

**DENISON INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2016

DENISON INDEPENDENT SCHOOL DISTRICT

**Table of Contents for
Year Ended August 31, 2016**

<u>Exhibit</u>		<u>Page Number</u>
	Certificate of the Board	3
	Independent Auditor’s Report	4
	Management’s Discussion and Analysis	7
	<u>Basic Financial Statements:</u>	
	<u>Government-wide Financial Statements:</u>	
A-1	Statement of Net Position	16
B-1	Statement of Activities	17
	<u>Governmental Fund Financial Statements:</u>	
C-1	Balance Sheet	18
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	21
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	22
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	25
D-1	Statement of Net Position – Proprietary Funds	
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	
D-3	Statement of Cash Flows – Proprietary Funds	
E-1	Statement of Fiduciary Net Position – Fiduciary Funds	26
E-2	Statement of Changes in Fiduciary Fund Net Position – Fiduciary Funds	27
F-1	Notes to the Financial Statements	28
	<u>Required Supplementary Information:</u>	
G-1	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - General Fund	60
G-6	Schedule of the District’s Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	61
G-7	Schedule of District Contributions - Teacher Retirement System of Texas	62
	<u>Combining Schedules:</u>	
H-1	Combining Balance Sheet – Nonmajor Governmental Funds	64
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	68
	<u>Required Texas Education Agency Schedules:</u>	
J-1	Schedule of Delinquent Taxes Receivable	72
J-4	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Child Nutrition Program	74
J-5	Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Debt Service Fund	75
	<u>Report on Internal Control, Compliance and Federal Awards:</u>	
	Independent Auditor’s Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	78
	Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	80
	Schedule of Findings and Responses	82
	Schedule of Status of Prior Findings	84
	Corrective Action Plan	85
K-1	Schedule of Expenditures of Federal Awards	86
	Notes to the Schedule of Expenditures of Federal Awards	87

THIS PAGE LEFT BLANK INTENTIONALLY

CERTIFICATE OF THE BOARD

Denison Independent School District
Name of School District

Gravson
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, 2016, at a meeting of the board of trustees of such school district on the 13th day of December, 2016.



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.

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	www.krp-cpa.com	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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2016, 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.

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 60 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. Also included as required supplementary information are the schedule of the District's proportionate share of the net pension liability – Teacher Retirement System of Texas and schedule of District contributions – Teacher Retirement System of Texas on pages 61 and 62 respectively. 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 and the required Texas Education Agency schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1, J-4 and J-5.

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2016 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 28, 2016

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

As management of the Denison Independent School District (the "District"), we offer this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2016. Please read this narrative in conjunction with the independent auditor's report and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The net position of the District at the close of its fiscal year was \$17,036,546 an increase of \$825,038 over last year. Unrestricted net position of \$1,288,175 may be used to meet the District's ongoing obligations to citizens and creditors. Net Investment in Capital Assets is \$14,222,915. The remaining \$1,525,456 is restricted for Federal and State Programs, Debt Service, Campus Activities, and Other Purposes.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$14,625,581 an increase of \$2,579,592 over the prior year. The General Fund increased by \$2,141,151 from current year operations and by \$6,550 from the sale of real and personal property, for a total of \$2,147,701. Other funds increased by \$431,891 primarily resulting from the Debt Service Fund increasing by \$329,681 from current year operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$12,731,543 or 32% of total General Fund current year expenditures. Prior year unassigned fund balance for the General Fund was \$10,568,720, or 27% of total General Fund expenditures.
- No new programs were added during the year

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

user fees and charges. The District has a blended component unit, which is included because of the significance of its operations or financial relationship with the District. The blended component unit is described below.

- Blended component unit. The Component Unit columns in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Fund Net Position include financial data of The Denison Independent School District Education Foundation, Inc., (“Foundation”) 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.
- Fund financial statements – These statements report the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds. Some funds are required by State law and/or bond covenants. Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

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

- Governmental funds – these financial statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.
- Proprietary funds – these financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the revenues covered the expenses of the goods or services.
- Fiduciary funds – these financial statements provide information about activities for which the District acts solely as a trustee or agent for the benefit of others, for example, student activity funds and scholarships for graduating students. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District’s operations.
- Notes to the financial statements - The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide statements and the fund financial statements.
- Other information – This annual report contains other supplementary information in addition to the basic financial statements and the notes to the financial statements. The Management’s Discussion and Analysis is required supplementary information under governmental accounting standards. The “Combining Schedules” for nonmajor funds contain even more information about the District’s individual funds. The “Required Texas Education Agency Schedules” and “Reports on Internal Controls, Compliance and Federal Awards” contain data used by monitoring or regulatory agencies for assurance that the District is using supplied funds in compliance with terms of grants.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Table 1
Net Position**

	Governmental Activities	
	2016	2015
ASSETS:		
Current and other assets	\$ 18,070,233	\$ 14,944,751
Capital assets	95,903,606	97,867,278
Total assets	<u>113,973,839</u>	<u>112,812,029</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Teacher Retirement System	4,876,190	1,080,232
Total deferred outflow of resources	<u>4,876,190</u>	<u>1,080,232</u>
LIABILITIES:		
Current liabilities	2,180,927	1,628,862
Long term liabilities	98,956,044	94,840,706
Total liabilities	<u>101,136,971</u>	<u>96,469,568</u>
DEFERRED INFLOW OF RESOURCES:		
Teacher Retirement System	676,512	1,211,185
NET POSITION:		
Net investment in capital assets	14,222,915	15,311,948
Restricted	1,525,456	1,052,490
Unrestricted	1,288,175	(152,930)
Total net position	<u><u>\$17,036,546</u></u>	<u><u>\$16,211,508</u></u>

The District's governmental activities net position increased by \$825,038, as previously discussed, from \$16,211,508 to \$17,036,546. A large portion of net position, \$14,222,915 or 83%, reflects the District's net investment in capital assets (e.g., land, buildings, furniture and equipment, and accumulated depreciation), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position, \$1,525,456 or 8%, represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted assets, \$1,288,175 or 9%, may be used to meet the District's ongoing obligations.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

Table 2
Statement of Activities

	Governmental Activities	
	2016	2015
REVENUES:		
Program revenues:		
Charges for services	\$ 1,183,452	\$ 1,163,864
Operating grants and contributions	8,086,667	6,201,105
General revenues:		
Maintenance and operations taxes	16,158,943	15,757,402
Debt service taxes	4,546,601	4,435,034
State aid – formula grants	22,447,138	21,321,553
Grants and contributions not restricted	1,259,986	622,629
Investment earnings	44,928	48,631
Miscellaneous local & intermediate revenue	741,734	507,525
Total revenues	<u>54,469,449</u>	<u>50,057,743</u>
EXPENSES:		
Instruction & instructional-related services	28,220,829	26,477,527
Instructional & school leadership	2,940,711	2,692,607
Guidance, social work, health, transportation	3,817,489	3,628,067
Food service	3,218,186	2,998,744
Extracurricular activities	2,510,191	2,437,061
General administration	1,459,342	1,292,742
Plant maintenance & security	6,405,502	5,707,149
Data processing services	647,901	582,293
Community services	14,880	12,807
Debt service	4,026,105	3,884,058
Capital outlay	0	0
Other	383,275	376,984
Total expenses	<u>53,644,411</u>	<u>50,090,039</u>
Increase/(Decrease) in net position before inflows/ outflows and special items	825,038	(32,296)
Net position beginning of year	16,211,508	20,729,794
Prior period adjustment	0	(4,485,990)
Net position end of year	<u>\$17,036,546</u>	<u>\$16,211,508</u>

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

Governmental Revenue by Source

	Governmental Activities	
	2016	2015
Program Revenues:		
Charges for services	2.2%	2.3%
Operating grants and contributions	14.9%	12.4%
General Revenues:		
Maintenance & operating taxes	29.7%	31.5%
Debt service taxes	8.3%	8.9%
State aid – formula grants	41.2%	42.6%
Grants and contributions not restricted	2.3%	1.4%
All others	1.4%	0.9%
Total Revenues	100.0%	100.0%

Governmental Expenses by Function

	Governmental Activities	
	2016	2015
Instruction & instructional-related services	52.6%	52.9%
Instructional & school leadership	5.5%	5.2%
Guidance, social work, health, transportation	7.1%	7.2%
Food service	6.0%	6.0%
Extracurricular activities	4.7%	4.9%
General administration	2.7%	2.6%
Plant maintenance & security	12.0%	11.4%
Data processing services	1.2%	1.2%
Community services	0.0%	0.0%
Debt service	7.5%	7.8%
Capital outlay	0.0%	0.0%
Other	0.7%	0.8%
	100.0%	100.0%

The District's net position increased by \$825,038 or 5.1% from current fiscal year operation over last year as shown below.

1) Total net change in Fund Balances – Governmental Funds	\$2,579,592
2) Increase due to internal service fund activities	55,306
3) Capital outlays and long-term debt principal	1,487,794
4) Depreciation	(2,651,528)
5) GASB 68 adjustments	(802,309)
6) Other miscellaneous adjustments	156,183
Total	<u>\$ 825,038</u>

The District is required under GASB 68 to report its proportionate share of the unfunded liability associated with the Teacher Retirement System of Texas (TRS) pension plan. The required entries to record the effects of GASB 68 and GASB 71, an amendment to GASB 68, are book entries only in the statement of

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

governmental activities and do not affect the funding of the District. These entries decreased the District's ending net position and is discussed in greater detail in the notes to the financial statements.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

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

The District's governmental funds reported a combined ending fund balance of \$14,625,581, a net increase of \$2,579,592 over last year's combined fund balance. Unassigned fund balance is \$12,731,543 (87.0%) and is available for spending at the District's discretion. The remainder of fund balance is not available for discretionary spending because it is classified as nonspendable, restricted, or committed for the following items:

Nonspendable fund balance:	
Inventories – General Fund	\$ 24,075
Inventories – National Breakfast & Lunch Program	49,339
Prepaid items – General Fund	6,670
Restricted fund balance:	
Federal or state funds grant restrictions	477,187
Retirement of long-term debt	1,017,204
Other restricted – local grants	122,955
Committed fund balance:	
Campus activity funds	196,608

The General Fund is the chief operating fund of the District. At the end of the current fiscal the General Fund's unassigned fund balance was \$12,731,543 or 99.8% while the total fund balance was \$12,762,288. The total fund balance increased by \$2,141,151 from current year operations and by \$6,550 from sale of real and personal property.

The Debt Service Fund ending fund balance was \$1,017,204, all of which is reserved for the payment of future debt service.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

1. Amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we originally estimated).
2. Major amendments included \$285,525 increase in Function 11 – Instruction for salary and personnel increases and \$543,879 in Function 51 – Facilities Maintenance & Operations for unanticipated maintenance expenditures.
3. Amendments to move funds from programs that did not need all the resources originally appropriated to programs with resource needs.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

The District's actual General Fund balance of \$12,762,288 differs from the General Fund's budgetary fund balance of \$9,385,085. The difference of \$3,377,208 is primarily due to actual revenues exceeding budgeted revenues by \$1,541,733 (primarily as result of receiving \$2,005,796 more in state program revenues than anticipated) and actual expenditures being \$1,828,925 less than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investments in capital assets for its governmental activities at the end of this fiscal year amounts to \$95,903,606 (net of accumulated depreciation) for a net increase of \$1,294,058 or 1.3% over last year. Major change in capital assets resulted from completion of high school project with an offset of current year depreciation. This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major additions for the current year included:

Vehicles	\$425,291
Computer and related equipment	148,506
Maintenance equipment	103,069

More detail information about the District's capital assets are presented in the notes to the financial statements.

CAPITAL ASSETS

	2016	2015
Land	\$ 2,462,102	\$ 2,462,102
Construction-in-progress	0	0
Buildings & improvements	107,744,853	107,744,853
Furniture & equipment	10,476,903	9,901,195
Less depreciation	(24,780,252)	(22,240,872)
Totals	<u>\$ 95,903,606</u>	<u>\$ 97,867,278</u>

At year-end, the District had \$98,956,044 in long-term debt versus \$94,840,706 last year. Most of the increase in long-term debt is attributable to an increase of \$5,132,940 in net pension liability (District share – TRS) offset by schedule debt service payments and accreted interest.

LONG TERM DEBT

	Governmental Activities	
	2016	2015
Bonds payable	\$79,813,186	\$80,613,124
Accreted interest	7,955,197	7,967,062
Unamortized premium/(discount)	1,867,505	1,942,205
Compensated absences	227,842	358,941
Net pension liability (District share – TRS)	9,092,314	3,959,374
Totals	<u>\$98,956,044</u>	<u>\$94,840,706</u>

The State issues guidelines recommending that a government entity should limit the amount of general obligation debt to 10% of its total assessed valuation. The current debt limitation for the District is \$138,451,941 which is significantly more than the District's outstanding general obligation debt.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016
UNAUDITED

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2017 budget preparation will be up 113.61 million, or 7.71% from 2016.
- General operating fund spending per student increases in the 2017 budget from \$8,879 to \$9,182. This is a 3.4% increase.
- The District's 2017 refined average daily attendance is expected to be 4,300, and increase of 25 over 2016.

These indicators were considered when adopting the general fund budget for 2017. Amounts available for appropriation in the general fund budget are \$41.37 million, an increase of 2.45% compared to the final 2016 budget of \$41.61 million. Property tax revenues will increase due to an increase in appraised values. The tax rate will remain \$1.4992.

Expenditures are budgeted at \$42.07 million. Property tax revenue will increase approximately \$1,025,000 and State Funding will increase approximately \$15,000. Investment revenue will decrease by approximately \$40,000.

If these estimates are realized, the District's budgetary fund balance in the general fund is expected to decrease by \$697,000 by the close of 2017.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 13,686,210
1220 Property Taxes Receivable (Delinquent)	1,193,977
1230 Allowance for Uncollectible Taxes	(23,879)
1240 Due from Other Governments	2,445,477
1290 Other Receivables, net	688,364
1300 Inventories	73,414
1410 Prepayments	6,670
Capital Assets:	
1510 Land	2,462,102
1520 Buildings, Net	91,417,882
1530 Furniture and Equipment, Net	2,023,622
1000 Total Assets	113,973,839
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	4,876,190
1700 Total Deferred Outflows of Resources	4,876,190
LIABILITIES	
2110 Accounts Payable	406,963
2140 Interest Payable	337,837
2160 Accrued Wages Payable	1,382,903
2180 Due to Other Governments	41,341
2300 Unearned Revenue	11,883
Noncurrent Liabilities	
2501 Due Within One Year	883,136
2502 Due in More Than One Year	88,980,594
2540 Net Pension Liability (District's Share)	9,092,314
2000 Total Liabilities	101,136,971
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	676,512
2600 Total Deferred Inflows of Resources	676,512
NET POSITION	
3200 Net Investment in Capital Assets	14,222,915
3820 Restricted for Federal and State Programs	526,526
3850 Restricted for Debt Service	679,367
3870 Restricted for Campus Activities	196,608
3890 Restricted for Other Purposes	122,955
3900 Unrestricted	1,288,175
3000 Total Net Position	\$ 17,036,546

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, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 27,090,705	\$ 88,251	\$ 4,221,788	\$ (22,780,666)
12 Instructional Resources and Media Services	515,657	-	87,405	(428,252)
13 Curriculum and Staff Development	614,467	-	269,905	(344,562)
21 Instructional Leadership	795,936	-	149,520	(646,416)
23 School Leadership	2,144,775	-	176,917	(1,967,858)
31 Guidance, Counseling and Evaluation Services	1,826,869	-	281,595	(1,545,274)
33 Health Services	414,376	-	34,820	(379,556)
34 Student (Pupil) Transportation	1,576,244	-	80,512	(1,495,732)
35 Food Services	3,218,186	598,621	2,378,676	(240,889)
36 Extracurricular Activities	2,510,191	487,469	35,853	(1,986,869)
41 General Administration	1,459,342	-	97,084	(1,362,258)
51 Facilities Maintenance and Operations	6,214,833	9,111	221,111	(5,984,611)
52 Security and Monitoring Services	190,669	-	11,235	(179,434)
53 Data Processing Services	647,901	-	25,366	(622,535)
61 Community Services	14,880	-	14,880	-
72 Debt Service - Interest on Long Term Debt	4,024,855	-	-	(4,024,855)
73 Debt Service - Bond Issuance Cost and Fees	1,250	-	-	(1,250)
99 Other Intergovernmental Charges	383,275	-	-	(383,275)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 53,644,411</u>	<u>\$ 1,183,452</u>	<u>\$ 8,086,667</u>	<u>(44,374,292)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	16,158,943
DT	Property Taxes, Levied for Debt Service	4,546,601
SF	State Aid - Formula Grants	22,447,138
GC	Grants and Contributions not Restricted	1,259,986
IE	Investment Earnings	44,928
MI	Miscellaneous Local and Intermediate Revenue	741,734
TR	Total General Revenues	<u>45,199,330</u>
CN	Change in Net Position	825,038
NB	Net Position - Beginning	<u>16,211,508</u>
NE	Net Position--Ending	<u>\$ 17,036,546</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 12,071,262	\$ 1,078,622	\$ 13,149,884
1220 Property Taxes - Delinquent	989,412	204,565	1,193,977
1230 Allowance for Uncollectible Taxes (Credit)	(19,788)	(4,091)	(23,879)
1240 Receivables from Other Governments	1,562,974	882,503	2,445,477
1260 Due from Other Funds	-	49,725	49,725
1290 Other Receivables	688,364	-	688,364
1300 Inventories	24,075	49,339	73,414
1410 Prepayments	6,670	-	6,670
1000 Total Assets	<u>\$ 15,322,969</u>	<u>\$ 2,260,663</u>	<u>\$ 17,583,632</u>
LIABILITIES			
2110 Accounts Payable	\$ 208,667	\$ 93,434	\$ 302,101
2160 Accrued Wages Payable	1,291,324	91,579	1,382,903
2170 Due to Other Funds	49,725	-	49,725
2180 Due to Other Governments	41,341	-	41,341
2300 Unearned Revenues	-	11,883	11,883
2000 Total Liabilities	<u>1,591,057</u>	<u>196,896</u>	<u>1,787,953</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	969,624	200,474	1,170,098
2600 Total Deferred Inflows of Resources	<u>969,624</u>	<u>200,474</u>	<u>1,170,098</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	24,075	49,339	73,414
3430 Prepaid Items	6,670	-	6,670
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	477,187	477,187
3480 Retirement of Long-Term Debt	-	1,017,204	1,017,204
3490 Other Restricted Fund Balance	-	122,955	122,955
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	196,608	196,608
3600 Unassigned Fund Balance	12,731,543	-	12,731,543
3000 Total Fund Balances	<u>12,762,288</u>	<u>1,863,293</u>	<u>14,625,581</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 15,322,969</u>	<u>\$ 2,260,663</u>	<u>\$ 17,583,632</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, 2016

Total Fund Balances - Governmental Funds	\$ 14,625,581
1 The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	431,464
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 \$120,108,150 and the accumulated depreciation was (\$22,240,872). 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. Accrued interest on bonds is also not reported as a liability in the funds. The net effect of including the beginning balances for capital assets (net of depreciation), long-term debt, and accrued interest in the governmental activities is to increase net position.	6,650,875
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 2016 capital outlays and debt principal payments is to increase net position.	1,487,794
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$9,092,314, a deferred resource inflow related to TRS in the amount of \$676,512 and a deferred resource outflow related to TRS in the amount of \$4,876,190. The net effect of including these amounts is a decrease in net position.	(4,892,636)
5 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(2,651,528)
6 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 and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	1,384,996
19 Net Position of Governmental Activities	<u>\$ 17,036,546</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, 2016

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 16,955,399	\$ 5,776,369	\$ 22,731,768
5800	State Program Revenues	24,396,496	851,807	25,248,303
5900	Federal Program Revenues	570,538	4,972,200	5,542,738
5020	Total Revenues	<u>41,922,433</u>	<u>11,600,376</u>	<u>53,522,809</u>
EXPENDITURES:				
Current:				
0011	Instruction	22,609,341	2,502,489	25,111,830
0012	Instructional Resources and Media Services	394,263	65,971	460,234
0013	Curriculum and Instructional Staff Development	322,688	249,686	572,374
0021	Instructional Leadership	667,229	89,272	756,501
0023	School Leadership	2,006,939	2,618	2,009,557
0031	Guidance, Counseling and Evaluation Services	1,597,627	149,248	1,746,875
0033	Health Services	390,669	2,012	392,681
0034	Student (Pupil) Transportation	1,609,108	6,424	1,615,532
0035	Food Services	-	2,943,406	2,943,406
0036	Extracurricular Activities	1,556,171	232,636	1,788,807
0041	General Administration	1,381,900	-	1,381,900
0051	Facilities Maintenance and Operations	6,071,487	-	6,071,487
0052	Security and Monitoring Services	179,250	-	179,250
0053	Data Processing Services	611,335	-	611,335
0061	Community Services	-	14,880	14,880
Debt Service:				
0071	Principal on Long Term Debt	-	799,938	799,938
0072	Interest on Long Term Debt	-	4,108,655	4,108,655
0073	Bond Issuance Cost and Fees	-	1,250	1,250
Intergovernmental:				
0099	Other Intergovernmental Charges	383,275	-	383,275
6030	Total Expenditures	<u>39,781,282</u>	<u>11,168,485</u>	<u>50,949,767</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,141,151	431,891	2,573,042
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	6,550	-	6,550
1200	Net Change in Fund Balances	2,147,701	431,891	2,579,592
0100	Fund Balance - September 1 (Beginning)	<u>10,614,587</u>	<u>1,431,402</u>	<u>12,045,989</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 12,762,288</u>	<u>\$ 1,863,293</u>	<u>\$ 14,625,581</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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$	2,579,592
The District uses internal service funds to charge the costs of self-insurance to appropriate functions in other funds. The net loss of the internal service fund is reported with governmental activities. The net effect of this consolidation is to increase net position.		55,306
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 2016 capital outlays and debt principal payments is to increase net position.		1,487,794
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(2,651,528)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2015 caused the change in the ending net position to increase in the amount of \$788,874. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling \$761,635. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$829,548. The net result caused a decrease in net position.		(802,309)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		156,183
Change in Net Position of Governmental Activities	\$	825,038

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, 2016

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 536,326
Total Assets	536,326
LIABILITIES	
Current Liabilities:	
Accounts Payable	104,862
Total Liabilities	104,862
NET POSITION	
Unrestricted Net Position	431,464
Total Net Position	\$ 431,464

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, 2016

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 117,445
Total Operating Revenues	117,445
OPERATING EXPENSES:	
Professional and Contracted Services	62,139
Total Operating Expenses	62,139
Operating Income	55,306
Total Net Position - September 1 (Beginning)	376,158
Total Net Position - August 31 (Ending)	\$ 431,464

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, 2016

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 117,445
Cash Payments for Insurance Claims	(96,739)
Net Cash Provided by Operating Activities	<u>20,706</u>
Net Increase in Cash and Cash Equivalents	20,706
Cash and Cash Equivalents at Beginning of Year	<u>515,620</u>
Cash and Cash Equivalents at End of Year	<u>\$ 536,326</u>
<u>Reconciliation of Operating Income to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income:	\$ 55,306
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	<u>(34,600)</u>
Net Cash Provided by Operating Activities	<u>\$ 20,706</u>

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

THIS PAGE LEFT BLANK INTENTIONALLY

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2016

	Private Purpose Trust Fund	Agency Fund	Fiduciary Component Unit
ASSETS			
Cash and Cash Equivalents	\$ 36,727	\$ 225,686	\$ 2,051,833
Total Assets	<u>36,727</u>	<u>\$ 225,686</u>	<u>2,051,833</u>
LIABILITIES			
Due to Student Groups	-	\$ 225,686	-
Total Liabilities	<u>-</u>	<u>\$ 225,686</u>	<u>-</u>
NET POSITION			
Restricted for Scholarships	<u>36,727</u>		<u>2,051,833</u>
Total Net Position	<u>\$ 36,727</u>		<u>\$ 2,051,833</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, 2016

	Private Purpose Trust Fund	Fiduciary Component Unit
ADDITIONS:		
Local and Intermediate Sources	\$ 21,400	\$ 368,993
Total Additions	<u>21,400</u>	<u>368,993</u>
DEDUCTIONS:		
Supplies and Materials	-	111,182
Scholarships & Grants Awarded	32,758	71,737
Total Deductions	<u>32,758</u>	<u>182,919</u>
Change in Net Position	(11,358)	186,074
Total Net Position - September 1 (Beginning)	<u>48,085</u>	<u>1,865,759</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 36,727</u></u>	<u><u>\$ 2,051,833</u></u>

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

I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Denison Independent School District (the “District”) substantially comply with the rules prescribed by the Texas Education Agency (the “Agency”) *Financial Accountability System Resource Guide* (the “Resource Guide”). These accounting policies conform to accounting principles generally accepted in the United States of America (“generally accepted accounting principles”) applicable to governments.

In accordance with the Resource Guide the District has adopted and installed an accounting system which meets the minimum requirements prescribed the State Board of Education and approved by the State Auditor.

The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and it complies with the requirements of the appropriate version of the Resource Guide and the requirements of contracts and grants of agencies from which it receives funds. Specifically, the District’s accounting system uses codes and the code structure as presented in the Resource Guide.

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

Fair Value - *GASB Statement No. 72, Fair Value Measurement and Application* provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District does not have any investments subject to application of *GASB Statement No. 72, Fair Value Measurement and Application*.

A. Reporting Entity

The District is governed by a seven-member Board of Trustees (the “Board”) elected by registered voters of the District. The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. The Board has responsibility and control over all activities related to public school education within the District. The District receives funds from local, state and federal sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined by GAAP. The Board has decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. The accompanying financial statements present the District’s financial statements and those of a blended component unit, which is included because of the significance of its operations or financial relationship with the District. The blended component unit is described below.

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

B. Basis of Presentation

The District prepares its financial statements in accordance with reporting practices prescribed by the Agency in the Resource Guide and the Governmental Accounting Standards Board.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) are prepared using the accrual basis of accounting and the information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues are reported separately from business-type activities which rely to a significant extent on charge for services. The District does not have business-type activities.

The statement of activities demonstrates the degree to which 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 is specifically identified by function and is included in the direct expense of each function. Certain indirect costs are also included in the program expense reported by individual functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods or services provided by a given function or segment of the District, examples include tuition paid by students not residing in the District, school lunch charges, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a given function or segment, examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District’s functions. Taxes are always general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The District considers some governmental funds major and reports their financial condition and results of operations in separate columns.

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

The government-wide financial statements are reported on a flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Fiduciary funds do not have a measurement focus as they report only

assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position.

All Governmental Funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities and deferred inflows are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

The accounts of the Governmental Funds are maintained and the financial statements have been prepared on the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when they become measurable and available as net current assets. Substantially all revenues (state, federal and local property tax and interest revenues) are considered to be susceptible to accrual. Revenues from expenditure-driven grants are recognized when the expenditure is incurred. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which is recognized as expenditures when due.

Property tax revenues recorded in the General Fund and Debt Service Fund are recognized under the "susceptible to accrual" concept. This District generally considers property taxes as available if they are collected within 60 days of year-end. Property taxes received after the 60-day period are not considered available and, therefore, are recorded as deferred inflow of resources in the Governmental Funds Balance Sheet totaling \$969,624 in the General Fund and \$200,474 in the Debt Service Fund. Grant revenues are recognized when expenditures are made. Charges for services and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available within 60 days of year-end.

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

E. Purpose of Funds

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts to reflect results of activities. Major individual governmental funds are reported as separate columns in the fund financial statements. The following funds are used by the District:

Major Governmental Funds

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

Non-major Governmental Funds

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

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

Debt Service Fund – The Debt Service Fund, which is a budgeted fund, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt. Revenues include property taxes collections, state funding under the Instructional Facilities and Existing Debt Allotments, and earned interest. The fund balance represents amounts that are available for retirement of future payments of principal, interest and fees.

Capital Projects Fund – This fund, which is an unbudgeted fund, is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction, renovations, and technology projects/enhancements. The District does not have a Capital Projects Fund.

Proprietary Funds

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

Fiduciary Funds

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

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

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

F. Cash and Cash Equivalents

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

G. Investments

Investments are recorded at fair value. Investments are considered as and classified as cash equivalents. Investments are primarily in FDIC insured investments, savings accounts and public funds money markets and are not significantly affected by impairment of the credit standing of the issues or other factors.

H. Receivables and Payables

Interfund activities result from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single “transfers” line on the government-wide statement of activities. The District did not have any transfers in or transfers out during the current fiscal year. Similarly, interfund receivables and payables are netted and presented as a single “internal balances” line of the government-wide statement of net position.

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

Other receivables and payables may include amounts due from local, state and federal agencies resulting from excess of expenditures over revenues incurred, accrued liabilities, interest payable, and accrued wages payable.

I. Inventories and Prepaid Items

The District uses the consumption method to account for inventories of food products, school supplies, and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

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

J. Interfund Activities

Transactions among governmental funds and between governmental funds and proprietary funds appear as due to/due from other funds on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other financing sources and uses on the Governmental Fund Statement of Revenues, Expenses and Changes in Fund Net Position. Interfund services provided and used are not eliminated in the consolidation of funds for the Statement of Activities.

All interfund transactions that do not represent services provided and used between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Position as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from other funds on the government-wide Statement of Net Position.

K. 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.

L. Capital Assets

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

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

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

Asset Classification	Useful Life
Buildings and improvements	45
Furniture & equipment	5-10

Land and construction in progress are not depreciable.

M. Long-term Obligations

General obligation bonds which have been issued to fund the District’s capital projects are to be repaid from tax revenues of the District.

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

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

N. Unearned Revenues

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

Special Revenue Funds:	
Advanced Placement Incentives – state revenue	\$11,183
Other State Special Revenue Funds – state revenue	700
Total	<u>\$11,883</u>

O. Deferred Outflows/Inflow of Resources

Deferred outflows and inflows of resources are reported in the financial statements as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District had the following deferred outflows of resources:

- Deferred outflows of resources for pension – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actuarial experience. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. During the current year, the District had \$4,876,190 deferred outflow related to TRS from implementing GASB 68. This amount consisted of \$4,087,316 for total net amounts per TRS August 31, 2015 measurement date and \$788,874 for contributions paid to TRS subsequent to the measurement date.

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

- Deferred inflow of resources for unavailable revenues – Reported only in the governmental funds balance sheet, for unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of revenues in the period that the amounts become available. During the current year, the District recorded deferred inflow of resources \$969,624 and \$200,474 as unavailable revenues – property taxes with the General Fund and Debt Service Fund respectively.
- Deferred inflow of resources for pensions – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. During the current year the District recorded \$676,512 for total net amounts per TRS August 31, 2015 measurement date as a result of implementing GASB 68.

P. Categories and Classifications of Fund Balance and Net Position

In accordance with GASB 54 which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions.

Government-wide Financial Statements – Net position on the Statement of Net Position includes the following:

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

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

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

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

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

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

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

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

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

Governmental Fund Financial Statements – In the fund financial statements, government funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

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

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

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

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

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

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

The District does not have a minimum fund balance policy.

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

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

Exhibit F-1

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
 For Fiscal Year Ending August 31, 2016

	General Fund	Other Funds	Total Governmental Funds
Nonspendable Fund Balance			
Inventories	\$ 24,075	\$ 49,339	\$ 73,414
Prepaid Items	6,670	0	6,670
Restricted Fund Balance			
Nat'l School Breakfast & Lunch Program	0	477,187	477,187
Retirement of long-term debt	0	1,017,204	1,017,204
Other restricted – local grants	0	122,955	122,955
Committed Fund Balance			
Campus Activity Funds	0	196,608	196,608
Unassigned	12,731,543	0	12,731,543
Total Fund Balance	<u>\$12,762,288</u>	<u>\$1,863,293</u>	<u>\$14,625,581</u>

Q. Management's Use of Estimates

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

The amount of state foundation revenue a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as into the next fiscal year. It is at least reasonably possible that the foundation revenue for the fiscal year will ultimately change from the amount calculated as of August 31, 2016 because of the factors that TEA uses in its calculations.

R. Defined Benefit Pension Plan

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

S. Data Control Codes

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

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

Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position” provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as unavailable revenue in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts. Also included are all of the adjustments required by GASB 68.

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Accounting

The Board of Trustees adopts an “appropriated budget” for the General Fund, Child Nutrition Program and the Debt Service Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The general fund budget report appears in Exhibit G-1 “Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund” and the other two reports are in Exhibit J-4 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Child Nutrition Program” and J-5 “Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Debt Service Fund”.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notices of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can be amended at the function and fund level by approval of a majority of the members of the Board. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustment of operating costs; and year-end adjustments to expenditures based on the latest information concerning operating cost. All budget appropriations lapse at year-end.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund – Exhibit G-1	\$40,639,338	\$970,869	\$41,610,207
Child Nutrition Program – Exhibit J-4	2,953,245	0	2,953,245
Debt Service Fund – Exhibit J-5	4,910,596	0	4,910,596

The General Fund – Major amendments were in Function 11 Instruction and Function 51, Facilities Maintenance and Operations. Function 11 was increased by \$285,525 for additional salary cost/personnel not anticipated in the original budget. Function 51 was increased by \$543,879 for unexpected repairs for wind damage throughout the District and water damage at an elementary school.

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

August 31, 2016 Fund Balance	
Appropriated Budgeted Funds – National Breakfast & Lunch Program	\$526,526
Non-appropriated Budgeted Funds	319,563
All Special Revenue Funds	\$846,089

B. Excess of Expenditures over Appropriations

No excess of expenditures over appropriations existed for the year ended August 31, 2016.

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2016.

IV. DETAILED NOTES ON ALL FUNDS

A. Cash and Cash Equivalents

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

Depository information is as follows:

- Depository bank: Independent Bank
- Highest combined balance: \$23,823,471
- Date of highest combined balance: February 24, 2016
- Amount of FDIC insurance: \$250,000
- Amount of pledged securities: \$24,741,843

Since the District complies with this law, it has no custodial credit risk for deposits.

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

At August 31, 2016, the carrying value of the District's deposits was \$5,933,427, excluding petty cash of \$9,180 and \$6,843,603 of investments considered as cash equivalents, and the bank balance was \$6,537,797. The District's cash deposits at August 31, 2016, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Governmental Funds:	
Petty cash	\$ 9,180
Cash-in-bank	5,397,101
Investments considered as cash equivalents	7,743,603
Total cash and cash equivalents	<u>13,149,884</u>
Proprietary Funds:	
Cash-in-bank	536,326
Total Governmental Activities	<u><u>\$13,686,210</u></u>

The following investments are considered as cash equivalents:

Investments	Carrying Amount	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)
Savings accounts	\$6,234,156	\$6,234,156	80.5%	On demand
Local government investment pools	1,001,103	1,001,103	12.9%	On demand
Money market funds	508,344	508,344	6.6%	On demand
Totals	<u><u>\$7,743,603</u></u>	<u><u>\$7,743,603</u></u>	<u><u>100.0%</u></u>	

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

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

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

Custodial Credit Risk – Investments - For an investment this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's investment are not exposed to custodial risk. External investment pools are not subject custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. District investments are not exposed to custodial credit risk.

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

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

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

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

B. Property Taxes

Property taxes are levied by October 1 and are due and payable at that time. The Board establishes the District’s property tax rates annually. The authorized tax rates for property taxes assessed on January 1, 2015, were \$1.17 and \$0.3292 per \$100 for the General Fund and Debt Service Fund, respectively, based on a net assessed valuation of \$1,384,519,410.

The legally authorized tax rate limit for the District is \$1.17 per \$100 assessed valuation for maintenance and operations. On January 1 of each year, a tax lien attaches to property to secure the payment of penalties imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during the 60-day period after the close of the District’s fiscal year.

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

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2016 are as follows:

	Property Taxes - Delinquent	Allowance for Uncollectible Taxes	Unavailable Revenue – Property Taxes
General Fund	\$ 989,412	(\$19,788)	\$ 969,624
Debt Service Fund	204,565	(4,091)	200,474
Totals	<u>\$1,193,977</u>	<u>(\$23,879)</u>	<u>\$1,170,098</u>

Current tax collections for the levy year ended August 31, 2016 were 98.3% of the year-end adjusted tax levy.

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

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

C. Disaggregation of Receivables and Payables

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

There are no significant receivables which are not scheduled for collection within one year of August 31, 2016.

D. Receivables from Other Governments

Receivables from other governments, as of August 31, 2016, are as follow:

	Due from State
General Fund	\$1,562,974
Special Revenue Funds:	
Head Start	74,598
ESEA I, A – Improving Basic Programs	392,818
IDEA – Part B Formula	249,247
IDEA – Part B Preschool	8,422
National Breakfast & Lunch Program	83,436
ESEA II, A – Training & Recruiting	61,975
State Textbook Fund	12,007
Total	<u>\$2,445,477</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	\$ 0	\$49,725
National Breakfast & Lunch Program Fund	622	0
Debt Service Fund	49,103	0
Totals	<u>\$49,725</u>	<u>\$49,725</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 fiscal year.

G. Other Financing Sources (Uses)

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

General Fund Other Financing Sources (Uses)	
Sale of real and personal property	<u>\$6,550</u>

H. Special Items/Extraordinary Items

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

I. Operating Leases

The District leases office equipment and automobiles under noncancelable operating leases. Total costs for such leases were \$85,588 for the year. The future minimum lease payments for active operating leases are summarized below:

Year Ending August 31	Amount
2017	\$88,351
2018	83,382
2019	83,382
2020	20,846
2021	0

J. Capital Asset Activity

Capital asset activity for the year ended August 31, 2016 is as follows:

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,462,102	\$ 0	\$ 0	\$ 2,462,102
Construction in Progress	0	0	0	0
Total Capital Assets, not being depreciated	2,462,102	0	0	2,462,102
Capital assets, being depreciated:				
Buildings and improvements	107,744,853	0	0	107,744,853
Furniture and equipment	9,901,195	687,856	112,148	10,476,903
Total capital assets, being depreciated	117,646,048	687,856	112,148	118,221,756
Less accumulated depreciation for:				
Buildings and improvements	14,390,325	1,936,646	0	16,326,971
Furniture and equipment	7,850,547	714,882	112,148	8,453,281
Total accumulated depreciation	22,240,872	2,651,528	112,148	24,780,252
Governmental activities capital assets, net	\$ 97,867,278	\$(1,963,672)	\$ 0	\$ 95,903,606

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

Governmental activities:	
11 – Instruction	\$1,075,674
12 – Instruction Resources & Media Services	40,835
13 – Curriculum & Instructional Staff Development	13,388
23 – School Leadership	18,337
31 – Guidance, Counseling & Evaluation Services	7,440
33 – Health Services	6,616
34 – Student (Pupil) Transportation	324,095
35 – Food Services	189,369
36 – Extracurricular Activities	694,258
41 – General Administration	19,723
51 – Plant Maintenance & Operations	156,599
52 – Security & Monitoring Services	6,851
53 – Data Processing Services	98,343
Total Depreciation Expense	<u>\$2,651,528</u>

K. Long-Term Debt

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

The following is a summary of changes in long-term debt for government activities for the year ended August 31, 2016.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$80,613,124	\$ 0	\$ 799,938	\$79,813,186	\$833,136
Accreted interest	7,967,062	916,634	928,499	7,955,197	0
Premium on bonds	1,942,206	0	74,700	1,867,506	0
Compensated absences	358,940	0	131,098	227,841	0
Net pension liability	3,959,374	5,894,575	761,635	9,092,314	0
Total	<u>\$94,840,706</u>	<u>\$6,811,209</u>	<u>\$2,695,870</u>	<u>\$98,956,044</u>	<u>\$833,136</u>

L. Bonds Payable

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

A summary of changes in general obligation bonds for the year ended August 31, 2016, are as follows:

Issue/ Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Amounts Due Within One Year
Series 1997 UTSB&R Bonds/2021	4.3%/6.0%	\$13,224,677	\$ 2,651,762	\$0	\$524,420	\$ 2,127,342	\$489,897
Series 2011 UTSB Bonds/2041	1.75%/5.0%	69,001,362	69,001,362	0	50,519	68,950,844	168,239
Series 2013 UTSB Bonds/2043	1.75%/4.5%	9,410,000	8,960,000	0	225,000	8,735,000	225,000
Totals			<u>\$80,613,124</u>	<u>\$0</u>	<u>\$799,939</u>	<u>\$79,813,186</u>	<u>\$883,136</u>

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
2017	\$ 883,136	\$ 4,156,520	\$ 5,039,656
2018	968,010	4,207,709	5,175,719
2019	1,037,479	4,271,339	5,308,818
2020	1,111,022	4,340,746	5,451,768
2021	1,267,933	4,321,486	5,589,419
2022-2026	9,268,116	20,148,229	29,416,345
2027-2031	14,157,490	17,066,541	31,224,031
2032-2036	22,455,000	9,730,931	32,185,931
2037-2041	28,665,000	3,809,619	32,474,619
Totals	<u>\$79,813,186</u>	<u>\$72,053,120</u>	<u>\$151,866,306</u>

Interest and fees paid on general obligation bonds during the year was \$4,109,905.

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2016

Exhibit F-1

There are numerous limitations and restrictions contained in the various general obligation bond indentures. The District has complied with all significant limitations and restrictions as of August 31, 2016.

M. Revenue from Local and Intermediate Sources

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

	General Fund	Other Funds	Fund Totals
Property taxes	\$16,157,671	\$4,606,587	\$20,764,258
Food sales	0	598,621	598,621
Penalties, interest & other tax related income	188,138	49,103	237,241
Tuition & fees	5,670	0	5,670
Earnings – temporary deposits & investments	37,218	11,655	48,873
Rent	9,111	0	9,111
Foundations, gifts & bequests	0	123,926	123,926
Insurance recovery	374,018	0	374,018
Other revenues from local sources	40,332	41,509	81,841
Ex/cocurricular activities	142,501	344,968	487,469
Miscellaneous revenues	740	0	740
Total	<u>\$16,955,399</u>	<u>\$5,776,369</u>	<u>\$22,731,768</u>

N. State Aid Revenue

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

	General Fund	Other Funds	Totals
Per Capita Apportionment	\$ 808,064	\$ 0	\$ 808,064
Foundation School Prg. Act Entitlements	21,634,895	0	21,634,895
Other Foundation School Program	0	4,180	4,180
Other State Programs – Local Defined	16,085	0	16,085
State Program Revenues	0	789,656	789,656
TRS On-behalf Payments	1,778,063	57,971	1,836,034
TRS Medicare Part-D	159,389	0	159,389
Totals	<u>\$24,396,496</u>	<u>\$851,807</u>	<u>\$25,248,303</u>

O. Federal Program Revenues

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

Revenues	General Fund	Other Funds
School Health & Related Services (SHARS)	\$524,113	\$ 0
U. S. Department of Defense - Direct	46,425	0
U. S. Department of Education – Direct	0	50,526
U. S. Department of Education – Passed Through	0	2,456,010
U. S. Department of Health & Human Services – Passed Through	0	252,738
U. S. Department of Agriculture – Passed Through	0	2,212,926
Totals	<u>\$570,538</u>	<u>\$4,972,200</u>

P. Employee Benefits

1. Compensated Absences

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

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

The activity within the accrued compensated absences account follows:

Balance, September 1	\$358,941
Net change	<u>(131,098)</u>
Balance, August 31	<u><u>\$227,841</u></u>

2. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position - Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; that report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

Net Pension Liability	Total
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	(128,538,706,212)
Net Pension Liability	<u>\$ 35,348,668,960</u>

Net Position as percentage of Total Pension Liability 78.43%

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District - 2016 Employer Contributions		\$ 788,874
District - 2016 Member Contributions		\$1,983,762
District - 2015 NECE On-behalf Contributions		\$1,432,449

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

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

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

Actuarial Assumptions - The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.0%
Long-term expected Investment Rate of Return	8.0%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.0%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None

Ad hoc Post Employment Benefit Changes None

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

Discount Rate - The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

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

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

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$14,245,942	\$9,092,314	\$4,799,622

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2016, the District reported a liability of \$9,092,314 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 9,092,314
State's proportionate share that is associated with District	17,095,382
Total	<u>\$26,187,696</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015, the employer's proportion of the collective net pension liability was 0.0257218% which was an increase of 0.0108990% from its proportion measured as of August 31, 2014.

Changes Since the Prior Actual Valuation – The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the measurement period August 31, 2015, the District recognized pension expense of \$2,435,817 and revenue of \$2,435,817 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 50,925	\$349,426
Changes in actuarial assumptions	214,041	324,374
Difference between projected and actual investment earnings	1,331,624	0
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,490,726	2,712
Totals as of August 31, 2015 measurement date	<u>\$4,087,316</u>	<u>\$676,512</u>
Contributions paid to TRS subsequent to the measurement date	788,874	0
Total	<u>\$4,876,190</u>	<u>\$676,512</u>

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

Year ended August 31:	Pension Expense Amount
2017	\$618,217
2018	618,217
2019	618,218
2020	920,752
2021	357,768
Thereafter	277,632

3. Retiree Health Plan

Plan Description – The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants to the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publication heading.

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 Contribution Rate for the State was 1.00% for 2014, 2015 and 2016. The funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The contribution rate for the District was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the District payroll for each of the three years. For staff members funded by federal programs, the federal programs are required to contribute 1.0%.

Contributions. Contributions made by the State on behalf of the District are recorded in the governmental funds financial statement as both revenue and expenditures. State contributions to TRS-Care made on behalf of the District’s employees as well as the District’s required contributions and federal grant program contributions for the years ended August 31, 2016, 2015 and 2014 are as follows:

	Contribution Amounts		
	2016	2015	2014
District Contributions	\$141,621	\$148,707	\$141,621
State Contributions	257,489	270,377	257,489
Employee Contributions	167,369	175,748	167,369

4. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2016, 2015, and 2014, the subsidy payments received by TRS-Care on-behalf of the District were \$88,142, \$117,971, and \$68,662, respectively. The information for the year ended August 31, 2016 is an estimate provided by the Teachers Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

5. Active Employee Health Care Coverage

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

Department of the Texas Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

6. Workers' Compensation Program

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

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year-ended May 31, 2016, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of May 31, 2016, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

The following is the District's estimated outstanding liability as of August 31, 2016.

Fund Year	Claim Count at 5/31/16	Aggregate Liability	Estimated Paid Loss & ALAE at 5/31/16	Estimated Ultimate Loss & ALAE at 5/31/16	Estimated Outstanding Loss & ALAE at 5/31/16
2011-12	19	\$185,473	\$76,512	\$76,512	\$ 0
2012-13	24	190,610	42,697	50,087	7,390
2013-14	20	188,791	30,762	37,518	6,757
2014-15	31	202,369	37,077	45,494	8,418
2015-16	45	179,102	31,295	112,492	81,198

Q. Commitments and Contingencies

1. State and Federal Grants

Minimum foundation funding received from TEA is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District

and supplied to TEA. Federal funding for Food Service under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the United States Department of Agriculture (“USDA”). Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

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

2. Litigation

The District is not a party in any litigation.

R. Risk Management

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

S. Evaluation of Subsequent Events

The District has evaluated subsequent events through November 28, 2016 the date which the financial statements were available to be issued.

THIS PAGE LEFT BLANK INTENTIONALLY

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, 2016

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	\$ 17,140,000	\$ 17,140,000	\$ 16,955,399	\$ (184,601)
5800	State Program Revenues	22,390,700	22,390,700	24,396,496	2,005,796
5900	Federal Program Revenues	850,000	850,000	570,538	(279,462)
5020	Total Revenues	40,380,700	40,380,700	41,922,433	1,541,733
EXPENDITURES:					
Current:					
0011	Instruction	23,653,126	23,938,651	22,609,341	1,329,310
0012	Instructional Resources and Media Services	429,685	429,685	394,263	35,422
0013	Curriculum and Instructional Staff Development	388,014	388,014	322,688	65,326
0021	Instructional Leadership	690,105	690,105	667,229	22,876
0023	School Leadership	2,068,060	2,068,060	2,006,939	61,121
0031	Guidance, Counseling and Evaluation Services	1,579,953	1,626,453	1,597,627	28,826
0033	Health Services	395,699	395,699	390,669	5,030
0034	Student (Pupil) Transportation	1,672,009	1,672,009	1,609,108	62,901
0036	Extracurricular Activities	1,604,110	1,616,475	1,556,171	60,304
0041	General Administration	1,460,713	1,481,713	1,381,900	99,813
0051	Facilities Maintenance and Operations	5,537,100	6,080,979	6,071,487	9,492
0052	Security and Monitoring Services	189,375	189,375	179,250	10,125
0053	Data Processing Services	571,389	632,989	611,335	21,654
Intergovernmental:					
0099	Other Intergovernmental Charges	400,000	400,000	383,275	16,725
6030	Total Expenditures	40,639,338	41,610,207	39,781,282	1,828,925
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(258,638)	(1,229,507)	2,141,151	3,370,658
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	6,550	6,550
1200	Net Change in Fund Balances	(258,638)	(1,229,507)	2,147,701	3,377,208
0100	Fund Balance - September 1 (Beginning)	10,614,587	10,614,587	10,614,587	-
3000	Fund Balance - August 31 (Ending)	\$ 10,355,949	\$ 9,385,080	\$ 12,762,288	\$ 3,377,208

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-6

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0257218%	0.0148228%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 9,092,314	\$ 3,959,374
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	17,095,382	14,670,278
Total	<u>\$ 26,187,696</u>	<u>\$ 18,629,652</u>
District's Covered-Employee Payroll	\$ 27,037,717	\$ 25,748,904
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	33.63%	15.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

EXHIBIT G-7

	2016	2015
Contractually Required Contribution	\$ 788,874	\$ 761,635
Contribution in Relation to the Contractually Required Contribution	(788,874)	(761,635)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 27,552,253	\$ 27,037,717
Contributions as a Percentage of Covered-Employee Payroll	2.86%	2.82%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

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

COMBINING SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

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	\$ (59,221)	\$ (346,233)	\$ (220,970)	\$ (6,750)
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	74,598	392,818	249,247	8,422
1260	Due from Other Funds	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 15,377</u>	<u>\$ 46,585</u>	<u>\$ 28,277</u>	<u>\$ 1,672</u>
LIABILITIES					
2110	Accounts Payable	\$ 222	\$ -	\$ 210	\$ -
2160	Accrued Wages Payable	15,155	46,585	28,067	1,672
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>15,377</u>	<u>46,585</u>	<u>28,277</u>	<u>1,672</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>\$ 15,377</u>	<u>\$ 46,585</u>	<u>\$ 28,277</u>	<u>\$ 1,672</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	288 Title VII Indian Education	385 Visually Impaired SSVI	397 Advanced Placement Incentives
\$ 486,131	\$ -	\$ -	\$ (61,875)	\$ -	\$ -	\$ -	\$ 11,183
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
83,436	-	-	61,975	-	-	-	-
622	-	-	-	-	-	-	-
49,339	-	-	-	-	-	-	-
<u>\$ 619,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,183</u>
\$ 93,002	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	100	-	-	-	-
-	-	-	-	-	-	-	11,183
<u>93,002</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,183</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
49,339	-	-	-	-	-	-	-
477,187	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>526,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 619,528</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,183</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2016

Data Control Codes	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	483 Local Grants	
ASSETS					
1110	Cash and Cash Equivalents	\$ (12,007)	\$ 700	\$ 196,608	\$ 122,955
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	12,007	-	-	-
1260	Due from Other Funds	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 700</u>	<u>\$ 196,608</u>	<u>\$ 122,955</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2300	Unearned Revenues	-	700	-	-
2000	Total Liabilities	<u>-</u>	<u>700</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	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	122,955
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	196,608	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>196,608</u>	<u>122,955</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 700</u>	<u>\$ 196,608</u>	<u>\$ 122,955</u>

Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 110,521	\$ 968,101	\$ 1,078,622
-	204,565	204,565
-	(4,091)	(4,091)
882,503	-	882,503
622	49,103	49,725
49,339	-	49,339
<u>\$ 1,042,985</u>	<u>\$ 1,217,678</u>	<u>\$ 2,260,663</u>
\$ 93,434	\$ -	\$ 93,434
91,579	-	91,579
11,883	-	11,883
<u>196,896</u>	<u>-</u>	<u>196,896</u>
-	200,474	200,474
<u>-</u>	<u>200,474</u>	<u>200,474</u>
49,339	-	49,339
477,187	-	477,187
-	1,017,204	1,017,204
122,955	-	122,955
196,608	-	196,608
<u>846,089</u>	<u>1,017,204</u>	<u>1,863,293</u>
<u>\$ 1,042,985</u>	<u>\$ 1,217,678</u>	<u>\$ 2,260,663</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

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	<u>252,738</u>	<u>1,186,080</u>	<u>953,764</u>	<u>28,250</u>
5020 Total Revenues	<u>252,738</u>	<u>1,186,080</u>	<u>953,764</u>	<u>28,250</u>
EXPENDITURES:				
Current:				
0011 Instruction	252,738	1,048,075	711,718	28,250
0012 Instructional Resources and Media Services	-	65,971	-	-
0013 Curriculum and Instructional Staff Development	-	48,122	-	-
0021 Instructional Leadership	-	-	89,272	-
0023 School Leadership	-	2,608	10	-
0031 Guidance, Counseling and Evaluation Services	-	-	149,248	-
0033 Health Services	-	-	2,012	-
0034 Student (Pupil) Transportation	-	6,424	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	1,504	-
0061 Community Services	-	14,880	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>252,738</u>	<u>1,186,080</u>	<u>953,764</u>	<u>28,250</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	288 Title VII Indian Education	385 Visually Impaired SSVI	397 Advanced Placement Incentives
\$ 722,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
73,483	-	-	-	-	-	630	-
<u>2,180,430</u>	<u>32,495</u>	<u>61,356</u>	<u>201,564</u>	<u>24,997</u>	<u>50,526</u>	<u>-</u>	<u>-</u>
<u>2,976,171</u>	<u>32,495</u>	<u>61,356</u>	<u>201,564</u>	<u>24,997</u>	<u>50,526</u>	<u>630</u>	<u>-</u>
-	-	61,356	-	24,997	50,526	630	-
-	-	-	-	-	-	-	-
-	-	-	201,564	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,910,911	32,495	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,910,911</u>	<u>32,495</u>	<u>61,356</u>	<u>201,564</u>	<u>24,997</u>	<u>50,526</u>	<u>630</u>	<u>-</u>
65,260	-	-	-	-	-	-	-
<u>461,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ <u>526,526</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 - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	483 Local Grants	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 266,785	\$ 123,926
5800	State Program Revenues	201,570	-	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>201,570</u>	<u>-</u>	<u>266,785</u>	<u>123,926</u>
EXPENDITURES:					
Current:					
0011	Instruction	201,570	-	-	122,629
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	231,132	-
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>201,570</u>	<u>-</u>	<u>231,132</u>	<u>122,629</u>
1200	Net Change in Fund Balance	-	-	35,653	1,297
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>160,955</u>	<u>121,658</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,608</u>	<u>\$ 122,955</u>

Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 1,112,969	\$ 4,663,400	\$ 5,776,369
275,683	576,124	851,807
4,972,200	-	4,972,200
<u>6,360,852</u>	<u>5,239,524</u>	<u>11,600,376</u>
2,502,489	-	2,502,489
65,971	-	65,971
249,686	-	249,686
89,272	-	89,272
2,618	-	2,618
149,248	-	149,248
2,012	-	2,012
6,424	-	6,424
2,943,406	-	2,943,406
232,636	-	232,636
14,880	-	14,880
-	799,938	799,938
-	4,108,655	4,108,655
-	1,250	1,250
<u>6,258,642</u>	<u>4,909,843</u>	<u>11,168,485</u>
102,210	329,681	431,891
743,879	687,523	1,431,402
<u>\$ 846,089</u>	<u>\$ 1,017,204</u>	<u>\$ 1,863,293</u>

THIS PAGE LEFT BLANK INTENTIONALLY

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.107100	1,135,686,527
2009	1.170000	0.107100	1,200,932,083
2010	1.170000	0.107100	1,222,398,324
2011	1.170000	0.101200	1,340,895,332
2012	1.170000	0.298200	1,316,631,590
2013	1.170000	0.311200	1,304,608,898
2014	1.170000	0.329200	1,326,312,166
2015	1.170000	0.329200	1,349,069,570
2016 (School year under audit)	1.170000	0.329200	1,384,519,410
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 195,319	\$ -	\$ 4,016	\$ 316	\$ (40,382)	\$ 150,605
52,094	-	646	67	(4,224)	47,157
60,461	-	2,046	187	(3,709)	54,519
83,506	-	4,169	382	(4,190)	74,765
77,273	-	8,922	772	(3,154)	64,425
86,790	-	11,514	2,935	(3,037)	69,304
110,195	-	21,996	5,850	(3,989)	78,360
202,166	-	58,702	16,517	(12,949)	113,998
386,088	-	145,176	40,848	(19,979)	180,085
-	20,756,715	15,951,082	4,488,116	43,242	360,759
<u>\$ 1,253,892</u>	<u>\$ 20,756,715</u>	<u>\$ 16,208,269</u>	<u>\$ 4,555,990</u>	<u>\$ (52,371)</u>	<u>\$ 1,193,977</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2016

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	\$ 790,500	\$ 790,500	\$ 722,258	\$ (68,242)
5800 State Program Revenues	58,350	58,350	73,483	15,133
5900 Federal Program Revenues	2,110,000	2,110,000	2,180,430	70,430
5020 Total Revenues	<u>2,958,850</u>	<u>2,958,850</u>	<u>2,976,171</u>	<u>17,321</u>
EXPENDITURES:				
0035 Food Services	<u>2,953,245</u>	<u>2,953,245</u>	<u>2,910,911</u>	<u>42,334</u>
6030 Total Expenditures	<u>2,953,245</u>	<u>2,953,245</u>	<u>2,910,911</u>	<u>42,334</u>
1200 Net Change in Fund Balances	5,605	5,605	65,260	59,655
0100 Fund Balance - September 1 (Beginning)	<u>461,266</u>	<u>461,266</u>	<u>461,266</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 466,871</u>	<u>\$ 466,871</u>	<u>\$ 526,526</u>	<u>\$ 59,655</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, 2016

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	\$ 4,680,500	\$ 4,680,500	\$ 4,663,400	\$ (17,100)
5800	State Program Revenues	377,000	377,000	576,124	199,124
5020	Total Revenues	5,057,500	5,057,500	5,239,524	182,024
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	799,939	799,939	799,938	1
0072	Interest on Long Term Debt	4,108,657	4,108,657	4,108,655	2
0073	Bond Issuance Cost and Fees	2,000	2,000	1,250	750
6030	Total Expenditures	4,910,596	4,910,596	4,909,843	753
1200	Net Change in Fund Balances	146,904	146,904	329,681	182,777
0100	Fund Balance - September 1 (Beginning)	687,523	687,523	687,523	-
3000	Fund Balance - August 31 (Ending)	\$ 834,427	\$ 834,427	\$ 1,017,204	\$ 182,777

THIS PAGE LEFT BLANK INTENTIONALLY

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

KIRK, RICHARDSON & POOLE, P. C.

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	www.krp-cpa.com	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, 2016, 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 28, 2016.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 28, 2016

KIRK, RICHARDSON & POOLE, P. C.

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	www.krp-cpa.com	Fax (817) 451-7597

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

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Denison Independent School District (the "District") compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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, 2016.

Report on Internal Control over Compliance

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

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

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

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

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P.C.
Fort Worth, Texas
November 28, 2016

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

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

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

DENISON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2016

PRIOR YEAR'S FINDING/NONCOMPLIANCE:

Federal Award Findings and Questioned Costs

2015-001 – Semi-Annual Certification for Employees Paid 100% from Major Federal Programs – This item has been corrected and is no longer considered as a finding.

DENISON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2016

CORRECTIVE ACTION PLAN:

Contact Person: Randy Reid, Assistant Superintendent for Business Services
1-903-462-7037

None required.

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2016

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
<u>Direct Programs</u>			
Grayson County Flood Control	12.112		\$ 46,425
Total Direct Programs			\$ 46,425
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 46,425
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Title VII, Indian Education Formula Grant	84.060		\$ 50,526
Total Direct Programs			\$ 50,526
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101091903	\$ 1,186,080
*IDEA - Part B, Formula	84.027	16660001091903	953,764
*IDEA - Part B, Preschool	84.173	16661001091903	28,250
Total Special Education Cluster (IDEA)			982,014
Career and Technical - Basic Grant	84.048	16420006091903	61,356
Title III, Part A - English Language Acquisition	84.365A	16671001057950	24,997
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501091903	201,564
Total Passed Through State Department of Education			\$ 2,456,011
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 2,506,537
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600		\$ 252,738
Total Passed Through State Department of Education			\$ 252,738
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 252,738
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 539,063
*National School Lunch Program - Cash Assistance	10.555		1,456,334
*National School Lunch Program - Non-Cash Assistance	10.555		185,034
Total CFDA Number 10.555			1,641,368
*Summer Feeding Program - Cash Assistance	10.559		32,495
Total Child Nutrition Cluster			2,212,926
Total Passed Through the State Department of Agriculture			\$ 2,212,926
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 2,212,926
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 5,018,626

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

DENISON INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS
 AUGUST 31, 2016

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 generally is account 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 funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types. With this measurement focus, only current assets, current liabilities and fund balance are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. The accompanying Schedule of Expenditures of Federal Awards is presented on the modified accrual basis of accounting.

3. The period of availability for federal grant programs for the purpose of liquidations of outstanding obligations made on or before the ending date of the federal project extended 30 days beyond the federal project period ending date.
4. The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the District has not complied with rules and regulations governing the grants, refund of any money received may be required and the collectability of any related receivable may be impaired.
5. The following is a reconciliation of expenditures of federal awards program per the Schedule of Expenditures of Federal Awards and expenditures reported in the financial statements as follows:

Total federal sources per financial statements for Governmental Funds	\$5,542,738
School Health & Related Services (SHARS) reimbursement not reported in the Schedule of Expenditures of Federal Awards	(524,113)
Rounding	1
Total federal expenditures on Schedule of Expenditures of Federal Awards	<u>\$5,018,626</u>