

**DENISON INDEPENDENT SCHOOL
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED**

AUGUST 31, 2015

DENISON INDEPENDENT SCHOOL DISTRICT

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CERTIFICATE OF THE BOARD

Denison Independent School District
Name of School District

Grayson
County

091-903
Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2015, at a meeting of the board of trustees of such school district on the _____ day of _____, 2015.

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		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, 2015, 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, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note I to the financial statements, during fiscal year 2015, the District adopted new accounting guidance prescribed by GASB 68 – Accounting and Financial Reporting for Pensions (“GASB 68”) for its pension plan – a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation. Because GASB 68 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 Statement of Net Position discloses the District’s Net Pension Liability and some deferred resource outflows and deferred resource inflows related to the District’s pension plan. Exhibit B-1 Statement of Activities discloses the adjustment to the District’s Beginning Net Position. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information on pages 7-12 and 46 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 47 and 48 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and the required Texas Education Agency schedules 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 and the required Texas Education Agency schedules 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 12, 2015 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 12, 2015

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015
UNAUDITED

This section of Denison Independent School District's (the "District") annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District implemented GASB 68 –Accounting and Financial Reporting for Pensions during the current year. More detail information concerning the effect of implementation can be found in Note 1 in the Notes to the Financial Statements. A prior period adjustment of \$(4,485,990) to the government-wide financial statement of activities resulted from implementing GASB 68.
- District's total combined net position was \$16,211,508 at August 31, 2015 a decrease of \$4,518,286 from the prior year. The prior period adjustment, as stated above, accounts for \$4,485,990 of this amount and the remaining \$32,296 decrease is the result of current year operations.
- Program revenues were \$7,364,969 and general revenues were \$42,692,774 for total District revenues of \$50,057,743. State aid – formula grants accounted for \$21,321,553, or 42.6%, of total revenues. Property taxes accounted for \$20,192,436 million, or 40.3% of total revenues. Grants and contributions accounted for \$6,201,105, or 12.4%. Remaining revenues came charges for services, miscellaneous local and intermediate revenues and other sources.
- Total expenditure for the year were \$50,090,039. Instruction and instructional related expenses accounted for \$26,477,527 or 52.6% of this amount. Other student services, such as, food services, school leadership, extracurricular activities, and other student services accounted for \$11,756,479 or 23.5%. The remaining 23.9% or \$11,856,033 was for other services such as plant maintenance and operations, general administration, and other costs associated with operating a school district.
- The total costs of current year programs were less than last year's cost by \$6,214,535 mainly due to prior year having capital outlays of \$6,322,923.
- The general fund reported a fund balance this year of \$10,614,587, a net decrease of \$301,369 from last year. The general fund decreased by \$518,479 as result of transferring funds to the capital projects fund to cover costs of capital improvements made during the year. This decrease was offset by a \$217,110 increase in the general fund from current year operations.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015
UNAUDITED

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

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

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

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

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

Government-wide Statements

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

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015
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The two government-wide statements report the District's *net position* and how they have changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources — is one way to measure the District's financial health or *position*.

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

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

Fund Financial Statements

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

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

The District has three kinds of funds:

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

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

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015
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funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position: The District’s *combined* net position was approximately \$16.2 million at August 31, 2015. (See Table A-1).

Table A-1
The District’s Net Position

	Governmental Activities	
	2015	2014
Assets		
Current and other assets	\$ 14,944,751	\$ 23,263,891
Capital and non-current assets	97,867,278	98,934,059
Total assets	<u>112,812,029</u>	<u>122,197,950</u>
Deferred Outflows of Resources		
Deferred outflows related to TRS	<u>1,080,232</u>	<u>0</u>
Liabilities		
Current liabilities	1,628,862	9,600,060
Long term liabilities	94,840,706	91,868,096
Total liabilities	<u>96,469,568</u>	<u>101,468,156</u>
Deferred Inflows of Resources		
Deferred inflows related to TRS	<u>1,211,185</u>	<u>0</u>
Net Position		
Net investment in capital assets	15,311,948	15,528,199
Restricted	1,052,490	1,059,931
Unrestricted	(152,930)	4,141,664
Total net position	<u>\$ 16,211,508</u>	<u>\$ 20,729,794</u>

The \$(152,930) of unrestricted net position represents resources unavailable to fund next year’s District programs.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015
UNAUDITED

Changes in Net Position: As seen in Table A-2, the District's total revenues were \$50,057,743 and the total cost of all programs and services was \$50,090,039, for a net decrease in net position of \$4,518,286, including the prior period adjustment of (\$4,485,990) related to implementing GASB 68.

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

	Governmental Activities	
	2015	2014
Revenues		
<u>Program Revenues</u>		
Charges for services	\$ 1,163,864	\$ 1,001,313
Operating grants and contributions	6,201,105	6,017,840
<u>General Revenues</u>		
Property taxes	20,192,436	19,734,332
State aid – formula/grants	21,321,553	18,639,968
Grants & contributions not restricted	622,629	516,240
Investment earnings	48,631	134,925
Other	507,525	1,532,426
Total revenues	<u>50,057,743</u>	<u>47,577,044</u>
Expenses		
Instruction and instructional related	26,477,527	27,258,006
Instructional leadership/school administration	2,692,607	2,664,204
Guidance, social work, health, transportation	3,628,067	3,435,350
Food service	2,998,744	2,876,845
Extracurricular activities	2,437,061	2,551,162
General administration	1,292,742	1,287,211
Plant maintenance and security	5,707,149	4,889,356
Data processing services	582,293	534,299
Community services	12,807	0
Debt service	3,884,058	4,094,952
Capital outlay	0	6,322,929
Other	376,984	390,260
Total Expenses	<u>50,090,039</u>	<u>56,304,574</u>
Increase/(Decrease) in net position	(32,296)	(8,727,530)
Prior period adjustment	(4,485,990)	0
Beginning net position	20,729,794	29,457,324
Ending net position	<u>\$16,211,508</u>	<u>\$20,729,794</u>

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015
UNAUDITED

Table A-3 presents the total expense of each of the District’s largest activities, as well as each activities *net expense* (total expense less charges for services and operating grants and contributions). The net cost reflects what was funded by state aid – formula grants, property taxes, and other sources of revenues.

Table A-3

	Total Cost of Services		Net Cost of Services	
	2015	2014	2015	2014
	Instruction	\$25,416,026	\$26,172,043	\$22,361,980
Facilities maint. & operations	5,545,841	4,721,015	5,439,412	4,582,043
Food service	2,998,744	2,876,845	204,734	353,756

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$50,135,834, an increase of 5.1% from the preceding year’s revenue of \$47,680,690. Local revenues decreased by \$518,563, state revenue increased by \$2,449,501 and federal revenues increased by \$524,206.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its budget to reflect changes that occurred during the year. Actual expenditures were \$3,197,406 less than the final budget amount of \$42,288,261. The most significant positive variance was in instruction. Resources available were \$1,206,687 more than the final budgeted amount. This is mainly the result of receiving \$1,247,586 more in state program revenues than anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had a net investment of \$97,867,278 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.)

Table A-4
District’s Capital Assets

	Governmental Activities	
	2015	2014
Land	\$ 2,462,102	\$ 2,462,102
Construction in process	0	5,680,314
Building and improvements	107,744,853	101,022,839
Furniture and equipment	9,901,195	9,315,596
Total at historical cost	120,108,150	118,480,851
Less total accumulated depreciation	22,240,872	19,546,792
Net capital assets	\$ 97,867,278	\$ 98,934,059

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015
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Long-Term Debt

At year-end the District had \$94.8 million in bonds, accreted interest, compensated absences, and net pension liability (district share) of TRS as shown in Table A-5. More detailed information about the District’s debt is presented in the Notes to the Financial Statements.

Table A-5
District’s Long Term Debt

	Governmental Activities	
	2015	2014
Bonds payable	\$80,613,124	\$81,388,954
Accreted interest	7,967,062	8,088,693
Unamortized premium/(discount)	1,942,205	2,016,906
Compensated absences	358,941	373,543
Net pension liability (District share – TRS)	3,959,374	0
Totals	<u>\$94,840,706</u>	<u>\$91,868,096</u>

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES.

Appraised value used for the 2016 budget preparation will be up \$42.13 million, or 2.95% from 2015.

General operating fund spending per student increases in the 2016 budget from \$8,660 to \$8,879. This is a 2.5% increase.

The District’s 2016 refined average daily attendance is expected to be 4,275, an increase of 75 over 2015.

These indicators were taken into account when adopting the general fund budget for 2016. Amounts available for appropriation in the general fund budget are \$40.84 million, an increase of 1.7% compared to the final 2015 budget of \$40.17 million. Property taxes will not increase due to an increase in appraised values. The tax rate will remain \$1.4992.

Expenditures are budgeted at \$40.84 million. Property tax revenue will increase approximately \$800,000 and State Funding will increase approximately \$1,170,000. Investment revenue will decrease by approximately \$20,000.

If these estimates are realized, the District’s budgetary fund balance in the general fund is expected to decrease by \$400,000 by the close of 2016.

DENISON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2015
UNAUDITED

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 9,838,502
1210 Property Taxes - Current	386,088
1220 Property Taxes Receivable (Delinquent)	867,804
1230 Allowance for Uncollectible Taxes	(25,078)
1240 Due from Other Governments	2,667,364
1290 Other Receivables, net	1,120,364
1300 Inventories	80,694
1410 Prepayments	9,013
Capital Assets:	
1510 Land	2,462,102
1520 Buildings, Net	93,354,528
1530 Furniture and Equipment, Net	2,050,648
1000 Total Assets	112,812,029
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	1,080,232
1700 Total Deferred Outflows of Resources	1,080,232
LIABILITIES	
2110 Accounts Payable	176,856
2140 Interest Payable	335,072
2160 Accrued Wages Payable	1,105,751
2300 Unearned Revenue	11,183
Noncurrent Liabilities	
2501 Due Within One Year	799,939
2502 Due in More Than One Year	90,081,393
2540 Net Pension Liability (District's Share)	3,959,374
2000 Total Liabilities	96,469,568
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	1,211,185
2600 Total Deferred Inflows of Resources	1,211,185
NET POSITION	
3200 Net Investment in Capital Assets	15,311,948
3820 Restricted for Federal and State Programs	417,426
3850 Restricted for Debt Service	352,451
3870 Restricted for Campus Activities	160,955
3890 Restricted for Other Purposes	121,658
3900 Unrestricted	(152,930)
3000 Total Net Position	\$ 16,211,508

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, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 25,416,026	\$ 83,664	\$ 2,970,382	\$ (22,361,980)
12 Instructional Resources and Media Services	485,885	-	78,318	(407,567)
13 Curriculum and Staff Development	575,616	-	271,390	(304,226)
21 Instructional Leadership	721,711	-	118,181	(603,530)
23 School Leadership	1,970,896	-	81,291	(1,889,605)
31 Guidance, Counseling and Evaluation Services	1,624,442	-	222,807	(1,401,635)
33 Health Services	378,676	-	10,712	(367,964)
34 Student (Pupil) Transportation	1,624,949	-	55,819	(1,569,130)
35 Food Services	2,998,744	591,182	2,202,828	(204,734)
36 Extracurricular Activities	2,437,061	485,218	20,132	(1,931,711)
41 General Administration	1,292,742	-	37,491	(1,255,251)
51 Facilities Maintenance and Operations	5,545,841	3,800	102,629	(5,439,412)
52 Security and Monitoring Services	161,308	-	4,370	(156,938)
53 Data Processing Services	582,293	-	11,948	(570,345)
61 Community Services	12,807	-	12,807	-
72 Debt Service - Interest on Long Term Debt	3,882,808	-	-	(3,882,808)
73 Debt Service - Bond Issuance Cost and Fees	1,250	-	-	(1,250)
99 Other Intergovernmental Charges	376,984	-	-	(376,984)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 50,090,039</u>	<u>\$ 1,163,864</u>	<u>\$ 6,201,105</u>	<u>(42,725,070)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			15,757,402
DT	Property Taxes, Levied for Debt Service			4,435,034
SF	State Aid - Formula Grants			21,321,553
GC	Grants and Contributions not Restricted			622,629
IE	Investment Earnings			48,631
MI	Miscellaneous Local and Intermediate Revenue			507,525
TR	Total General Revenues			<u>42,692,774</u>
CN	Change in Net Position			(32,296)
NB	Net Position - Beginning			20,729,794
PA	Prior Period Adjustment			(4,485,990)
NE	Net Position--Ending			<u>\$ 16,211,508</u>

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

DENISON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 8,669,339	\$ 653,543	\$ 9,322,882
1210 Property Taxes - Current	301,663	84,425	386,088
1220 Property Taxes - Delinquent	745,466	122,338	867,804
1230 Allowance for Uncollectible Taxes (Credit)	(20,943)	(4,135)	(25,078)
1240 Receivables from Other Governments	1,834,931	832,433	2,667,364
1290 Other Receivables	1,120,364	-	1,120,364
1300 Inventories	36,854	43,840	80,694
1410 Prepayments	9,013	-	9,013
1000 Total Assets	<u>\$ 12,696,687</u>	<u>\$ 1,732,444</u>	<u>\$ 14,429,131</u>
LIABILITIES			
2110 Accounts Payable	\$ 32,921	\$ 4,473	\$ 37,394
2160 Accrued Wages Payable	1,022,993	82,758	1,105,751
2300 Unearned Revenues	-	11,183	11,183
2000 Total Liabilities	<u>1,055,914</u>	<u>98,414</u>	<u>1,154,328</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,026,186	202,628	1,228,814
2600 Total Deferred Inflows of Resources	<u>1,026,186</u>	<u>202,628</u>	<u>1,228,814</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	36,854	43,840	80,694
3430 Prepaid Items	9,013	-	9,013
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	417,426	417,426
3480 Retirement of Long-Term Debt	-	687,523	687,523
3490 Other Restricted Fund Balance	-	121,658	121,658
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	160,955	160,955
3600 Unassigned Fund Balance	10,568,720	-	10,568,720
3000 Total Fund Balances	<u>10,614,587</u>	<u>1,431,402</u>	<u>12,045,989</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 12,696,687</u>	<u>\$ 1,732,444</u>	<u>\$ 14,429,131</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, 2015

Total Fund Balances - Governmental Funds	\$	12,045,989
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.		376,158
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 \$118,480,851 and the accumulated depreciation was (\$19,546,792). 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.		6,732,866
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 2015 capital outlays and debt principal payments is to increase net position.		2,403,129
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 \$3,959,374, a Deferred Resource Inflow related to TRS in the amount of \$1,211,185 and a Deferred Resource Outflow related to TRS in the amount of \$1,080,232. The net effect of including these amounts is a decrease in net position.		(4,090,327)
5 The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,694,080)
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.		1,437,773
19 Net Position of Governmental Activities	\$	16,211,508

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, 2015

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 16,386,471	\$ 5,607,674	\$ 21,994,145
5800 State Program Revenues	22,438,864	416,281	22,855,145
5900 Federal Program Revenues	482,630	4,803,914	5,286,544
5020 Total Revenues	<u>39,307,965</u>	<u>10,827,869</u>	<u>50,135,834</u>
EXPENDITURES:			
Current:			
0011 Instruction	22,382,994	2,273,700	24,656,694
0012 Instructional Resources and Media Services	381,966	66,992	448,958
0013 Curriculum and Instructional Staff Development	305,201	260,934	566,135
0021 Instructional Leadership	638,942	90,634	729,576
0023 School Leadership	1,979,321	836	1,980,157
0031 Guidance, Counseling and Evaluation Services	1,470,090	166,597	1,636,687
0033 Health Services	374,222	1,746	375,968
0034 Student (Pupil) Transportation	1,534,231	27,765	1,561,996
0035 Food Services	-	2,819,784	2,819,784
0036 Extracurricular Activities	1,540,377	210,328	1,750,705
0041 General Administration	1,284,839	-	1,284,839
0051 Facilities Maintenance and Operations	5,547,079	-	5,547,079
0052 Security and Monitoring Services	152,926	-	152,926
0053 Data Processing Services	584,694	-	584,694
0061 Community Services	-	12,807	12,807
Debt Service:			
0071 Principal on Long Term Debt	-	775,830	775,830
0072 Interest on Long Term Debt	-	4,077,164	4,077,164
0073 Bond Issuance Cost and Fees	-	1,250	1,250
Capital Outlay:			
0081 Facilities Acquisition and Construction	536,989	521,607	1,058,596
Intergovernmental:			
0099 Other Intergovernmental Charges	376,984	-	376,984
6030 Total Expenditures	<u>39,090,855</u>	<u>11,307,974</u>	<u>50,398,829</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>217,110</u>	<u>(480,105)</u>	<u>(262,995)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	518,479	518,479
8911 Transfers Out (Use)	(518,479)	-	(518,479)
7080 Total Other Financing Sources (Uses)	<u>(518,479)</u>	<u>518,479</u>	<u>-</u>
1200 Net Change in Fund Balances	(301,369)	38,374	(262,995)
0100 Fund Balance - September 1 (Beginning)	<u>10,915,956</u>	<u>1,393,028</u>	<u>12,308,984</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,614,587</u>	<u>\$ 1,431,402</u>	<u>\$ 12,045,989</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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(262,995)
 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 decrease net position.		(4,881)
 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 2015 capital outlays and debt principal payments is to increase net position.		2,403,129
 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.		(2,694,080)
 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 8/31/2014 caused the change in the ending net position to increase in the amount of \$761,635. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for fiscal year 2015 were \$615,054 for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period of \$249,082. This caused a net decrease in the change in net position of \$365,972. The impact of all of these is to increase net position.		395,663
 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.		130,868
 Change in Net Position of Governmental Activities	\$	(32,296)

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, 2015

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 515,620
Total Assets	515,620
LIABILITIES	
Current Liabilities:	
Accounts Payable	139,462
Total Liabilities	139,462
NET POSITION	
Unrestricted Net Position	376,158
Total Net Position	\$ 376,158

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, 2015

	Governmental Activities -
	Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 112,056
Total Operating Revenues	112,056
OPERATING EXPENSES:	
Professional and Contracted Services	116,937
Total Operating Expenses	116,937
Operating Income (Loss)	(4,881)
Total Net Position - September 1 (Beginning)	381,039
Total Net Position - August 31 (Ending)	\$ 376,158

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, 2015

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 112,056
Cash Payments for Insurance Claims	(105,826)
Net Cash Provided by Operating Activities	6,230
Net Increase in Cash and Cash Equivalents	6,230
Cash and Cash Equivalents at Beginning of Year	509,390
Cash and Cash Equivalents at End of Year	\$ 515,620
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided by Operating Activities:</u>	
Operating Income (Loss):	\$ (4,881)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	11,111
Net Cash Provided by Operating Activities	\$ 6,230

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

DENISON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

	Private Purpose Trust Fund	Agency Fund	Fiduciary Component Unit
ASSETS			
Cash and Cash Equivalents	\$ 48,085	\$ 233,676	\$ 1,865,759
Total Assets	<u>48,085</u>	<u>\$ 233,676</u>	<u>1,865,759</u>
LIABILITIES			
Due to Student Groups	-	\$ 233,676	-
Total Liabilities	<u>-</u>	<u>\$ 233,676</u>	<u>-</u>
NET POSITION			
Restricted for Scholarships	<u>48,085</u>		<u>1,865,759</u>
Total Net Position	<u>\$ 48,085</u>		<u>\$ 1,865,759</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, 2015

	Private Purpose Trust Fund	Fiduciary Component Unit
ADDITIONS:		
Local and Intermediate Sources	\$ 41,650	\$ 213,947
Total Additions	<u>41,650</u>	<u>213,947</u>
DEDUCTIONS:		
Other Operating Costs	-	100,826
Scholarships and Grants Awarded	47,771	52,130
Total Deductions	<u>47,771</u>	<u>152,956</u>
Change in Net Position	(6,121)	60,991
Total Net Position - September 1 (Beginning)	<u>54,206</u>	<u>1,804,768</u>
Total Net Position - August 31 (Ending)	<u>\$ 48,085</u>	<u>\$ 1,865,759</u>

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Pensions – The District adopted new accounting guidance prescribed by GASB 68 – Accounting and Financial Reporting for Pensions for its pension plan – a multiple-employer, cost-sharing, defined benefit pension plan that has a special funding situation as related to the Teacher Retirement System of Texas (TRS). The fiduciary net position of the 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.

A. Reporting Entity

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

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

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

B. Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and fees, fines, and charges paid by recipients of goods or services offered by the programs and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

Major Governmental Funds

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

Non-major Governmental Funds

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

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

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

Proprietary Funds

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

Fiduciary Funds

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

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

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

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

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

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

expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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

D. Management's Use of Estimates

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

The amount of state foundation revenue a district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as into the next fiscal year. It is at least reasonably possible that the foundation revenue for fiscal year 2015 will ultimately change from the amount calculated as of August 31, 2015 because of the factors that TEA uses in its calculations.

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

1. Cash and cash equivalents

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

2. Receivables and payables

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

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

Exhibit F-1

3. Property taxes

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

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to \$1.17 per \$100 of assessed valuation for general governmental services other than debt services on general obligation bonds. The tax rate which may be levied to service general obligation bonds is limited to \$0.50, except under certain conditions. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt services of \$1.17 per \$100 valuation and \$0.3292 per \$100 valuation, respectively, based on a net assessed valuation of \$1,349,069,570.

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

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2015 are as follows:

	<u>Gross Delinquent Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Delinquent Taxes Receivables</u>
General Fund	\$1,047,129	(\$20,943)	\$1,026,186
Debt Service Fund	206,763	(4,135)	202,628
Totals	<u>\$1,253,892</u>	<u>(\$25,078)</u>	<u>\$1,228,814</u>

Current tax collections for the levy year ended August 31, 2015 were 98.1% of the year-end adjusted tax levy.

4. Inventories and prepaid items

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

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

5. Interfund transactions and receivables and payables

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

6. Encumbrances

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

7. Capital assets

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

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

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

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

8. Long-term obligations

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

DENISON INDEPENDENT SCHOOL DISTRICT
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Exhibit F-1

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.

9. Unearned revenues

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

Special Revenue Funds	
Advanced Placement Incentives – state revenue	<u>\$11,183</u>

10. Deferred outflows/inflow of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District recorded in the government-wide statement of net position a total of \$1,080,232 as deferred outflow of resources related to implementing GASB 68. This amount consisted of \$318,597 for total net amounts per TRS August 31, 2014 measurement date and \$761,634 for contributions paid to TRS subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District recorded in the government-wide statement of net position \$1,211,185 for total net amounts per TRS August 31, 2014 measurement date as a result of implementing GASB 68. The District also recorded in the governmental fund balance sheet as *unavailable revenue* \$1,026,186 and \$202,628 as unavailable revenues from property taxes within the General Fund and Debt Service Fund respectively. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

11. Net position and fund balances

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

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

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Exhibit F-1

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

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

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

Restricted for other purposes – funds that have 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., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

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

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

Non-spendable fund balance – Non-spendable fund balance is that portion of fund balance that is not in spendable form, such as inventory and prepaid 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, construction programs, 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 construction and capital expenditures for equipment.

Assigned fund balance – the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific

DENISON INDEPENDENT SCHOOL DISTRICT
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Exhibit F-1

amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is a specific purpose that is narrower than the general purposes of the District itself. The District does not have assigned fund balances.

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

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

The District does not have a minimum fund balance policy.

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds
 For Fiscal Year Ending August 31, 2015

	General Fund	Other Funds	Total Governmental Funds
Nonspendable Fund Balance			
Inventories	\$ 36,854	\$ 43,840	\$ 80,694
Prepaid items	9,013	0	9,013
Restricted Fund Balance			
Nat’l School Break. & Lunch Program	0	417,426	417,426
Retirement of long-term debt	0	687,523	687,523
Other restricted – local grants	0	121,658	121,658
Committed Fund Balance			
Campus activity fund	0	160,955	160,955
Unassigned	10,568,720	0	10,568,720
Total Fund Balance	<u>\$10,614,587</u>	<u>\$1,431,402</u>	<u>\$12,045,989</u>

12. Data control codes

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

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

Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position” provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement

of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. 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 asset balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund-basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts. Also included are all of the adjustments required by GASB 68.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Information

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

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

1. The superintendent or his designee prepares a budget covering all estimated revenues and proposed expenditures of the District for the next succeeding fiscal year. The budget is prepared by fund type and function.
2. Ten days after public notice of the meeting has been given, a public hearing is held, allowing the public to comment on the proposed budget.
3. A public meeting of the Board of Trustees is called for the purpose of adopting the budget. The State Board of Education requires that the budget be prepared no later than August 20th of each year.

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Exhibit F-1

4. Budget data must be received by the Texas Education Agency on or before December 15 each year. The legal level of budgetary control is at the function level within each generic fund type. Budget amounts are as originally adopted, or as amended by the Board. Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board of Trustees. Changes can be made to the budget at any detail within the function level without an amendment approved by the Board. During the year, several budget amendments were made with Board approval. The most significant amendments were for carryover funding; mid-year adjustment of local and state revenues and appropriations and operating costs; and year-end adjustments to revise estimates of revenues and expenditures based on the latest information on student attendance, interest earnings, and operating costs. All budget appropriations lapse at year-end.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund – Exhibit G-1	\$38,973,736	\$3,314,525	\$42,288,261
Child Nutrition Program – Exhibit J-4	2,766,545	140,554	2,907,099
Debt Service Fund – Exhibit J-5	4,854,994	0	4,854,994

The three most significant budget amendments within the General Fund was to add \$887,550 for instruction, \$510,256 for facilities maintenance and operations and \$1,250,000 for facilities acquisition and construction. The Child Nutrition Program was amended for unanticipated operating expenditures.

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

	August 31, 2015 Fund Balance
Child Nutrition Program	\$461,266
Non-appropriated Budgeted Funds	282,613
All Special Revenue Funds	<u>\$694,445</u>

B. Excess of Expenditures over Appropriations

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

C. Deficit Fund Equity

There were no deficit fund equities for the year ended August 31, 2015.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The District’s funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved pledged securities for safekeeping and trust with the District’s agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved

DENISON INDEPENDENT SCHOOL DISTRICT
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Exhibit F-1

securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Cooperation ("FDIC") insurance.

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

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

At August 31, 2015, the carrying value of the District's deposits was \$3,328,637, excluding petty cash of \$7,000 and \$6,502,865 of investments considered as cash equivalents, and the bank balance was \$3,656,570. The District's cash deposits at August 31, 2015, and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Petty cash	\$ 7,000
Cash in bank	3,328,637
Investments considered as cash equivalents	6,502,865
Total cash and cash equivalents	<u>\$9,838,502</u>

The following investments are considered as cash equivalents:

<u>Investments</u>	<u>Carrying</u> <u>Amount</u>	<u>Fair Value</u>	<u>Percentage of</u> <u>Investments</u>	<u>Weighted Average</u> <u>Maturity (Days)</u>
FDIC insured investments	\$ 257,852	\$ 257,852	4.0%	On demand
Savings accounts	6,244,712	6,244,712	96.0%	On demand
Public funds money markets	301	301	0.0%	On demand
	<u>\$6,502,865</u>	<u>\$6,502,865</u>	<u>100.0%</u>	

The carrying value of deposits in the Proprietary Fund was \$515,620.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The collateral shall always be held by an independent third party with whom the District has a current custodial agreement. The District is not exposed custodial credit risk for its deposits as all were covered by depository insurance or securities pledged to the District and held by a third-party custodian.

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

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

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

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

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

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

B. Receivables and Payables

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

DENISON INDEPENDENT SCHOOL DISTRICT
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There are no significant receivables which are not scheduled for collection within one year of August 31, 2015.

C. Due from Other Governments

Receivables due from other governments, as of August 31, 2015, are as follows:

	<u>Due From State</u>	<u>Due From Other Governments</u>
General Fund	\$1,418,264	\$416,667
Special Revenue Funds		
Head Start	102,743	0
ESEA I,A Improving Basic Programs	485,753	0
IDEA – Part B Formula	177,897	0
IDEA – Part B Preschool	6,278	0
National Breakfast & Lunch Program	8,070	0
ESEA II, A Training & Recruiting	37,344	0
Title III,A English Language Acquisition	4,738	0
Non-Educational Community Based Support	3,812	0
State Textbook Fund	5,798	0
Totals	<u>\$2,250,697</u>	<u>\$416,667</u>

D. Interfund Receivables and Payables

There were no interfund receivables and payables at August 31, 2015.

E. Other Financing Sources (Uses)

The General Fund transferred \$518,479 to the Capital Projects Fund to supplement this fund.

F. Operating Leases

The District leases office equipment under noncancelable operating leases. Total costs for such leases were \$90,759 for the year. The future minimum lease payments for active operating leases are summarized below:

<u>Year Ending August 31</u>	<u>Amount</u>
2016	\$28,802
2017	4,969
2018	0
Total	<u>\$38,132</u>

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Exhibit F-1

G. Capital Assets

Capital asset activity for the year ended August 31, 2015 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	5,680,314	0	5,680,314	0
Total Capital Assets, not being depreciated	<u>8,142,416</u>	<u>0</u>	<u>5,680,314</u>	<u>2,462,102</u>
Capital assets, being depreciated:				
Buildings and improvements	101,022,839	6,722,014	0	107,744,853
Furniture and equipment	9,315,596	585,599	0	9,901,195
Total capital assets, being depreciated	<u>110,338,435</u>	<u>7,307,613</u>	<u>0</u>	<u>117,646,048</u>
Less accumulated depreciation for:				
Buildings and improvements	12,453,679	1,936,646	0	14,390,325
Furniture and equipment	7,093,113	757,434	0	7,850,547
Total accumulated depreciation	<u>19,546,792</u>	<u>2,694,080</u>	<u>0</u>	<u>22,240,872</u>
Governmental activities capital assets, net	<u>\$98,934,059</u>	<u>\$4,613,533</u>	<u>\$5,680,314</u>	<u>\$ 97,867,278</u>

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

Governmental activities:	
11 – Instruction	\$1,117,741
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	319,576
35 – Food services	190,097
36 – Extracurricular activities	694,221
41 – General administration	19,723
51 – Plant maintenance & operations	150,177
52 – Security & monitoring services	8,382
53 – Data processing services	107,547
Total Depreciation Expense	<u>\$2,694,080</u>

H. 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. Compensated absences are paid from fund balance and future revenues of the General Fund.

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Exhibit F-1

The following is a summary of changes in long-term debt for government activities for the year ended August 31, 2015.

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Bonds payable	\$81,388,954	\$ 0	\$ 775,830	\$80,613,124	\$799,939
Accreted interest	8,088,693	952,539	1,074,170	7,967,062	0
Premium on bonds	2,016,906	0	74,700	1,942,206	0
Compensated absences	373,543	0	14,603	358,940	0
Net pension liability	0	3,959,374	0	3,959,374	0
Total	<u>\$91,868,096</u>	<u>\$4,911,913</u>	<u>\$1,939,303</u>	<u>\$94,840,706</u>	<u>\$799,939</u>

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 within the fund financial statements.

Issue/Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Series 1997 ULTSB&R Bonds/2021	4.3%/6.0%	\$13,224,677	\$ 3,207,592	\$0	\$555,830	\$ 2,651,762	\$ 524,420
Series 2011 ULTSB Bonds/2041	1.75%/5.0%	69,001,362	69,001,362	0	0	69,001,362	50,519
Series 2013 ULTSB Bonds/	1.75%/4.5%	9,410,000	9,180,000	0	220,000	8,960,000	225,000
Totals			<u>\$81,388,954</u>	<u>\$0</u>	<u>\$775,830</u>	<u>\$80,613,124</u>	<u>\$799,939</u>

Interest and fees paid on general obligation bonds during the year were \$4,078,414.

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
2016	\$ 799,939	\$ 4,108,655	\$ 4,908,594
2017	883,136	4,156,520	5,039,656
2018	968,010	4,207,709	5,175,719
2019	1,037,479	4,271,339	5,308,818
2020	1,111,022	4,340,746	5,451,768
2021-2025	8,743,885	20,176,634	28,923,519
2026-2030	12,149,653	18,808,591	30,958,244
2031-2035	21,270,000	10,776,900	32,046,900
2036-2040	27,380,000	5,047,525	32,427,525
2041-2045	6,270,000	267,157	6,537,157
Totals	<u>\$80,613,124</u>	<u>\$76,161,776</u>	<u>\$156,777,900</u>

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions as of August 31, 2015.

DENISON INDEPENDENT SCHOOL DISTRICT
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Exhibit F-1

I. 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	\$15,760,053	\$4,500,350	\$20,260,403
Food Sales	0	591,182	591,182
Investment Income	38,274	13,955	52,229
Penalties, interest & other tax related income	263,009	0	263,009
Extracurricular activities	171,787	313,431	485,218
Other	153,348	188,756	342,104
Total	<u>\$16,386,471</u>	<u>\$5,607,674</u>	<u>\$21,994,145</u>

J. State Aid Revenue

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

Revenues	General Fund	Other Funds	Totals
Per Capita Apportionment	\$ 1,108,310	\$ 0	\$ 1,108,310
Foundation School Program			
Act Entitlements	19,877,639	0	19,877,639
State Program Revenues	176,913	416,281	593,194
TRS On-behalf Payments	1,158,031	0	1,158,031
TRS Medicare Part-D	117,971	0	117,971
Totals	<u>\$22,438,864</u>	<u>\$416,281</u>	<u>\$22,855,145</u>

K. Federal Program Revenues

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

Revenues	General Fund	Other Funds	Totals
Grayson County Flood Control	\$ 63,340	\$ 0	\$ 63,340
School Health & Related Services (SHARS)	419,290	0	419,290
Head Start	0	270,312	270,312
ESEA, Title I, Part A – Improving Basic Programs	0	1,108,545	1,108,545
IDEA – Part B Formula	0	956,044	956,044
IDEA – Part B Preschool	0	28,282	28,282
School Breakfast Program	0	525,623	525,623
National School Lunch Program	0	1,415,075	1,415,075
USDA Donated Commodities	0	165,372	165,372
Summer Feeding Program	0	6,339	6,339
Career and Technical – Basic Grant	0	67,610	67,610
ESEA II, A Training & Recruiting	0	188,588	188,588
Title III, A English Language Acquisition	0	17,862	17,862
Title VII Indian Education	0	54,262	54,262
Totals	<u>\$482,630</u>	<u>\$4,803,914</u>	<u>\$5,286,544</u>

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

Exhibit F-1

L. Employee Benefits

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

1. 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	\$373,543
Net change	<u>(14,602)</u>
Balance, August 31	<u>\$358,941</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). TRS's defined benefit pension plan is 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. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Exhibit F-1

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,075,085)
Net Pension Liability	<u>\$ 26,716,832,801</u>
 Net Position as percentage of Total Pension Liability	 83.25%

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. It also added a 1.5% contribution for employers not paying Old

Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2015 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

<u>Contribution Rates</u>		
	<u>2014</u>	<u>2015</u>
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
 District - 2014 Employer Contributions	 \$1,811,527	
District - 2014 Member Contributions	\$1,838,565	
District - 2014 NECE On-behalf Contributions	\$1,183,565	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

Exhibit F-1

state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement local funds.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions - The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age
Normal	
Amortization Method	Level Percentage of
Payroll, Open	
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

Exhibit F-1

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, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U. S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
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.*

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

Exhibit F-1

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 2014 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:	\$7,075,162	\$3,959,374	\$1,629,345

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2014, the District reported a liability of \$3,959,374 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	\$ 3,959,374
State's proportionate share that is associated with District	<u>14,670,278</u>
Total	<u>\$18,629,652</u>

The net pension liability was measured as of August 31, 2014 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, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.00148228%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$365,972 and revenue of \$375,800 for support provided by the State.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Exhibit F-1

At August 31, 2014, 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	\$ 61,233	\$ 0
Changes in actuarial assumptions	257,364	0
Difference between projected and actual investment earnings	0	1,210,147
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	0	1,038
Contributions paid to TRS subsequent to the measurement date	761,635	0
Total	<u>\$1,080,232</u>	<u>\$1,211,185</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
2016	\$(248,925)
2017	(248,925)
2018	(248,295)
2019	53,572
2020	49,700

3. Retiree Health Plan

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

Funding Policy – Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Exhibit F-1

Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2015-2013.

Contribution Rates and Contribution Amounts						
Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	.65%	\$175,748	1.0%	\$270,377	.55%	\$148,707
2014	.65%	167,369	1.0%	257,489	.55%	141,621
2013	.65%	166,565	0.5%	128,127	.55%	140,945

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. For the fiscal years ended August 31, 2015, August 31, 2014, and August 31, 2013, the contributions made on behalf of the District were \$117,971, \$68,662, and \$64,148, respectively.

4. Health Care Coverage

Employees of the District are covered by TRS ActiveCare. TRS ActiveCare is a statewide health coverage program for public education employees established by the 77th Texas Legislature. The District contributed approximately \$225 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 Web site 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.

5. Worker’s Compensation

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

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

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund’s self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Exhibit F-1

fully funds those reserves. For the year-ended August 31, 2015, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2015, 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, 2015.

Fund Year	Claim Count at 8/31/15	Aggregate Liability	Estimated Paid Loss & ALAE at 8/31/15	Estimated Ultimate Loss & ALAE at 8/31/15	Estimated Outstanding Loss & ALAE at 8/31/15
2010-11	36	\$169,603	\$87,139	\$96,020	\$ 8,881
2011-12	19	185,473	76,844	86,873	10,029
2012-13	24	190,610	42,899	52,106	9,206
2013-14	20	188,791	31,228	39,776	8,548
2014-15	28	179,102	50,419	142,842	92,423

6. Commitments and Contingencies

State and Federal Grants

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

Litigation

The District is not a party in any litigation.

7. Risk Management

The District purchases commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

8. Prior Period Adjustment

During the fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is (\$4,485,990). The restated beginning net position, as a result of this adjustment, is \$16,243,804.

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2015

Exhibit F-1

9. Subsequent events

The District has evaluated subsequent events through November 12, 2015, the date which the financial statements were available.

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, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 16,345,000	\$ 16,345,000	\$ 16,386,471	\$ 41,471
5800	State Program Revenues	21,191,278	21,191,278	22,438,864	1,247,586
5900	Federal Program Revenues	565,000	565,000	482,630	(82,370)
5020	Total Revenues	38,101,278	38,101,278	39,307,965	1,206,687
EXPENDITURES:					
Current:					
0011	Instruction	23,261,972	24,149,522	22,382,994	1,766,528
0012	Instructional Resources and Media Services	460,976	489,089	381,966	107,123
0013	Curriculum and Instructional Staff Development	384,605	384,605	305,201	79,404
0021	Instructional Leadership	661,857	661,857	638,942	22,915
0023	School Leadership	1,994,261	2,050,326	1,979,321	71,005
0031	Guidance, Counseling and Evaluation Services	1,540,561	1,540,561	1,470,090	70,471
0033	Health Services	50,989	389,519	374,222	15,297
0034	Student (Pupil) Transportation	1,431,100	1,605,409	1,534,231	71,178
0036	Extracurricular Activities	1,586,985	1,586,985	1,540,377	46,608
0041	General Administration	1,436,296	1,436,296	1,284,839	151,457
0051	Facilities Maintenance and Operations	5,043,640	5,553,896	5,547,079	6,817
0052	Security and Monitoring Services	159,143	193,593	152,926	40,667
0053	Data Processing Services	566,351	601,603	584,694	16,909
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	1,250,000	536,989	713,011
Intergovernmental:					
0099	Other Intergovernmental Charges	395,000	395,000	376,984	18,016
6030	Total Expenditures	38,973,736	42,288,261	39,090,855	3,197,406
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(872,458)	(4,186,983)	217,110	4,404,093
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(518,479)	(518,479)
1200	Net Change in Fund Balances	(872,458)	(4,186,983)	(301,369)	3,885,614
0100	Fund Balance - September 1 (Beginning)	10,915,956	10,915,956	10,915,956	-
3000	Fund Balance - August 31 (Ending)	\$ 10,043,498	\$ 6,728,973	\$ 10,614,587	\$ 3,885,614

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, 2015

EXHIBIT G-6

	2015
District's Proportion of the Net Pension Liability (Asset)	0.000148228%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,959,374
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	14,670,278
Total	\$ 18,629,652
District's Covered-Employee Payroll	\$ 25,748,904
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	15.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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 2015

EXHIBIT G-7

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

Note: GASB 68, Paragraph 81,2,b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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, 2015

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	\$ (93,130)	\$ (436,105)	\$ (155,732)	\$ (4,804)
1210 Property Taxes - Current	-	-	-	-
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	102,743	485,753	177,897	6,278
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 9,613</u>	<u>\$ 49,648</u>	<u>\$ 22,165</u>	<u>\$ 1,474</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ 142	\$ -
2160 Accrued Wages Payable	9,613	49,648	22,023	1,474
2300 Unearned Revenues	-	-	-	-
2000 Total Liabilities	<u>9,613</u>	<u>49,648</u>	<u>22,165</u>	<u>1,474</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	-	-	-	-
2600 Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	-
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,613</u>	<u>\$ 49,648</u>	<u>\$ 22,165</u>	<u>\$ 1,474</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	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives
\$ 411,350	\$ -	\$ -	\$ (37,344)	\$ (4,738)	\$ -	\$ (1,475)	\$ 11,183
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
8,070	-	-	37,344	4,738	-	3,812	-
43,840	-	-	-	-	-	-	-
<u>\$ 463,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,337</u>	<u>\$ 11,183</u>
\$ 1,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,337	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	11,183
<u>1,994</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,337</u>	<u>11,183</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
43,840	-	-	-	-	-	-	-
417,426	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>461,266</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 463,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,337</u>	<u>\$ 11,183</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2015

Data Control Codes	410 State Textbook Fund	461 Campus Activity Funds	483 Local Grants	Total Nonmajor Special Revenue Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ (5,798)	\$ 160,955	\$ 121,658	\$ (33,980)
1210 Property Taxes - Current	-	-	-	-
1220 Property Taxes - Delinquent	-	-	-	-
1230 Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240 Receivables from Other Governments	5,798	-	-	832,433
1300 Inventories	-	-	-	43,840
1000 Total Assets	<u>\$ -</u>	<u>\$ 160,955</u>	<u>\$ 121,658</u>	<u>\$ 842,293</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ -	\$ -	\$ 4,473
2160 Accrued Wages Payable	-	-	-	82,758
2300 Unearned Revenues	-	-	-	11,183
2000 Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,414</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	-	-	-	43,840
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	417,426
3480 Retirement of Long-Term Debt	-	-	-	-
3490 Other Restricted Fund Balance	-	-	121,658	121,658
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	160,955	-	160,955
3000 Total Fund Balances	<u>-</u>	<u>160,955</u>	<u>121,658</u>	<u>743,879</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ -</u>	<u>\$ 160,955</u>	<u>\$ 121,658</u>	<u>\$ 842,293</u>

599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 687,523	\$ -	\$ 653,543
84,425	-	84,425
122,338	-	122,338
(4,135)	-	(4,135)
-	-	832,433
-	-	43,840
<u>\$ 890,151</u>	<u>\$ -</u>	<u>\$ 1,732,444</u>
\$ -	\$ -	\$ 4,473
-	-	82,758
-	-	11,183
<u>-</u>	<u>-</u>	<u>98,414</u>
202,628	-	202,628
<u>202,628</u>	<u>-</u>	<u>202,628</u>
-	-	43,840
-	-	417,426
687,523	-	687,523
-	-	121,658
-	-	160,955
<u>687,523</u>	<u>-</u>	<u>1,431,402</u>
<u>\$ 890,151</u>	<u>\$ -</u>	<u>\$ 1,732,444</u>

DENISON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2015

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	270,312	1,108,545	956,044	28,282
5020 Total Revenues	<u>270,312</u>	<u>1,108,545</u>	<u>956,044</u>	<u>28,282</u>
EXPENDITURES:				
Current:				
0011 Instruction	242,587	956,298	695,933	28,282
0012 Instructional Resources and Media Services	-	66,992	-	-
0013 Curriculum and Instructional Staff Development	-	72,346	-	-
0021 Instructional Leadership	-	62	90,572	-
0023 School Leadership	-	-	836	-
0031 Guidance, Counseling and Evaluation Services	-	-	166,597	-
0033 Health Services	-	-	1,746	-
0034 Student (Pupil) Transportation	27,725	40	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	360	-
0061 Community Services	-	12,807	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>270,312</u>	<u>1,108,545</u>	<u>956,044</u>	<u>28,282</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
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	392 Non-Ed. Community Based Support	397 Advanced Placement Incentives
\$ 699,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
51,038	-	-	-	-	-	6,612	-
2,106,070	6,339	67,610	188,588	17,862	54,262	-	-
<u>2,856,951</u>	<u>6,339</u>	<u>67,610</u>	<u>188,588</u>	<u>17,862</u>	<u>54,262</u>	<u>6,612</u>	<u>-</u>
-	-	67,610	-	17,862	54,262	6,612	-
-	-	-	-	-	-	-	-
-	-	-	188,588	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,811,095	6,339	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>2,811,095</u>	<u>6,339</u>	<u>67,610</u>	<u>188,588</u>	<u>17,862</u>	<u>54,262</u>	<u>6,612</u>	<u>-</u>
45,856	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>45,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
415,410	-	-	-	-	-	-	-
<u>415,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 461,266</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, 2015

Data Control Codes	410 State Textbook Fund	461 Campus Activity Funds	483 Local Grants	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 212,151	\$ 184,973	\$ 1,096,967
5800 State Program Revenues	23,026	-	-	80,676
5900 Federal Program Revenues	-	-	-	4,803,914
5020 Total Revenues	<u>23,026</u>	<u>212,151</u>	<u>184,973</u>	<u>5,981,557</u>
EXPENDITURES:				
Current:				
0011 Instruction	23,026	-	181,228	2,273,700
0012 Instructional Resources and Media Services	-	-	-	66,992
0013 Curriculum and Instructional Staff Development	-	-	-	260,934
0021 Instructional Leadership	-	-	-	90,634
0023 School Leadership	-	-	-	836
0031 Guidance, Counseling and Evaluation Services	-	-	-	166,597
0033 Health Services	-	-	-	1,746
0034 Student (Pupil) Transportation	-	-	-	27,765
0035 Food Services	-	-	2,350	2,819,784
0036 Extracurricular Activities	-	209,968	-	210,328
0061 Community Services	-	-	-	12,807
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	<u>23,026</u>	<u>209,968</u>	<u>183,578</u>	<u>5,932,123</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	2,183	1,395	49,434
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	2,183	1,395	49,434
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>158,772</u>	<u>120,263</u>	<u>694,445</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 160,955</u>	<u>\$ 121,658</u>	<u>\$ 743,879</u>

599 Debt Service Fund	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 4,507,579	\$ 3,128	\$ 5,607,674
335,605	-	416,281
-	-	4,803,914
<u>4,843,184</u>	<u>3,128</u>	<u>10,827,869</u>
-	-	2,273,700
-	-	66,992
-	-	260,934
-	-	90,634
-	-	836
-	-	166,597
-	-	1,746
-	-	27,765
-	-	2,819,784
-	-	210,328
-	-	12,807
775,830	-	775,830
4,077,164	-	4,077,164
1,250	-	1,250
-	<u>521,607</u>	<u>521,607</u>
<u>4,854,244</u>	<u>521,607</u>	<u>11,307,974</u>
(11,060)	(518,479)	(480,105)
-	<u>518,479</u>	<u>518,479</u>
(11,060)	-	38,374
<u>698,583</u>	-	<u>1,393,028</u>
<u>\$ 687,523</u>	<u>\$ -</u>	<u>\$ 1,431,402</u>

REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

DENISON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.360000	0.107100	1,010,996,932
2008	1.040000	0.107100	1,135,686,527
2009	1.170000	0.107100	1,200,932,083
2010	1.170000	0.107100	1,222,398,324
2011	1.170000	0.101200	1,340,895,332
2012	1.170000	0.298200	1,316,631,590
2013	1.170000	0.311200	1,304,608,898
2014	1.170000	0.329200	1,326,312,166
2015 (School year under audit)	1.170000	0.329200	1,349,069,570
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 124,067	\$ -	\$ 1,808	\$ 130	\$ 23,395	\$ 145,524
55,238	-	4,163	328	(952)	49,795
57,478	-	3,428	353	(1,603)	52,094
71,940	-	7,137	653	(3,689)	60,461
101,789	-	8,090	740	(9,453)	83,506
101,886	-	14,217	1,230	(9,166)	77,273
139,326	-	34,781	8,865	(8,890)	86,790
208,338	-	71,404	18,992	(7,747)	110,195
473,515	-	193,394	54,415	(23,540)	202,166
-	20,225,251	15,488,452	4,357,947	7,236	386,088
<u>\$ 1,333,577</u>	<u>\$ 20,225,251</u>	<u>\$ 15,826,874</u>	<u>\$ 4,443,653</u>	<u>\$ (34,409)</u>	<u>\$ 1,253,892</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, 2015

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	\$ 729,500	\$ 729,500	\$ 699,843	\$ (29,657)
5800 State Program Revenues	57,500	57,500	51,038	(6,462)
5900 Federal Program Revenues	1,935,000	1,935,000	2,106,070	171,070
5020 Total Revenues	<u>2,722,000</u>	<u>2,722,000</u>	<u>2,856,951</u>	<u>134,951</u>
EXPENDITURES:				
0035 Food Services	<u>2,766,545</u>	<u>2,907,099</u>	<u>2,811,095</u>	<u>96,004</u>
6030 Total Expenditures	<u>2,766,545</u>	<u>2,907,099</u>	<u>2,811,095</u>	<u>96,004</u>
1200 Net Change in Fund Balances	(44,545)	(185,099)	45,856	230,955
0100 Fund Balance - September 1 (Beginning)	<u>415,410</u>	<u>415,410</u>	<u>415,410</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 370,865</u>	<u>\$ 230,311</u>	<u>\$ 461,266</u>	<u>\$ 230,955</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, 2015

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	\$ 4,493,578	\$ 4,493,578	\$ 4,507,579	\$ 14,001
5800	State Program Revenues	402,000	402,000	335,605	(66,395)
5020	Total Revenues	4,895,578	4,895,578	4,843,184	(52,394)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	775,830	775,830	775,830	-
0072	Interest on Long Term Debt	4,077,164	4,077,164	4,077,164	-
0073	Bond Issuance Cost and Fees	2,000	2,000	1,250	750
6030	Total Expenditures	4,854,994	4,854,994	4,854,244	750
1200	Net Change in Fund Balances	40,584	40,584	(11,060)	(51,644)
0100	Fund Balance - September 1 (Beginning)	698,583	698,583	698,583	-
3000	Fund Balance - August 31 (Ending)	\$ 739,167	\$ 739,167	\$ 687,523	\$ (51,644)

**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		Fax (817) 451-7597

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

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Denison Independent School District (the "District") compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-1. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control of compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P.C.
Fort Worth, Texas
November 12, 2015

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		Fax (817) 451-7597

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

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Denison Independent School District (the "District") compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2015-1. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control of compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kirk, Richardson & Poole, P.C.

Kirk, Richardson & Poole, P.C.
Fort Worth, Texas
November 12, 2015

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program – Cash Assistance
10.555	National School Lunch Program – Non-cash Assistance

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

Auditee qualified as low risk auditee?: Yes

Section II – Financial Statement Findings

N/A - None

Section III – Federal Award Findings and Questioned Costs

2015-1 – Semi-Annual Certification for Employees Paid 100% from Major Federal Program

Criteria – Per Circular A-87, semi-annual certification for employees paid 100% from federal program is required.

Deficiency – The District did not have the required signed semi-annual certification for three employees paid 100% from CFDA #10.553 School Breakfast Program and CFDA #10.555 National School Lunch Program – Cash Assistance and Non-cash Assistance.

Context – Review of forty-seven employee personnel files with three exceptions.

Effect – Non-compliance with Circular A-87 requirement to have signed semi-annual certification for employees paid 100% from one federal program.

Cause – The District was not following Circular A-87 for obtaining signed semi-annual certification for employees paid from one federal program.

Questioned Costs – None. Although the District did not have signed semi-annual certification for employees paid from these programs, they did have signed time sheet for those employees.

Recommendation - The District should follow establish an implement procedures to ensure signed semi-annual certifications are obtained on a timely basis.

Views of responsible officials and planned corrective action – The District agrees with this finding and will develop and implement procedures to ensure compliance with Circular A-87.

DENISON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

PRIOR YEAR'S FINDING/NONCOMPLIANCE:

N/A – not required.

DENISON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

CORRECTIVE ACTION PLAN:

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

CORRECTIVE ACTION PLAN:

2015-1 – Semi-Annual Certification for Employees Paid 100% from Non-major Federal Program

The District did not have the required signed semi-annual certification for three employee paid 100% from CFDA #10.553 School Breakfast Program and CFDA #10.555 National School Lunch Program – Cash Assistance and Non-cash Assistance as required by Circular A-87.

The District agrees with recommendation and will follow existing procedures to ensure signed semi-annual certifications are obtained in the future.

DENISON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(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		\$ 63,340
Total Direct Programs			\$ 63,340
TOTAL U.S. DEPARTMENT OF DEFENSE			\$ 63,340
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
Title VII, Indian Education Formula Grant	84.060		\$ 54,262
Total Direct Programs			\$ 54,262
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101091903	\$ 1,108,545
*IDEA - Part B, Formula	84.027	15660001091903	956,044
*IDEA - Part B, Preschool	84.173	15661001091903	28,282
Total Special Education Cluster (IDEA)			984,326
Career and Technical - Basic Grant	84.048	15420006091903	67,610
Title III, Part A - English Language Acquisition	84.365A	15671001057950	17,862
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501091903	188,588
Total Passed Through State Department of Education			\$ 2,366,931
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 2,421,193
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through State Department of Education</u>			
Head Start	93.600		\$ 270,312
Total Passed Through State Department of Education			\$ 270,312
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 270,312
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 525,623
*National School Lunch Program - Cash Assistance	10.555		1,415,075
*National School Lunch Prog. - Non-Cash Assistance	10.555		165,372
Total CFDA Number 10.555			1,580,447
*Summer Feeding Program - Cash Assistance	10.559		6,339
Total Child Nutrition Cluster			2,112,409
Total Passed Through the State Department of Agriculture			\$ 2,112,409
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 2,112,409
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,867,254

*Clustered Programs

DENISON INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES TO FEDERAL AWARDS
 AUGUST 31, 2015

Note 1 – Basis of Presentation

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

The modified accrual basis of accounting is used for the General and Special Revenue funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant revenues are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such amounts are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods.

Note 2 – Period of Availability

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

The District shall liquidate all obligations incurred under the award not later than 90 days after the end of the funding period (or as specified in a program regulation). The Federal agency may extend this deadline upon request. Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement 2015.

Note 3 – Reconciliation of Basic Financial Statements

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

Total federal sources per financial statements for Governmental Funds	\$5,286,544
School Health & Related services (SHARS) reimbursements not reported In the Schedule of Expenditures of Federal Awards	(419,290)
Total federal expenditures on Schedule of Expenditures of Federal Awards	\$4,867,254

SCHOOLS FIRST QUESTIONNAIRE

DENISON INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2015

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	7,967,062
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	3,959,374
SF13	Pension Expense (6147) at fiscal year-end.	365,972