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 4,126,000	\$ 4,126,000	\$ 4,084,615	\$ (41,385)
5800	State Program Revenues	167,000	167,000	148,497	(18,503)
5020	Total Revenues	4,293,000	4,293,000	4,233,112	(59,888)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	634,462	634,462	634,461	1
0072	Interest on Long Term Debt	3,650,302	3,650,302	3,650,301	1
0073	Bond Issuance Cost and Fees	1,000	1,000	500	500
6030	Total Expenditures	4,285,764	4,285,764	4,285,262	502
1200	Net Change in Fund Balances	7,236	7,236	(52,150)	(59,386)
0100	Fund Balance - September 1 (Beginning)	676,548	676,548	676,548	-
3000	Fund Balance - August 31 (Ending)	\$ 683,784	\$ 683,784	\$ 624,398	\$ (59,386)

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

KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

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

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

Board of Trustees
Denison Independent School District
1201 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, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated November 8, 2013.

Internal Control Over Financial Reports

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P. C.
Fort Worth, Texas
November 8, 2013

KIRK, RICHARDSON & POOLE, P. C

Members of the American Institute of Certified Public Accountants

Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
75522 John T. White Road	P O. Box 8342	Fort Worth, Texas 76124-0342
(817) 451-7406		Fax (817) 451-7597

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

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Denison Independent School District (the "District") compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

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, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control of compliance and the results of that testing based on the requirements of OMB Circular A-133.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P.C.
Fort Worth, Texas
November 8, 2013

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Feeding Program

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

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

N/A - None

Section III – Federal Award Findings and Questioned Costs

N/A – None.

DENISON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013

PRIOR YEAR'S FINDING/NONCOMPLIANCE:

2012-01 – Debt Service Fund Budget Adoption

STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE:

Item has been corrected.

DENISON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

CORRECTIVE ACTION PLAN:

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

CORRECTIVE ACTION PLAN:

None required.

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Flood Control	12.112		\$ 61,984
Total Direct Programs			\$ 61,984
TOTAL DEPARTMENT OF DEFENSE			\$ 61,984
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101091903	\$ 1,059,942
*IDEA - Part B, Formula	84.027	13660001091903	1,008,983
*IDEA - Part B, Preschool	84.173	13661001091903	31,083
Total Special Education Cluster (IDEA)			1,040,066
Career and Technical - Basic Grant	84.048	13420006091903	51,810
Title III, Part A - English Language Acquisition	84.365A	11671001091903	22,049
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501091903	222,286
Total Passed Through State Department of Education			\$ 2,396,153
TOTAL DEPARTMENT OF EDUCATION			\$ 2,396,153
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600	06CH0391	\$ 253,424
Total Passed Through State Department of Education			\$ 253,424
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 253,424
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 476,480
*National School Lunch Program - Cash Assistance	10.555		1,296,671
*National School Lunch Prog. - Non-Cash Assistance	10.555		138,930
Total CFDA Number 10.555			1,435,601
*Summer Feeding Program - Cash Assistance	10.559		8,865
Total Child Nutrition Cluster			1,920,946
Total Passed Through the State Department of Agriculture			\$ 1,920,946
TOTAL DEPARTMENT OF AGRICULTURE			\$ 1,920,946
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,632,507

*Clustered Programs

**DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013**

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

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

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

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement – Provisional 6/97.
4. The District participates in numerous Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2013, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying financial statements for such contingencies.

SCHOOLS FIRST QUESTIONNAIRE

DENISON INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2013

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$8,138,636