

DENVER CITY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2013

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2013

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Denver City Independent School District
Name of School District

Yoakum
County

251-901
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved disapproved (check one) for the year ended August 31, 2013 at a meeting of the Board of Trustees of such school district on the 16th day of December, 2013.



Signature of Board Secretary



Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):

(attach list as necessary):

FINANCIAL SECTION

Terry & King, CPAs, P.C.

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P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Independent Auditors' Report on Financial Statements

Board of Trustees
Denver City Independent School District
501 Mustang Avenue
Denver City, Texas 79323

Members of the Board of Trustees:

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Denver City Independent School District, as of August 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Denver City Independent School District's financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

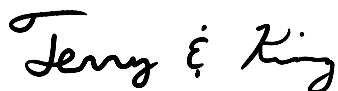
This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected 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, this information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Fund Balance and Cash Flow Calculation Worksheet-General Fund has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013, on our consideration of the Denver City Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Denver City Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
December 11, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$70,255,661 at August 31, 2013.
- During the year, the District's expenses were \$8,174,969 less than the \$47,153,200 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased 1% from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$38,420,182.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *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 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1F, Required Components of the District's Annual Financial Report

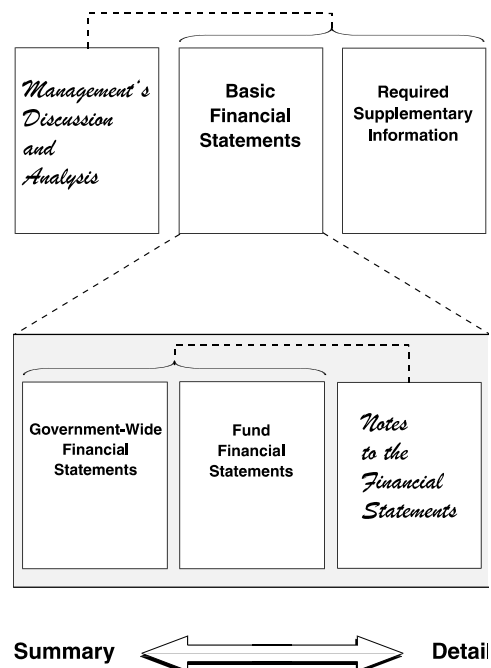


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs 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 the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$70,255,661 at August 31, 2013. (See Table A-1).

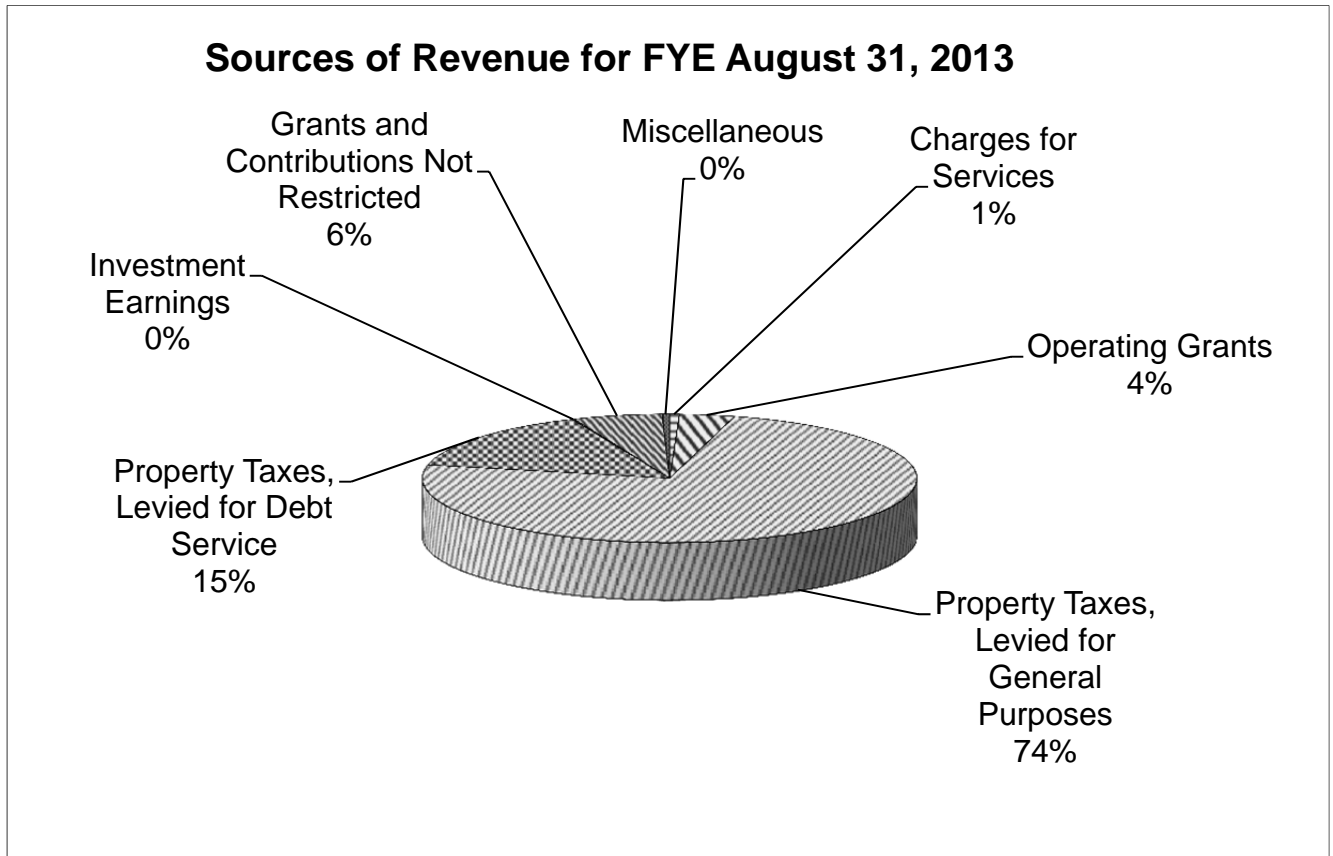
Table A-1
Denver City Independent School District's Net Position

	Governmental Activities		Percentage Change
	August 31, 2013	August 31, 2012	
Current assets:			
Cash and Investments	75,530,537	60,332,016	25%
Due from other governments	75,805	494,974	-85%
Taxes Receivable, net	71,795	103,842	-31%
Other Receivables	186	3,515	-95%
Total current assets:	75,678,323	60,934,347	24%
Noncurrent assets:			
Capitalized Bond Issuance Costs	-	267,769	-100%
Land	1,061,479	1,061,479	0%
Construction in Progress	8,361,730	536,340	1459%
Buildings & Improvements	42,426,680	41,706,215	2%
Less accumulated depreciation, buildings & improvements	(18,096,427)	(17,413,552)	4%
Vehicles	2,565,488	2,414,159	6%
Less accumulated depreciation, vehicles	(1,639,560)	(1,495,410)	10%
Furniture & Equipment	2,552,412	2,250,705	13%
Less accumulated depreciation, furniture & equipment	(1,711,317)	(1,525,365)	12%
Total noncurrent assets	35,520,485	27,802,340	28%
Total Assets	111,198,808	88,736,687	25%
Current liabilities:			
Accounts Payable	101,811	159,459	-36%
Payroll Deductions & Withholdings	118,439	103,734	14%
Accrued Wages Payable	435,929	350,264	24%
Due to Other Governments	126,813	3,272,936	-96%
Unavailable Revenue	3,447,258	155	2223937%
Total Current Liabilities	4,230,250	3,886,548	9%
Non-current liabilities:			
Premium on Bond Issuance	1,026,056	114,817	794%
Due Within One Year	5,111,587	2,399,084	113%
Due in More than One Year	30,575,254	20,680,902	48%
Total Non-current Liabilities	36,712,897	23,194,803	58%
Net Position:			
Net investment in capital assets	31,442,303	25,760,771	22%
Restricted for Debt Service	321,381	229,397	40%
Unrestricted	38,491,977	35,665,168	8%
Total Net Position	70,255,661	61,655,336	14%

The \$38,491,977 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$47,153,200. A significant portion, 89 percent, of the District's revenue comes from taxes. (See Figure A-3.) 10 percent comes from grants, while 1% percent relates to miscellaneous revenues and charges for services.

The total cost of all programs and services was \$38,978,231; 24 percent of these costs are for instructional and instruction-related services. The District expended \$20,940,873 for contracted instructional services between schools.



(Figure A-3)

Governmental Activities

- Property tax rates remained constant at \$1.2533 per \$100 value. The current tax levy increased \$4,671,877, or 13%. Taxes collected in the year ending August 31, 2013 were \$42,066,029 compared to \$37,352,935 in FYE 2012.

Table A-2
Changes in Denver City Independent School District's Net Position

	Governmental Activities		Percentage Change
	<u>2013</u>	<u>2012</u>	
Program Revenues:			
Charges for Services	301,411	271,310	11%
Operating Grants and Contributions	1,697,612	1,978,305	-14%
General Revenues:			
Property Taxes, Levied for General Purposes	34,940,201	31,073,804	12%
Property Taxes, Levied for Debt Service	7,166,020	6,365,201	13%
Grants and Contributions not restricted	2,753,878	5,027,034	-45%
Investment Earnings	65,680	82,772	-21%
Other	228,398	464,103	-51%
Total Revenues	<u>47,153,200</u>	<u>45,262,529</u>	4%
Instruction	9,365,378	9,066,100	3%
Instructional Resources and Media Services	287,850	289,254	0%
Curriculum Development and Instructional Staff Development	212,258	216,480	-2%
School Leadership	907,239	869,496	4%
Guidance, Counseling and Evaluation Services	438,365	418,639	5%
Health Services	183,130	181,980	1%
Student (Pupil) Transportation	383,404	300,523	28%
Food Services	1,215,163	1,120,043	8%
Curricular/Extracurricular Activities	982,022	995,767	-1%
General Administration	716,886	698,249	3%
Plant Maintenance & Operation	2,199,407	2,652,518	-17%
Security & Monitoring Services	52,054	47,925	9%
Data Processing Services	262,736	455,171	-42%
Community Services	23,611	1,077	2092%
Debt Service - Interest on Long-Term Debt	464,901	775,368	-40%
Debt Service - Bond Issuance Cost & Fees	122,739	23,406	424%
Contracted Instructional Services			
Between Schools	20,940,873	20,228,624	4%
Other Governmental Charges	220,215	215,852	2%
Total Expenses	<u>38,978,231</u>	<u>38,556,472</u>	1%
Increase (Decrease) in Net Position	8,174,969	6,706,057	22%
Net Position - Beginning	61,655,336	54,949,279	12%
Prior Period Adjustment	425,356	-	100%
Net Position - Ending	<u><u>70,255,661</u></u>	<u><u>61,655,336</u></u>	14%

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$38,978,231.
- The amount that our taxpayers paid for these activities through property taxes was \$42,106,221.
- Some of the cost was paid by those who directly benefited from the programs \$301,411 or
- By grants and contributions \$4,451,490.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services			Net Cost of Services		
	<u>2013</u>	<u>2012</u>	<u>% Change 2013-2012</u>	<u>2013</u>	<u>2012</u>	<u>% Change 2013-2012</u>
Instruction	9,365,378	9,066,100	3%	8,548,798	7,969,091	7%
Extracurricular Activities	982,022	995,767	(1%)	924,568	937,045	(1%)
School administration	716,886	698,249	3%	700,095	677,629	3%
Plant Maintenance & Operations	2,199,407	2,652,518	(17%)	2,149,926	2,602,063	(17%)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$47,185,248 for the period ended August 31, 2013, an increase of 4% from the preceding year. Local revenues increased 12%, state program revenues decreased 41%, and federal program revenues decreased 15%.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 3 times. Even with these adjustments, actual expenditures were \$307,606 below final budgeted amounts. The most significant positive variance resulted in expenditures for contracted instructional services between public schools.

Resources available were \$726,300 above the final budgeted amount:

- Local and Intermediate revenues were \$554,849 more than expected.
- State Program Revenues were \$171,451 more than projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had invested \$56,967,788 in a broad range of capital assets, including, land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$8,998,891 or 19 percent over last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total Percentage Change 2013-2012
	<u>2013</u>	<u>2012</u>	<u>2013-2012</u>
Land	\$ 1,061,479	\$ 1,061,479	0%
Buildings and improvements	50,788,409	42,242,555	20%
Vehicles	2,565,488	2,414,158	6%
Furniture & Equipment	2,552,412	2,250,705	13%
Totals at historical cost	<u>56,967,788</u>	<u>47,968,897</u>	<u>19%</u>
Total accumulated depreciation	(21,447,304)	(20,434,326)	5%
Net capital assets	<u>35,520,484</u>	<u>27,534,571</u>	<u>29%</u>

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

Debt Administration

Table A-5
District's Long-Term Obligations

	Governmental Activities		Total Percentage Change
	<u>2013</u>	<u>2012</u>	<u>2013-2012</u>
General Obligation Bonds	\$ 35,685,902	\$ 23,079,985	55%
Accumulated Accretion on CABs	938	-	100%
Premium on Bonds	1,026,057	114,817	794%
Total Long-Term Obligations	<u>\$ 36,712,897</u>	<u>\$ 23,194,802</u>	<u>58%</u>

More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2014 budget preparation shows a slight increase.
- General operating fund spending per student should remain approximately the same.
- The District's 2014 refined average daily attendance is expected to remain constant.

These indicators were taken into account when adopting the general fund budget for 2014. The District does not plan an increase in program revenues and estimates an increase in expenditures for staffing due to incremental salary increases.

The District's budgetary general fund balance is not expected to change appreciably by the close of 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

STATEMENT OF NET POSITION
August 31, 2013

<u>Data Control Codes</u>		1 <u>Governmental Activities</u>
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 75,530,537
1225	Taxes Receivable, Net	71,795
1240	Due from Other Governments	75,805
1290	Other Receivables	186
	Capital Assets:	
1510	Land	1,061,479
1520	Buildings & Improvements, net	24,330,253
1530	Furniture & Equipment, net	1,767,023
1580	Construction in Progress	<u>8,361,730</u>
1000	TOTAL ASSETS	<u>\$ 111,198,808</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 101,811
2150	Payroll Withholdings Payable	118,439
2160	Accrued Wages Payable	435,929
2180	Due to Other Governments	126,813
2300	Unavailable Revenue	3,447,258
	Noncurrent Liabilities:	
2501	Due within one year	5,111,587
2502	Due in more than one year	30,575,254
2590	Premium on bond issuance	<u>1,026,056</u>
2000	<u>Total Liabilities</u>	<u>40,943,147</u>
	NET POSITION:	
3200	Net investment in capital assets	31,442,303
	Restricted for:	
3850	Debt Service	321,381
3900	Unrestricted	<u>38,491,977</u>
3000	<u>TOTAL NET POSITION</u>	<u>\$ 70,255,661</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2013

Data Control		1	3	4	Net (Expense)
			Program Revenues		
Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
	Government Activities:				
11	Instruction and Instruction-Related Services	\$ 9,365,378	\$ 9,818	\$ 806,762	\$ (8,548,798)
12	Instructional Resources and Media Services	287,850	-	10,527	(277,323)
13	Curriculum Development and Instructional Staff Development	212,258	-	75,659	(136,599)
23	School Leadership	907,239	-	34,609	(872,630)
31	Guidance, Counseling, & Evaluation Services	438,365	-	21,293	(417,072)
33	Health Services	183,130	-	8,172	(174,958)
34	Student (Pupil) Transportation	383,404	-	13,077	(370,327)
35	Food Services	1,215,163	249,229	638,093	(327,841)
36	Extracurricular Activities	982,022	39,964	17,490	(924,568)
41	General Administration	716,886	-	16,791	(700,095)
51	Plant Maintenance and Operations	2,199,407	2,400	47,081	(2,149,926)
52	Security and Monitoring Services	52,054	-	-	(52,054)
53	Data Processing	262,736	-	7,193	(255,543)
61	Community Services	23,611	-	865	(22,746)
72	Interest on Long-Term Debt	464,901	-	-	(464,901)
73	Bond Issuance Costs and Fees	122,739	-	-	(122,739)
91	Contracted Instructional Services Between Public Schools	20,940,873	-	-	(20,940,873)
99	Other Intergovernmental Charges	220,215	-	-	(220,215)
TG	<u>Total Government Activities</u>	<u>38,978,231</u>	<u>301,411</u>	<u>1,697,612</u>	<u>(36,979,208)</u>
TP	Total Primary Government	<u>38,978,231</u>	<u>301,411</u>	<u>1,697,612</u>	<u>(36,979,208)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				34,940,201
DT	Property Taxes, Levied for Debt Service				7,166,020
IE	Investment Earnings				65,680
GC	Grants and Contributions Not Restricted to Specific Programs				2,753,878
MI	Miscellaneous				228,398
TR	Total General Revenue				<u>45,154,177</u>
CN	Change in Net Position				8,174,969
NB	Net Position -- Beginning				61,655,336
PA	Prior Period Adjustment				<u>425,356</u>
NE	Net Position -- Ending				<u>\$ 70,255,661</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:						
1110	Cash and Cash Equivalents	\$ 47,243,499	\$ 318,257	\$ 27,967,602	\$ 1,179	\$ 75,530,537
1225	Taxes Receivable, Net	59,576	12,219	-	-	71,795
1240	Due from Other Governments	15,326	3,124	-	57,355	75,805
1260	Due from Other Funds	42,083	-	4,679,954	-	4,722,037
1290	Other Receivables	186	-	-	-	186
1000	<u>TOTAL ASSETS</u>	<u>\$ 47,360,670</u>	<u>\$ 333,600</u>	<u>\$ 32,647,556</u>	<u>\$ 58,534</u>	<u>\$ 80,400,360</u>
LIABILITIES:						
Current Liabilities:						
2110	Accounts Payable	\$ 88,930	\$ -	\$ 12,841	\$ 40	\$ 101,811
2150	Withholdings Payable	118,439	-	-	-	118,439
2160	Accrued Wages Payable	420,697	-	-	15,232	435,929
2170	Due to Other Funds	4,679,954	-	-	42,083	4,722,037
2180	Due to Other Governments	126,813	-	-	-	126,813
2300	Unavailable Revenue	3,505,655	12,219	-	1,179	3,519,053
2000	<u>Total Liabilities</u>	<u>8,940,488</u>	<u>12,219</u>	<u>12,841</u>	<u>58,534</u>	<u>9,024,082</u>
FUND BALANCES:						
Restricted Fund Balances:						
3470	Capital Acquisition Program	-	-	32,634,715	-	32,634,715
3480	Retirement of Long-Term Debt	-	321,381	-	-	321,381
Committed Fund Balances:						
3510	Construction and Land Purchase	18,442,343	-	-	-	18,442,343
3530	Capital Expenditures for Equipment	6,969,219	-	-	-	6,969,219
3590	Other Purposes	7,983,992	-	-	-	7,983,992
3600	Unassigned	5,024,628	-	-	-	5,024,628
3000	<u>Total Fund Balance</u>	<u>38,420,182</u>	<u>321,381</u>	<u>32,634,715</u>	<u>-</u>	<u>71,376,278</u>
4000	<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 47,360,670</u>	<u>\$ 333,600</u>	<u>\$ 32,647,556</u>	<u>\$ 58,534</u>	<u>\$ 80,400,360</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
August 31, 2013

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 71,376,278
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	35,520,484
2 Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	71,795
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(35,686,840)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net position.	<u>(1,026,056)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 70,255,661</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
REVENUES:						
5700	Local and Intermediate Sources	\$ 35,299,885	\$ 7,169,241	\$ 15,402	\$ 249,230	\$ 42,733,758
5800	State Program Revenues	3,312,268	-	-	31,122	3,343,390
5900	Federal Program Revenues	-	-	-	1,108,100	1,108,100
5020	<u>Total Revenues</u>	<u>38,612,153</u>	<u>7,169,241</u>	<u>15,402</u>	<u>1,388,452</u>	<u>47,185,248</u>
EXPENDITURES:						
Current:						
0011	Instruction and Instruction-Related Services	8,307,154	-	283,803	426,087	9,017,044
0012	Instructional Resources and Media Services	262,842	-	8,000	-	270,842
0013	Curriculum Development and Instructional Staff Development	127,229	-	-	72,488	199,717
0021	Instructional Leadership	-	-	-	-	-
0023	School Leadership	852,253	-	1,382	-	853,635
0031	Guidance, Counseling, & Evaluation Services	410,965	-	-	1,500	412,465
0033	Health Services	172,310	-	-	-	172,310
0034	Student (Pupil) Transportation	357,710	-	33,627	1,054	392,391
0035	Food Services	-	-	2,740	1,140,629	1,143,369
0036	Cocurricular/Extracurricular Activities	923,320	-	11,500	-	934,820
0041	General Administration	650,344	-	15,815	-	666,159
0051	Plant Maintenance and Operations	2,053,657	-	30,652	-	2,084,309
0052	Security and Monitoring Services	52,054	-	-	-	52,054
0053	Data Processing Services	289,058	-	88,235	-	377,293
0061	Community Services	23,611	-	-	-	23,611
0071	Principal on Long-Term Debt	-	6,584,084	-	-	6,584,084
0072	Interest on Long-Term Debt	-	493,275	-	-	493,275
0073	Bond Issuance Costs and Fees	-	450	122,288	-	122,738
0081	Capital Outlay	549,520	-	8,065,879	-	8,615,399
0091	Contracted Instructional Services Between Public Schools	20,940,873	-	-	-	20,940,873
0099	Other Intergovernmental Charges	220,215	-	-	-	220,215
6030	<u>Total Expenditures</u>	<u>36,193,115</u>	<u>7,077,809</u>	<u>8,663,921</u>	<u>1,641,758</u>	<u>53,576,603</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,419,038	91,432	(8,648,519)	(253,306)	(6,391,355)
Other Financing Sources and (Uses):						
7911	Issuance of Bonds	-	-	19,190,000	-	19,190,000
7915	Operating Transfers In	-	552	-	253,306	253,858
7916	Premium or Discount on Issuance of Bonds	-	-	940,552	-	940,552
8911	Operating Transfers Out	(253,306)	-	(552)	-	(253,858)
	<u>Total Other Financing Sources and (Uses)</u>	<u>(253,306)</u>	<u>552</u>	<u>20,130,000</u>	<u>253,306</u>	<u>20,130,552</u>
1200	Net Change in Fund Balances	2,165,732	91,984	11,481,481	-	13,739,197
0100	Fund Balances -- Beginning	35,561,325	229,397	21,153,234	-	56,943,956
1300	Prior Period Adjustment	693,125	-	-	-	693,125
3000	<u>Fund Balances -- Ending</u>	<u>\$ 38,420,182</u>	<u>\$ 321,381</u>	<u>\$ 32,634,715</u>	<u>\$ -</u>	<u>\$ 71,376,278</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2013

Net Change in Fund Balances -- Total Governmental Funds	\$ 13,739,197
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	9,013,691
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(1,027,778)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period.	(32,047)
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net position. This amount is the total debt principal repaid for capital leases, loans & bonded indebtedness.	6,584,084
The accretion of interest on capital appreciation bonds is not reported in the funds. This is the amount of increase in accrued interest expense for the year.	(1,083)
Proceeds from the issuance of long-term debt, such as bonds are reported as other resources in the governmental funds. In the statement of net position these amounts are reflected as an increase to the long-term debt section.	(20,130,552)
Premiums received from the issuance of bonds is recorded in the governmental funds as an other source of current resources. For the statement of net position, these premiums are amortized and a portion recognized as revenue over the life of the bonds. This is the changes in premium from the issuance of bonds.	29,312
The amount of interest which is accrued but not yet paid for bond payments is not reported in the funds. This is the change in interest payable	<u>145</u>
Change in Net Position of Governmental Activities -- Statement of Activities	<u>\$ 8,174,969</u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2013

<u>Data Control Codes</u>		<u>Agency Funds</u>
	ASSETS:	
1110	Cash and Cash Equivalents	<u>\$ 123,273</u>
1000	TOTAL ASSETS	<u><u>\$ 123,273</u></u>
	LIABILITIES:	
2190	Due to Student Groups	<u>\$ 123,273</u>
2000	TOTAL LIABILITIES	<u><u>\$ 123,273</u></u>

The accompanying notes are an integral part of this statement.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2013

A. Summary of Significant Accounting Policies

The basic financial statements of Denver City Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The basic financial statements of the District include all activities for which the Board exercises these governance responsibilities.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange transactions.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2
Year Ended August 31, 2013

A. Summary of Significant Accounting Policies (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This fund accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt of governmental activities.

Capital Projects Fund: This fund is used to report the District's construction and investment in physical plant and other capital assets.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3
Year Ended August 31, 2013

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Any unused balances are returned to the grantor at the close of specific project periods. Project accounting is employed to maintain integrity for the various sources of funds.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support the District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4
Year Ended August 31, 2013

A. Summary of Significant Accounting Policies (Continued)

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

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

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amount for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute. Capital projects are restricted by State Statute and are legally segregated for funding of capital improvements.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5
Year Ended August 31, 2013

A. Summary of Significant Accounting Policies (Continued)

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Unassigned: This classification includes the residual fund balance for the General Fund.

When both committed and unassigned resources are available for use, it is the District's policy to use committed resources first, and then unassigned resources, as they are needed.

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

The District reserves the right to selectively spend Unassigned/Unrestricted resources first to defer the use of these other classified funds.

3. Financial Statement Amounts

a. Deposits and Investments

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 the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Investment Pool is operated in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6
Year Ended August 31, 2013

A. Summary of Significant Accounting Policies (Continued)

b. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st 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.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of August 31, 2013, the amount deemed uncollectible by this estimate was \$64,106. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items.

d. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of the period end.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7
Year Ended August 31, 2013

A. Summary of Significant Accounting Policies (Continued)

e. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

f. Interfund Activity

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 on the government-wide statement of net position.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8
Year Ended August 31, 2013

A. Summary of Significant Accounting Policies (Continued)

g. Long-Term Obligations

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

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

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent 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.

i. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The Texas Education Agency requires the display of these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide database for policy development and funding plans.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9
Year Ended August 31, 2013

B. Stewardship, Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, the Capital Projects Fund, and the Child Nutrition Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

C. Deposits and Investments

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10
Year Ended August 31, 2013

C. Deposits and Investments (Continued)

Cash Deposits

At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$75,653,805 and the bank balance was \$75,829,751. The District's cash deposits at August 31, 2013 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.

Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principle and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (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, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11
Year Ended August 31, 2013

C. Deposits and Investments (Continued)

The District's investments at August 31, 2013 included investment pools in the amount of \$70,930,293.

<u>Investment Pool</u>	<u>Account Name</u>	<u>Fund Rating (Standard & Poor's)</u>	<u>Amount</u>
Lone Star Investment Pool – Government Overnight Fund	General Fund	AAAm	\$ 42,666,381
Lone Star Investment Pool – Government Overnight Fund	Interest & Sinking	AAAm	318,256
Lone Star Investment Pool – Government Overnight Fund	Construction Fund	AAAm	<u>27,945,656</u>
			<u>\$ 70,930,293</u>

The Lone Star Investment Pool is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end as if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12
Year Ended August 31, 2013

C. Deposits and Investments (Continued)

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. 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.

D. Interfund Balances and Activities

Interfund balances at August 31, 2012 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Capital Projects	\$ -	\$ 4,679,954
Special Revenue Funds	<u>42,083</u>	<u>-</u>
<u>Total General Fund</u>	<u>42,083</u>	<u>4,679,954</u>
<u>Capital Projects:</u>		
General Fund	<u>4,679,954</u>	<u>-</u>
<u>Special Revenue Funds:</u>		
General Fund	<u>-</u>	<u>42,083</u>
<u>Total</u>	<u>\$ 4,722,037</u>	<u>\$ 4,722,037</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of various funds and to record balances not repaid as of year-end.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13
Year Ended August 31, 2013

E. Capital Assets

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

<u>Government Activities</u>	<u>Balance</u> <u>09/01/12</u>	<u>Additions</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>08/31/13</u>
Land	\$ 1,061,479	\$ -	\$ -	\$ 1,061,479
Construction in Progress	536,340	8,361,729	(536,340)	8,361,729
Buildings & Improvements	41,706,215	184,125	536,340	42,426,680
Vehicles	2,414,158	166,130	(14,800)	2,565,488
Furniture & Equipment	<u>2,250,705</u>	<u>301,707</u>	<u>-</u>	<u>2,552,412</u>
Total Capital Assets	47,968,897	9,013,691	(14,800)	56,967,788
<u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	17,413,552	682,875	-	18,096,427
Vehicles	1,495,410	158,950	(14,800)	1,639,560
Furniture & Equipment	<u>1,525,364</u>	<u>185,953</u>	<u>-</u>	<u>1,711,317</u>
Total Accum. Depreciation	<u>20,434,326</u>	<u>1,027,778</u>	<u>(14,800)</u>	<u>21,447,304</u>
Net Capital Assets	<u>\$ 27,534,571</u>	<u>\$ 7,985,913</u>	<u>\$ -</u>	<u>\$ 35,520,484</u>

Depreciation was charges to functions as follows:

11-Instructions	\$ 566,225
12-Instructional Resources & Media Services	17,008
13-Curriculum Development	12,541
23-School Leadership	53,604
31-Guidance, Counseling & Evaluation Services	25,900
33-Health Services	10,820
34-Student (Pupil) Transportation	24,640
35-Food Service	71,794
36-Cocurricular/Extracurricular Activities	58,702
41-General Administration	55,660
51-Plant Maintenance & Operations	130,884
	<u>\$ 1,027,778</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14
Year Ended August 31, 2013

F. Interfund Transfers

<u>Fund</u>	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
<u>General Fund:</u>		
Special Revenue Funds	\$ -	\$ 253,306
<u>Total General Fund</u>	<u>-</u>	<u>253,306</u>
 <u>Special Revenue Funds:</u>		
General Fund	<u>253,306</u>	<u>-</u>
 <u>Debt Service Fund:</u>		
Capital Projects Fund	<u>552</u>	<u>-</u>
 <u>Capital Projects Fund:</u>		
Debt Service Fund	<u>-</u>	<u>552</u>
 <u>Total</u>	 <u>\$ 253,858</u>	 <u>\$ 253,858</u>

The District transferred \$253,858 from the General Fund to the Food Service Fund to cover the deficit from food service activities. The capital projects fund transferred \$552 to the debt service fund related to the bond issuance.

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15
Year Ended August 31, 2013

H. Long-Term Obligations (continued)

Long-term obligations include debt and other long-term liabilities. During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. The District complied with all significant limitations and restrictions contained in the bond indentures.

1. Changes in long-term obligations for the year ended August 31, 2013, are as follows:

<u>Governmental</u> <u>Activities:</u>	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending</u> <u>Balance</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
General obligation bonds	\$ 23,079,985	\$ 19,190,000	\$ 6,584,083	\$ 35,685,902	\$ 5,111,587
Accum Accretion on CAB's	-	1,083	145	938	-
Premium on Bonds	114,817	940,552	29,312	1,026,057	-
Total governmental activities	<u>\$ 23,194,802</u>	<u>\$ 20,131,635</u>	<u>\$ 6,613,540</u>	<u>\$ 36,712,897</u>	<u>\$ 5,111,587</u>

<u>General Obligation Bonds – Descriptions</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u> <u>Of Original</u> <u>Issue</u>	<u>Amount</u> <u>Outstanding</u> <u>8/31/2013</u>
Unlimited Tax School Building Bonds-Series 2009	2.50% to 3.25%	2-15-2017	\$ 14,990,000	\$ 3,395,000
Unlimited Tax School Building Bonds-Series 2011	2.00% to 4.00%	2-15-2021	24,999,977	4,075,000
Unlimited Tax Refunding Bonds-Series 2012	2.00%	2-15-2019	9,010,000	9,010,000
Unlimited Tax Refunding Bonds-Series 2012*	2.00% to 4.00%	2-15-2027	49,986	15,902
Unlimited Tax School Building Bonds-Series 2013	2.00% to 5.00%	2-15-2033	19,190,000	19,190,000
				<u>\$ 35,685,902</u>

* indicates capital appreciation bonds

Capital Appreciation Bonds

<u>Series</u>	<u>Original</u> <u>Amount</u>	<u>Accreted</u> <u>8/31/2013</u>
2012	15,902	16,840
		<u>\$ 16,840</u>

2. Debt service requirements on general obligation bonds at August 31, 2013, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 5,111,587	\$ 1,211,107	\$ 6,322,694
2015	2,559,315	1,160,310	3,719,625
2016	2,675,000	1,045,625	3,720,625
2017	2,740,000	981,612	3,721,612
2018	2,800,000	919,450	3,719,450
2019-2023	7,205,000	3,754,500	10,959,500
2024-2028	5,510,000	2,487,500	7,997,500
2029-2033	7,085,000	920,625	8,005,625
	<u>\$ 35,685,902</u>	<u>\$ 12,480,729</u>	<u>\$ 48,166,631</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16
Year Ended August 31, 2013

I. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.4% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2013, 2012, and 2011 were \$610,343, \$560,912, and \$601,433, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending August 31, 2013, 2012, and 2011 were \$126,216, \$105,816, and \$125,779, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$524,727.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17
Year Ended August 31, 2013

J. School District Retiree Health Plan

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

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 0.50%, and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012, and 2011. Per Texas Insurance Code, Chapter 1575, the public school contributions may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$47,683, \$87,642, and \$93,974, respectively, the active member contributions were \$61,988, \$56,968, and \$61,083, respectively, and the school district's contributions were \$52,463, \$48,203, and \$51,685, respectively, which equaled the required contributions each year.

K. Medicare Part D

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 expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended August 31, 2013, 2012, and 2011 were \$33,663, \$36,711, and \$33,414, respectively.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18
Year Ended August 31, 2013

L. Health Care Coverage

The District sponsors a fully insured health insurance plan to provide health care benefits to staff members and their dependents. The District paid premiums of \$354 per month for staff members participating in the plan. Staff members, at their option, authorized payroll deductions to pay premiums for their dependents. All premiums were paid to a licensed insurer.

M. Workers' Compensation

During the year ended August 31, 2013, the District was unable to obtain workers' compensation insurance at a cost it considered to be economically justifiable. Therefore, the District joined together with several other school districts in the region to form South Plains School Workers' Compensation Program (SPSWCP), a public entity risk pool currently operating as a common risk management and insurance program for the school districts. The District pays an annual premium to SPSWCP for its workers' compensation insurance coverage. The agreement for formation of the SPSWCP provides that SPSWCP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$350,000 for each insured event. Also, should claims exceed the aggregate attachment level of \$2,006,829; an additional \$1 million of coverage is available.

O. Litigation

There was no litigation pending or in progress against the District at August 31, 2013.

P. Commitments and Contingencies

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19
Year Ended August 31, 2013

Q. Prior Period Adjustment

In accordance with GASB Statement No. 65, bond issuance costs are no longer capitalized. Therefore, a prior period adjustment decreasing the net position of Governmental Activities in the amount of \$267,769 has been recorded to reflect the expense of bond issuance costs in a prior period.

The expenditures and related liability for "Contracted Instructional Services Between Public Schools" were overstated in the prior period by \$693,125. Therefore, a prior period adjustment has been reported which increases fund balance and net position by \$693,125.

REQUIRED SUPPLEMENTARY INFORMATION

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2013

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 34,745,036	\$ 34,745,036	\$ 35,299,885	\$ 554,849
5800	State Program Revenues	3,140,817	3,140,817	3,312,268	171,451
5020	Total Revenues	<u>37,885,853</u>	<u>37,885,853</u>	<u>38,612,153</u>	<u>726,300</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	8,445,381	8,317,881	8,307,154	10,727
0012	Instructional Resources and Media Services	267,487	267,487	262,842	4,645
0013	Curriculum Dev. & Instructional Staff Dev.	123,446	133,946	127,229	6,717
0023	School Leadership	812,122	854,622	852,253	2,369
0031	Guidance, Counseling & Evaluation Services	402,294	413,494	410,965	2,529
0032	Social Work Services	10,403	-	-	-
0033	Health Services	182,805	182,805	172,310	10,495
0034	Student (Pupil) Transportation	454,611	376,761	357,710	19,051
0036	Curricular/Extracurricular Activities	979,720	932,370	923,320	9,050
0041	General Administration	864,848	664,848	650,344	14,504
0051	Plant Maintenance and Operations	2,139,804	2,065,454	2,053,657	11,797
0052	Security and Monitoring Services	56,233	56,233	52,054	4,179
0053	Data Processing Services	289,851	289,851	289,058	793
0061	Community Services	1,431	24,731	23,611	1,120
0081	Capital Outlay	-	549,520	549,520	-
0091	Contracted Instructional Services Between Public Schools	22,500,503	21,150,503	20,940,873	209,630
0099	Other Intergovernmental Charges	-	220,215	220,215	-
6030	Total Expenditures	<u>37,530,939</u>	<u>36,500,721</u>	<u>36,193,115</u>	<u>307,606</u>
	Other Financing Sources (Uses):				
7915	Operating Transfers In	-	-	-	-
8911	Operating Transfers Out	-	(255,000)	(253,306)	1,694
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>(255,000)</u>	<u>(253,306)</u>	<u>1,694</u>
1200	Net Change in Fund Balance	354,914	1,130,132	2,165,732	1,035,600
0100	Fund Balance - Beginning	35,561,325	35,561,325	35,561,325	-
1300	Prior Period Adjustment	693,125	693,125	693,125	-
3000	Fund Balance - Ending	<u>\$ 36,609,364</u>	<u>\$ 37,384,582</u>	<u>\$ 38,420,182</u>	<u>\$ 1,035,600</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

EXHIBIT H-1

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2013

Data Control Codes	1	2	3 Variance with Final Budget Positive (Negative)	
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	
REVENUES:				
5700	Local and Intermediate Sources	\$ 20,000	\$ 15,402	\$ (4,598)
5020	Total Revenues	<u>20,000</u>	<u>15,402</u>	<u>(4,598)</u>
EXPENDITURES:				
Current:				
0011	Instruction and Instruction-Related Services	285,500	283,803	1,697
0012	Instructional Resources and Media Services	8,000	8,000	-
0023	School Leadership	2,400	1,382	1,018
0034	Student (Pupil) Transportation	36,500	33,627	2,873
0035	Food Services	3,000	2,740	260
0036	Cocurricular/Extracurricular Activities	11,500	11,500	-
0041	General Administration	16,250	15,815	435
0051	Plant Maintenance and Operations	36,000	30,652	5,348
0053	Data Processing Services	94,250	88,235	6,015
0073	Bond Issuance Costs and Fees	130,000	122,288	7,712
0081	Capital Outlay	<u>8,450,000</u>	<u>8,065,879</u>	<u>384,121</u>
6030	Total Expenditures	<u>9,073,400</u>	<u>8,663,921</u>	<u>409,479</u>
Other Financing Sources (Uses):				
7911	Issuance of Bonds	19,190,000	19,190,000	-
7916	Premium or Discount on Issuance of Bonds	935,000	940,552	5,552
8911	Transfers Out	(1,000)	(552)	448
	Total Other Financing Sources and (Uses)	<u>20,124,000</u>	<u>20,130,000</u>	<u>6,000</u>
1200	Net Change in Fund Balance	11,070,600	11,481,481	410,881
0100	Fund Balance - Beginning	<u>21,153,234</u>	<u>21,153,234</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 32,223,834</u>	<u>\$ 32,634,715</u>	<u>\$ 410,881</u>

OTHER SUPPLEMENTARY INFORMATION

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2013

Last Ten Years Ended	1		2		3		10	20	31	32	40	50
	Maintenance	Debt Service	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance 09/01/12	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 08/31/13	
August 31*												
2004 and Prior Years	Various	Various	Various		--	\$ 17,125	\$ -	\$ 337	\$ 29	\$ (3,610)	\$ 13,149	
2005	1.50000	0.13000	1.6300		1,384,536,142	2,973	-	80	7	(113)	2,773	
2006	1.50000	0.09460	1.5946		1,758,793,350	3,822	-	9	1	(69)	3,743	
2007	1.37000	0.07320	1.4432		2,460,093,968	3,144	-	9	-	(62)	3,073	
2008	1.04000	0.00000	1.0400		2,504,996,806	3,241	-	902	-	(45)	2,294	
2009	1.04000	0.00000	1.0400		3,263,918,118	6,987	-	2,472	-	(79)	4,436	
2010	1.04000	0.21330	1.2533		3,205,963,750	17,357	-	7,623	1,564	(1,979)	6,191	
2011	1.04000	0.21330	1.2533		3,627,078,077	29,304	-	13,235	2,715	(2,891)	10,463	
2012	1.04000	0.21330	1.2533		3,595,168,173	90,297	-	53,371	10,946	(6,934)	19,046	
2013-School Year Under Audit	1.04000	0.21330	1.2533		4,044,387,115	-	42,061,626	34,829,361	7,143,368	(18,164)	70,733	
1000	TOTALS					\$ 174,250	\$ 42,061,626	\$ 34,907,399	\$ 7,158,630	\$ (33,946)	\$ 135,901	

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Column 3 - Assessed/Appraised Value for School Tax Purposes:
This is the net appraised value, after deductions of all exemptions, tax freeze amounts and reductions provided by law and those granted by the district, based on maintenance requirements.

Column 20 - Current Year's Levy:
This amount is calculated by multiplying tax rate(s) times the applicable Assessed/Appraised Value(s) in Column 3.

Columns 30 and 30a - These are the total collections net of adjustments described in Column 40, according to each year of tax levy, and do NOT include penalties and interest.

Column 40 - Entire Year's Adjustments:
Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze and discounts allowed for early payment of taxes.

Column 50 - Ending Balance 8/31/13

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION ON INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended August 31, 2013

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Miscellaneous	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 220,882	\$ 235,074	\$ -	\$ 1,119	\$ 457,075
6149	Fringe Benefits (Unused Leave for Seperating Employees in Function 41and Related 53)				-			-
6149	Fringe Benefits (Unused Leave for Seperating Employees in all Functions except Function 41and Related 53)				-			-
6211	Legal Services	-	-	2,633		-		2,633
6212	Audit Services				16,225			16,225
6213	Tax Appraisal and Collection		273,998					273,998
621X	Other Prof. Services	1,955	-	-	-	-	-	1,955
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	-	-	4,400	-	-	-	4,400
6240	Contr. Maint. And Repair					11,639		11,639
6250	Utilities					-		-
6260	Rentals	-	-	1,032	1,032	-	-	2,064
6290	Miscellaneous Contr.	-	-	-	12,295	-	-	12,295
6320	Textbooks and Reading	300	-	-	-	-	-	300
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	579	-	3,711	6,205	-	40	10,535
6410	Travel, Subsistence, Stipends	6,243	-	2,554	3,563	-	-	12,360
6420	Ins. and Bonding Costs	-	888	-	7,406	-	-	8,294
6430	Election Costs	2,559						2,559
6490	Miscellaneous Operating	9,150	-	39,470	5,607	-	-	54,227
6500	Debt Service							-
6600	Capital Outlay							-
6000	TOTAL	\$ 20,786	\$ 274,886	\$ 274,682	\$ 287,407	\$ 11,639	\$ 1,159	\$ 870,559

Total expenditures for General and Special Revenue Funds (9) 37,834,873

LESS: Deductions of Unallowable Costs:

	FISCAL YEAR	
Total Capital Outlay (6600)	(10)	591,627
Total Debt & Lease (6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	2,037,871
Food (Function 35, 6341 and 6499)	(13)	597,917
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>287,407</u>
		<u>3,514,822</u>
Net Allowed Direct Cost		<u>\$34,320,051</u>

CUMULATIVE

Total Cost of Buildings Before Depreciation	(15)	42,426,679
Historical Cost of Buildings over 50 Years Old	(16)	8,765,898
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	5,117,901
Historical Cost of Furniture & Equipment Over 16 Years Old	(19)	384,377
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	179,650

(8) Note A - no Function 53 expenditures and \$220,215 in Function 99 expenditures are included in this report for administrative costs.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF AUGUST 31, 2013

Data Control Code	Explanation	Amount
1	Total General Fund Balance 8/31/12 (Exhibit C-1 object 3000 for the General Fund Only)	<u>\$ 38,420,182</u>
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund Only)	<u>-</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1- total of object 345X-349X for the General Fund only)	<u>-</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1- total of object 351X-354X for the General Fund only)	<u>25,411,562</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1- total of object 355X-359X for the General Fund only)	<u>-</u>
6	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	<u>5,026,822</u>
7	Estimate of two month's average cash disbursements during the fiscal year	<u>6,032,186</u>
8	Estimate of delayed payments from state sources (58XX)	<u>2,500,000</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	<u>-</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>230,000</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>-</u>
12	Optimum Fund Balance and Cash Flow (2 + 3 + 4 + 5 + 6 + 7 + 8 + 9 + 10 + 11)	<u>\$ 39,200,570</u>
13	Excess/(Deficit) Unassigned General Fund Fund Balance (1 - 12)	<u>\$ (780,388)</u>

If item 13 is a positive number

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

(UNAUDITED)

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

EXHIBIT J-4

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2013

Data Control Codes	1	2	3 Variance with Final Budget Positive (Negative)	
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>	
REVENUES:				
5700	Local and Intermediate Sources	\$ 7,160,611	\$ 7,169,241	\$ 8,630
5020	Total Revenues	<u>7,160,611</u>	<u>7,169,241</u>	<u>8,630</u>
EXPENDITURES:				
Current:				
Debt Service				
0071	Principal on Long-Term Debt	6,584,084	6,584,084	-
0072	Interest on Long-Term Debt	556,051	493,275	62,776
0073	Bond Issuance Costs and Fees	500	450	50
	Total Debt Service	<u>7,140,635</u>	<u>7,077,809</u>	<u>62,826</u>
6030	Total Expenditures	<u>7,140,635</u>	<u>7,077,809</u>	<u>62,826</u>
Other Financing Sources (Uses):				
7915	Transfers In	-	-	-
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	19,976	91,432	71,456
0100	Fund Balance - Beginning	<u>229,397</u>	<u>229,397</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 249,373</u>	<u>\$ 320,829</u>	<u>\$ 71,456</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT
 Denver City, Texas

EXHIBIT J-5

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2013

Data Control Codes	1	2	3
	Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 246,500	\$ 248,404	\$ 1,904
5800 State Program Revenues	4,000	4,388	388
5900 Federal Program Revenues	617,000	618,029	1,029
5020 Total Revenues	<u>867,500</u>	<u>870,821</u>	<u>3,321</u>
EXPENDITURES:			
Current:			
Support Services-Student (Pupil):			
0035 Food Services	1,122,500	1,119,794	2,706
Total Support Services - Student (Pupil)	<u>1,122,500</u>	<u>1,119,794</u>	<u>2,706</u>
6030 Total Expenditures	<u>1,122,500</u>	<u>1,119,794</u>	<u>2,706</u>
Other Financing Sources (Uses):			
7915 Operating Transfers In	255,000	248,973	(6,027)
Total Other Financing Sources and (Uses)	<u>255,000</u>	<u>248,973</u>	<u>(6,027)</u>
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - Beginning	-	-	-
3000 Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Terry & King, CPAs, P.C.

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P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

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Independent Auditors' Report

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

Board of Trustees
Denver City Independent School District
501 Mustang Avenue
Denver City, Texas 79323

Members of the Board of Trustees:

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Denver City Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the Denver City Independent School District's basic financial statements and have issued our report thereon dated December 11, 2013.

Internal Control Over Financial Reporting

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

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

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

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Independent Auditors' Report
Page 2

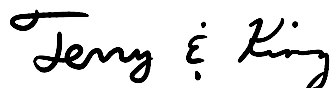
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
December 11, 2013

Terry & King, CPAs, P.C.

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Independent Auditors' Report

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Denver City Independent School District
501 Mustang Avenue
Denver City, Texas 79323

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Denver City Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. Denver City Independent School 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 Denver City Independent School 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 Circular 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 Denver City Independent School 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 compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.



Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

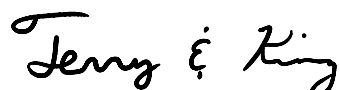
Management of Denver City Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Denver City Independent School 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 over compliance* 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 over 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.

Respectfully submitted,



Terry & King, CPAs, P.C.
December 11, 2013

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2013

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant Deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant Deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	National School Lunch Program
10.553	School Breakfast Program
10.565	Commodity Supplemental Food Program
10.559	Summer Food Service Program

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2013

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2013

Not Applicable – None Required

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2013

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Adult Education (ABE)-Federal	84.002	134100017110254	\$ 23,857
ESEA Title 1, Part A - Improving Basic Programs	84.010A	13610101251901	230,965
ESEA Title 1, Part A - Improving Basic Programs	84.010A	14610101251901	10,161
IDEA-B Formula*	84.027A	136600012239016600	52,921
IDEA-B Formula*	84.027A	146600012239016600	4,460
IDEA-B, Preschool*	84.173A	136610012239016610	17,171
IDEA-B, Preschool*	84.173A	146610012239016610	922
Carl D. Perkins - Basic Grant	84.048A	13420006251901	24,914
Title III, Part A-English Language Acquisition	84.365	13671001251901	27,608
Title III, Part A-English Language Acquisition	84.365	14671001251901	15,000
Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	13694501251901	57,788
Total U.S. Department of Education			<u>465,767</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	71301301	318,429
School Breakfast Program*	10.553	71401301	258,074
Direct Program:			
Commodity Supplemental Food Program*	10.565	N/A	<u>41,526</u>
Total U.S. Department of Agriculture			<u>618,029</u>
<u>U.S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
Temporary Assistance for Needy Families (TANF)	93.558	N/A	8,628
Passed Through State Department of Human Services:			
Summer Food Service Program for Children*	10.559	N/A	<u>15,676</u>
Total U.S. Department of Health and Human Services			<u>24,304</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 1,108,100</u>

* - Indicates a cluster program under OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2013

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Denver City Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, And Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

DENVER CITY INDEPENDENT SCHOOL DISTRICT
Denver City, Texas

SCHOOLS FIRST QUESTIONNAIRE
For the Year Ended August 31, 2013

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? Was there an unqualified opinion on the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Were there any disclosures in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 938