

FORNEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

FORNEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2010

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CERTIFICATE OF BOARD

Forney Independent School District
Name of School District

Kaufman
County

129-902
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the for the year ended June 30, 2010, at a meeting of the board of school trustees of such school district on _____.

*

*

Signature of Board Secretary

Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attached list if necessary):

* Signature on file with the Texas Education Agency

FINANCIAL SECTION

RUTHERFORD,
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COMPANY, P.C.
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INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Forney Independent School District

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forney Independent School District (District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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 Forney Independent School District as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2010, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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.

Independent Auditor's Report - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified as other supplementary information identified in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information, except for the fund balance and cash flow calculation worksheet which is marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*

October 15, 2010
Greenville, Texas

* Signature on file with the Texas Education Agency

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

Board of School Trustees
Forney Independent School District

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Forney Independent School District (District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2010. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose as described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Report on Internal Control – Continued

This report is intended solely for the information and use of management, the Board of Trustees, the Texas Education Agency and other grantors, and is not intended to be and should not be used by anyone other than these specified parties.

October 15, 2010
Greenville, Texas

*

* Signature on file with the Texas Education Agency

REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of School Trustees
Forney Independent School District

Members of the Board:

Compliance

We have audited Forney Independent School District's (District) 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 June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 District's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Internal Control over Compliance – Continued

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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The District's responses to the findings, if any, identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*

October 15, 2010
Greenville, Texas

* Signature on file with the Texas Education Agency

FORNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2010

Summary of Auditor's Results

Type of Report on Financial Statements	Unqualified Opinion
Significant Deficiencies	None
Material Weakness Involving Significant Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards on Determined in Section .510 (a), OMB Circular A-133	None
Dollar threshold considered Between Type A and B Federal Programs	\$ 300,000
Low Risk Auditee Statements	The District was classified as a low risk auditee in the context of OMB Circular A-133
Major Federal Programs	ARRA – State Fiscal Stabilization (84.394) Special Education Cluster: IDEA B - Formula (84.027) IDEA B - Preschool (84.173) ARRA – IDEA-B – Formula (84.391) ARRA – IDEA-B – Preschool (84.392) Title I Part A Cluster: ESEA Title I Part A (84.010) ARRA – ESEA Title I Part A (84.389)
Pass-through Entity	Texas Education Agency

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

**Schedule
Reference
Number**

Findings

NONE

FORNEY INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2010

**Schedule
Reference
Number**

Prior Findings

NONE

FORNEY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2010

**Schedule
Reference
Number**

Actions Planned

NONE

FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

This section of Forney Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the for the year ended June 30, 2010. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The General Fund reported an ending fund balance of \$ 6,061,564. This was an increase in the General Fund fund balance from the prior year in the amount of \$ 99,688.
- General Fund expenditures were \$ 55,592,487 for the year. These expenditures were \$ 99,688 less than the property taxes and state aid earned by the District for the current school year and other revenues and resources.
- The total cost of the District's programs increased from last year due in part to the student population growth in the District.
- The District issued \$ 31,654,964 in general obligation bonds for construction of District facilities and restructuring of debt during the year.
- The District's yearend total combined net assets were a deficit of \$ (23,183,844) as reported in the government wide financial statements..

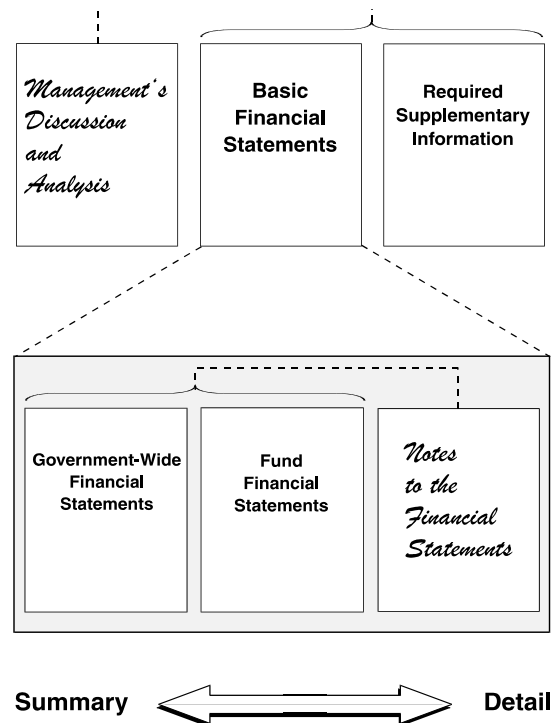
OVERVIEW OF THE FINANCIAL STATEMENTS

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.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as the print shop.
- 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 basic financial statements also include notes that explain some of the information in the basic 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 basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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



**FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

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

Figure A-2 summarizes the major features of the District's basic 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.

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 assets 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.

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary 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	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<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 net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<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	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 financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<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	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the District's net assets and how they have changed. Net assets—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 assets are 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 nonfinancial factors such as changes in the District's tax base and student population.

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 on the subsequent page that explain the relationship (or differences) between them.

**FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. 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 assets. 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

The District's combined net assets were negative \$ 23,183,844 at June 30, 2010.

Forney Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Assets:			
Cash and Investments	\$ 26,294,329	\$ 27,179,225	-3.26%
Other Assets	10,380,173	9,402,654	10.40%
Capital Assets less Accumulated Depreciation	235,305,396	235,949,946	-0.27%
Total Assets	\$ 271,979,898	\$ 272,531,825	-0.20%
Liabilities:			
Current Liabilities	\$ 11,734,430	\$ 17,146,962	-31.57%
Long-term Liabilities	283,429,312	265,345,290	6.82%
Total Liabilities	\$ 295,163,742	\$ 282,492,252	4.49%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ (23,585,388)	\$ (19,799,693)	19.12%
Restricted	6,643,680	7,097,527	-6.39%
Unrestricted	(6,242,136)	2,741,739	-327.67%
Total Net Assets	\$ (23,183,844)	\$ (9,960,427)	132.76%

Of the District's total net assets, approximately \$ 23,585,388 represents the amount to which the outstanding obligations of debt issued to acquire capital assets exceeds the net book value of the District's investment in capital assets. Approximately \$ 6,643,680 of the District's restricted net assets represents proceeds for debt retirement. These proceeds are restricted for debt retirement. The unrestricted portion of net assets represents resources available to fund the programs of the District next year.

CHANGES IN NET ASSETS

The District's total revenues were \$ 77,243,666. 45% of the District's revenue comes from local property taxes (See Table A-2). 51% comes from state aid and federal grants, while only 4% relates to charges for services and other miscellaneous revenues including investment earnings.

The total cost of all programs and services was \$ 90,482,257. 49% of these costs are for instruction and related staff and student services.

The District's tax collection percentage rate (current and delinquent base tax only) was 97.48%. The total collection (base tax and penalty and interest) was 98.64%.

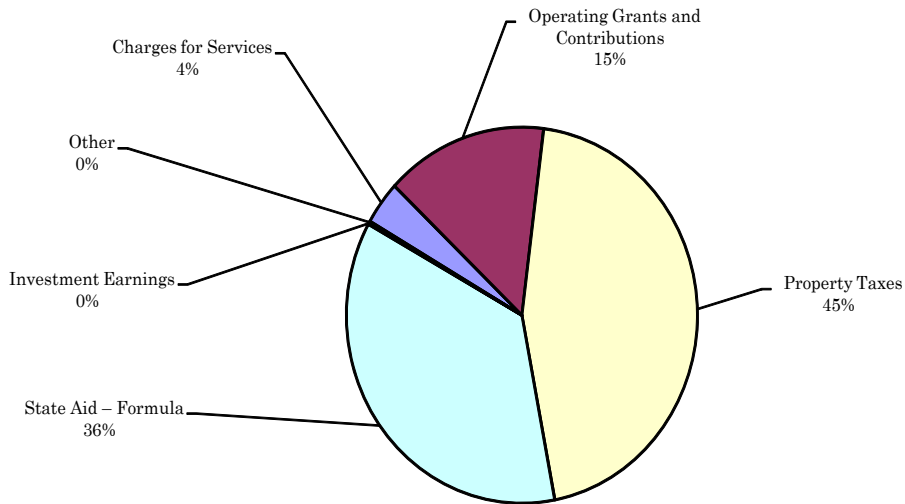
FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

GOVERNMENTAL ACTIVITIES

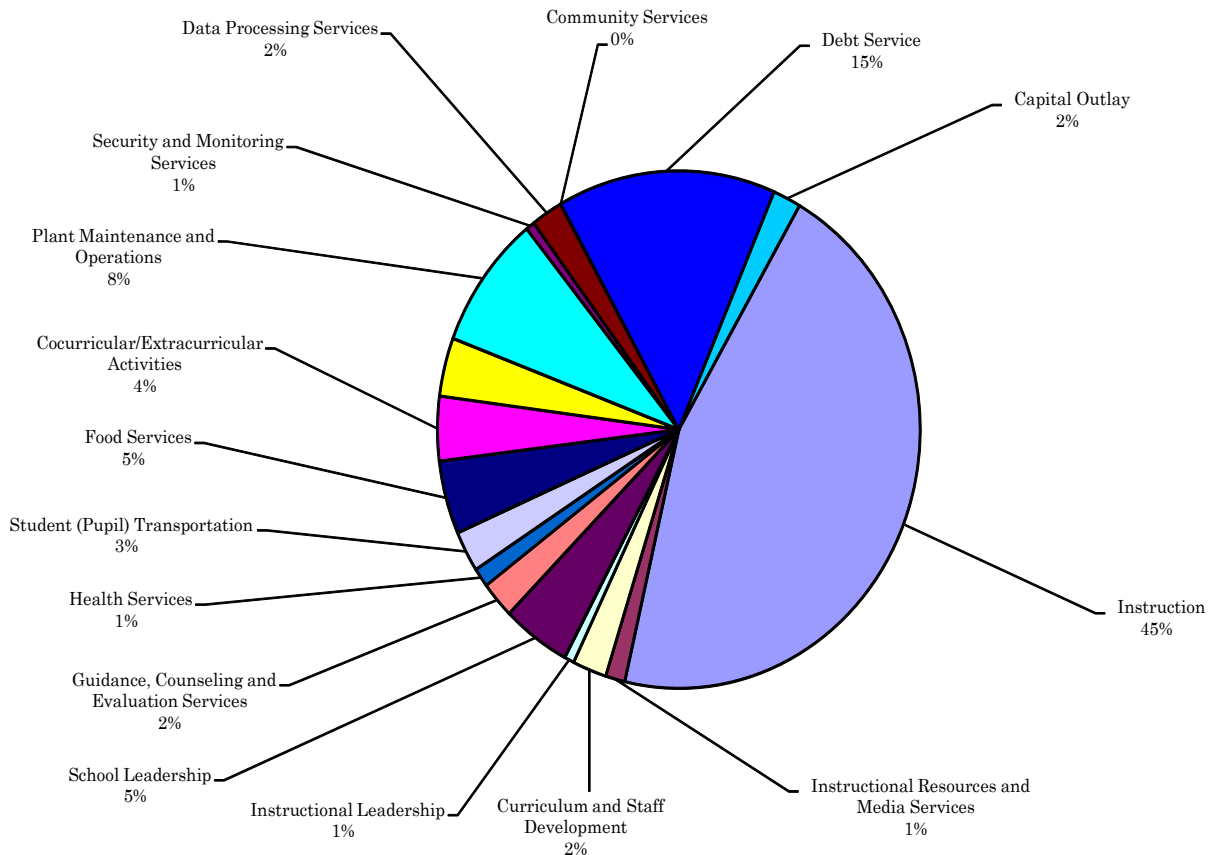
Changes in Forney Independent School District's Net Assets				Table A-2
	Governmental Activities		Total Percentage Change	
	2010	2009	2009-2010	
Program Revenues:				
Charges for Services	\$ 2,884,448	\$ 2,618,226	10.17%	
Operating Grants and Contributions	11,520,657	5,693,869	102.33%	
General Revenues:				
Property Taxes	34,777,637	34,284,533	1.44%	
State Aid – Formula	27,832,890	23,105,908	20.46%	
Investment Earnings	76,817	370,006	-79.24%	
Other	151,217	90,219	67.61%	
Total Revenues	<u>\$ 77,243,666</u>	<u>\$ 66,162,761</u>	16.75%	
Expenses:				
Instruction	\$ 40,959,556	\$ 34,658,507	18.18%	
Instructional Resources and Media Services	1,174,988	779,869	50.66%	
Curriculum and Staff Development	2,064,200	717,539	187.68%	
Instructional Leadership	593,552	430,772	37.79%	
School Leadership	4,135,465	3,092,086	33.74%	
Guidance, Counseling and Evaluation Services	2,081,710	1,774,132	17.34%	
Health Services	1,082,921	801,677	35.08%	
Student (Pupil) Transportation	2,304,595	1,885,841	22.21%	
Food Services	4,161,782	3,136,644	32.68%	
Cocurricular/Extracurricular Activities	3,643,585	2,766,833	31.69%	
General Administration	3,312,011	2,117,293	56.43%	
Plant Maintenance and Operations	7,605,486	5,519,443	37.79%	
Security and Monitoring Services	535,009	436,275	22.63%	
Data Processing Services	1,911,828	973,963	96.29%	
Community Services	16,031	15,479	3.57%	
Debt Service	13,208,063	9,569,086	38.03%	
Capital Outlay	1,691,475	826,824	104.57%	
Total Expenses	<u>\$ 90,482,257</u>	<u>\$ 69,502,263</u>	30.19%	
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ (13,238,591)</u>	<u>\$ (3,339,502)</u>	-296.42%	
Increase (Decrease) in Net Assets	<u>\$ (13,238,591)</u>	<u>\$ (3,339,502)</u>	-296.42%	
Net Assets - Beginning (July 1)	\$ (9,960,427)	\$ (6,613,318)	50.61%	
Prior Period Adjustments	15,174	(7,607)	-299.47%	
Net Assets - Beginning, as restated	<u>\$ (9,945,253)</u>	<u>\$ (6,620,925)</u>	50.21%	
Net Assets - Ending (June 30)	<u>\$ (23,183,844)</u>	<u>\$ (9,960,427)</u>	-132.76%	

FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

Sources of Revenues for Fiscal Year 2010 - See Table A-2



Functional Expenses for Fiscal Year 2010 - See Table A-2



**FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010**

- Table A-3 presents selected District functions as well as the selected functions' 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 \$ 90,482,257.
- However, the amount that our taxpayers paid for these activities through local property taxes was only \$ 34,777,637.
- Some of the cost was paid by those who directly benefited from the programs, \$ 2,884,448, or
- By grants and contributions, \$ 11,520,657.

Forney Independent School District Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>		% Change	<u>Net Cost of Services</u>		% Change	
	2010	2009		2010	2009		
Instruction	40,959,556	34,658,507	18.18%	34,517,080	31,392,430	9.95%	
School Leadership	4,135,465	3,092,086	33.74%	3,883,096	3,066,819	26.62%	
General Administration	3,312,011	2,117,293	56.43%	3,212,685	2,108,702	52.35%	
Plant Maintenance and Operations	7,605,486	5,519,443	37.79%	7,372,237	5,384,133	36.93%	
Debt Service	13,208,063	9,569,086	38.03%	10,873,870	8,618,329	26.17%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 76,933,900. Any increase in state revenues is a result of an increase of students in average daily attendance. Any increase in federal revenues is primarily due to an increase in federal program revenue distributed through other agencies.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. Even with these adjustments, though actual expenditures were \$ 1,274,441 below final General Fund budget amounts, the District over-expended the budget in two separate functional categories, cocurricular activities and plant maintenance and operation. The most significant positive variance was reflected in data processing.

Resources available were \$ 8,733 above the final General Fund budgeted amount. The favorable variance was due to attendance accounted for in the fiscal year affecting state aid earned.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2010, the District had invested \$ 266,363,701 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

Forney Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Land	\$ 7,000,619	\$ 5,084,714	37.68%
Construction in Progress	-	2,225,338	-100.00%
Buildings and Improvements	253,507,590	247,635,421	2.37%
Vehicles	936,663	4,632,888	-79.78%
Equipment	4,918,829	925,333	431.57%
Totals at Historical Cost	\$ 266,363,701	\$ 260,503,694	2.25%
Less Accumulated Depreciation	(31,058,305)	(24,553,748)	26.49%
Net Capital Assets	<u>\$ 235,305,396</u>	<u>\$ 235,949,946</u>	-0.27%

LONG TERM DEBT

At year-end, the District had \$ 283,429,312 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Bond Ratings -
The District's bonds presently carry "AAA" ratings.

Forney Independent School District's Long Term Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2010	2009	2009-2010
Bonds Payable	\$ 263,721,404	\$ 249,146,441	5.85%
Loans Payable	1,820,000	2,080,000	-12.50%
Capital Leases Payable	698,415	529,801	100.00%
Other Debt Payable	17,189,493	13,589,048	26.50%
Total Debt Payable	<u>\$ 283,429,312</u>	<u>\$ 265,345,290</u>	6.82%

ECONOMIC FACTORS

The District's property valuation continues to increase as it has in prior years. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operation. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative actions could impact the District's financial operations, including cash flows.

FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

Student population has continued in an upward trend in the District. The economic outlook for the area is for growth to be increasing at a rapid pace. Property values continue to rise at a relatively high level, with student population increasing annually in a level similar to housing starts. This expansion requires the District to project student population for future construction at this accelerated rate. Economic downturns could impact the District's financial position and cash flows if they occur.

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 Robert Seale, Director of Finance & Operations.

BASIC FINANCIAL STATEMENTS

FORNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
YEAR ENDED JUNE 30, 2010

1

Data Control Codes		Governmental Activities
<u> </u>		<u> </u>
	ASSETS	
1110	Cash and Investments	\$ 26,294,329
1225	Property Taxes Receivable, Net	1,893,374
1240	Due from Other Governments	5,791,487
1290	Other Receivables, Net	215,183
1410	Deferred Expenses	72,848
1420	Capitalized Bond and Other Debt Issuance Costs, Net	2,407,281
	Capital Assets:	
1510	Land	7,000,619
1520	Buildings and Improvements, Net	226,034,606
1530	Furniture and Equipment, Net	<u>2,270,171</u>
1000	Total Assets	<u>\$ 271,979,898</u>
	LIABILITIES	
2110	Accounts Payable	\$ 2,019,879
2140	Interest Payable	4,158,963
2165	Accrued Liabilities	5,223,255
2300	Unearned Revenues	332,333
	Noncurrent Liabilities:	
2501	Due within one year	2,756,838
2502	Due in more than one year	<u>280,672,474</u>
2000	Total Liabilities	<u>\$ 295,163,742</u>
	NET ASSETS	
3200	Invested in Capital Assets, Net of Related Debt	\$ (23,585,388)
	Restricted For:	
3850	Debt Service	6,643,680
3900	Unrestricted	<u>(6,242,136)</u>
3000	Total Net Assets	<u>\$ (23,183,844)</u>

The accompanying notes are an integral part of this statement.

FORNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

		1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			
			Charges for	Operating Grants and	Governmental
Data	Control	Expenses	Services	Contributions	Activities
Codes	Functions/Programs				
Government Activities:					
11	Instruction	\$ 40,959,556	\$ 258,529	\$ 6,183,947	\$ (34,517,080)
12	Instructional Resources and Media Services	1,174,988	92,687	102,777	(979,524)
13	Curriculum and Staff Development	2,064,200	-	266,546	(1,797,654)
21	Instructional Leadership	593,552	-	43,506	(550,046)
23	School Leadership	4,135,465	32,475	219,894	(3,883,096)
31	Guidance, Counseling and Evaluation Services	2,081,710	-	438,528	(1,643,182)
33	Health Services	1,082,921	750	149,513	(932,658)
34	Student (Pupil) Transportation	2,304,595	1,404	89,623	(2,213,568)
35	Food Services	4,161,782	2,121,171	1,178,827	(861,784)
36	Cocurricular/Extracurricular Activities	3,643,585	172,926	30,122	(3,440,537)
41	General Administration	3,312,011	1,826	97,500	(3,212,685)
51	Plant Maintenance and Operations	7,605,486	94,633	138,616	(7,372,237)
52	Security and Monitoring Services	535,009	-	3,614	(531,395)
53	Data Processing Services	1,911,828	108,047	242,862	(1,560,919)
61	Community Services	16,031	-	589	(15,442)
72	Interest on Long-term Debt	13,107,272	-	2,334,193	(10,773,079)
73	Bond Issuance Costs and Fees	100,791	-	-	(100,791)
81	Capital Outlay	1,691,475	-	-	(1,691,475)
TG	Total Government Activities	<u>\$ 90,482,257</u>	<u>\$ 2,884,448</u>	<u>\$ 11,520,657</u>	<u>\$ (76,077,152)</u>
TP	Total Primary Government	<u>\$ 90,482,257</u>	<u>\$ 2,884,448</u>	<u>\$ 11,520,657</u>	<u>\$ (76,077,152)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purpose				\$ 24,210,710
DT	Property Taxes, Levied for Debt Service				10,566,927
IE	Investment Earnings				76,817
GC	Grants and Contributions Not Restricted to Specific Programs				27,832,890
MI	Miscellaneous				151,217
TR	Total General Revenues and Transfers				<u>\$ 62,838,561</u>
CN	Change in Net Assets				<u>\$ (13,238,591)</u>
NB	Net Assets - Beginning (July 1)				\$ (9,960,427)
PA	Prior Period Adjustments				15,174
	Net Assets - Beginning, as restated				<u>\$ (9,945,253)</u>
NE	Net Assets - Ending (June 30)				<u>\$ (23,183,844)</u>

The accompanying notes are an integral part of this statement.

FORNEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

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 Investments	\$ 5,583,184	\$ 10,554,111	\$ 9,624,468	\$ 532,566	\$ 26,294,329
1225 Property Taxes Receivable, Net	1,407,632	485,742	-	-	1,893,374
1240 Due from Other Governments	5,265,918	6,710	-	518,859	5,791,487
1260 Due from Other Funds	-	20,148	-	-	20,148
1290 Other Receivables, Net	215,117	-	-	66	215,183
1410 Deferred Expenditures	71,160	-	-	1,688	72,848
1000 Total Assets	\$ 12,543,011	\$ 11,066,711	\$ 9,624,468	\$ 1,053,179	\$ 34,287,369
LIABILITIES					
Current Liabilities:					
2110 Accounts Payable	\$ 455,505	\$ -	\$ 1,545,791	\$ 18,583	\$ 2,019,879
2140 Interest Payable	-	86,146	-	-	86,146
2160 Accrued Wages Payable	4,327,736	-	-	551,706	4,879,442
2170 Due to Other Funds	-	-	20,148	-	20,148
2200 Accrued Expenses	288,115	-	-	55,698	343,813
2300 Unearned Revenues	1,410,091	787,576	-	28,040	2,225,707
2000 Total Liabilities	\$ 6,481,447	\$ 873,722	\$ 1,565,939	\$ 654,027	\$ 9,575,135
FUND BALANCES					
Reserved Fund Balances:					
3420 Debt Service	\$ -	\$ 10,192,989	\$ -	\$ -	\$ 10,192,989
3440 Outstanding Encumbrances	396,051	-	-	-	396,051
3450 Food Service	-	-	-	42,249	42,249
3490 Other Reserves of Fund Balance	-	-	8,058,529	356,903	8,415,432
3600 Unrestricted	5,665,513	-	-	-	5,665,513
3000 Total Fund Balances	\$ 6,061,564	\$ 10,192,989	\$ 8,058,529	\$ 399,152	\$ 24,712,234
4000 Total Liabilities and Fund Balances	\$ 12,543,011	\$ 11,066,711	\$ 9,624,468	\$ 1,053,179	\$ 34,287,369

The accompanying notes are an integral part of this statement.

FORNEY INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET ASSETS
 YEAR ENDED JUNE 30, 2010

Total fund balances - Balance Sheet (governmental funds)	\$	24,712,234
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		235,305,396
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		1,893,374
Payables for bond principal which are not due in the current period are not reported in the funds.		(263,721,405)
Payables for capital leases which are not due in the current period are not reported in the funds.		(698,415)
Payables for debt interest which are not due in the current period are not reported in the funds.		(4,072,817)
Payables for notes which are not due in the current period are not reported in the funds.		(1,820,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(796,960)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(16,392,532)
Other long-term assets are not available to pay for current-period expenditures and are deferred in the funds.		<u>2,407,281</u>
Net assets of governmental activities - Statement of Net Assets	\$	<u><u>(23,183,844)</u></u>

The accompanying notes are an integral part of this statement.

FORNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2010

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	\$ 24,677,588	\$ 10,512,016	\$ 9,647	\$ 2,452,135	\$ 37,651,386
5800 State Program Revenues	30,348,871	2,330,351	-	428,478	33,107,700
5900 Federal Program Revenues	496,749	-	-	5,678,065	6,174,814
5020 Total Revenues	\$ 55,523,208	\$ 12,842,367	\$ 9,647	\$ 8,558,678	\$ 76,933,900
EXPENDITURES					
Current:					
0011 Instruction	\$ 30,496,134	\$ -	\$ 2,488,314	\$ 3,915,662	\$ 36,900,110
0012 Instructional Resources and Media Services	603,572	-	257,554	99,431	960,557
0013 Curriculum and Staff Development	1,584,522	-	24,555	199,030	1,808,107
0021 Instructional Leadership	561,430	-	15,427	16,695	593,552
0023 School Leadership	4,034,447	-	32,543	68,475	4,135,465
0031 Guidance, Counseling and Evaluation Services	1,711,081	-	17,916	352,713	2,081,710
0033 Health Services	884,984	-	71,092	105,785	1,061,861
0034 Student (Pupil) Transportation	2,026,982	-	32,365	97,230	2,156,577
0035 Food Services	89,877	-	5,823	3,571,715	3,667,415
0036 Cocurricular/Extracurricular Activities	2,242,319	-	666,055	125,459	3,033,833
0041 General Administration	2,928,076	-	201,196	1,941	3,131,213
0051 Plant Maintenance and Operations	6,704,036	-	698,455	935	7,403,426
0052 Security and Monitoring Services	475,865	-	32,834	-	508,699
0053 Data Processing Services	933,214	-	780,184	192,472	1,905,870
0061 Community Services	16,031	-	-	-	16,031
0071 Principal on Long-term Debt	260,000	3,400,000	-	-	3,660,000
0072 Interest on Long-term Debt	31,200	11,808,364	-	-	11,839,564
0073 Debt Issuance Cost and Fees	8,717	487,392	-	-	496,109
0081 Capital Outlay	-	-	7,254,211	-	7,254,211
6030 Total Expenditures	\$ 55,592,487	\$ 15,695,756	\$ 12,578,524	\$ 8,747,543	\$ 92,614,310
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ (69,279)	\$ (2,853,389)	\$ (12,568,877)	\$ (188,865)	\$ (15,680,410)
OTHER FINANCING SOURCES (USES)					
7911 Issuance of Bonds	\$ -	\$ 13,655,000	\$ 17,999,965	\$ -	\$ 31,654,965
7913 Proceeds from Capital Leases	168,614	-	-	-	168,614
7915 Operating Transfers In	353	-	-	85	438
7916 Premium or Discount on Issuance of Bonds	-	2,703,302	35	-	2,703,337
8911 Operating Transfers Out	-	-	-	(438)	(438)
8949 Other Uses	-	(14,012,393)	-	-	(14,012,393)
7080 Net Other Financing Sources (Uses)	\$ 168,967	\$ 2,345,909	\$ 18,000,000	\$ (353)	\$ 20,514,523
1200 Net Changes in Fund Balances	\$ 99,688	\$ (507,480)	\$ 5,431,123	\$ (189,218)	\$ 4,834,113
0100 Fund Balances - Beginning (July 1)	\$ 5,961,876	\$ 10,700,469	\$ 2,627,406	\$ 573,195	\$ 19,862,946
1300 Prior Period Adjustments	-	-	-	15,175	15,175
Fund Balances - Beginning, as restated	\$ 5,961,876	\$ 10,700,469	\$ 2,627,406	\$ 588,370	\$ 19,878,121
3000 Fund Balances - Ending (June 30)	\$ 6,061,564	\$ 10,192,989	\$ 8,058,529	\$ 399,152	\$ 24,712,234

The accompanying notes are an integral part of this statement.

FORNEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$ 4,834,113
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	5,860,007
The depreciation of capital assets used in governmental activities is not reported in the funds.	(6,504,557)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	309,765
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	13,746,018
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	3,400,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	260,000
Debt issuance costs and similar items are amortized in the SOA but not in the funds.	395,318
The accretion of interest on capital appreciation bonds is not reported in the funds.	(952,118)
(Increase) decrease in accrued interest expense from beginning of period to end of period.	(49,215)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(11,007)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(31,654,964)
Bond premiums are reported in the funds but not in the SOA.	(2,703,337)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(168,614)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ (13,238,591)</u>

The accompanying notes are an integral part of this statement.

FORNEY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
 JUNE 30, 2010

Data Control Codes	Agency Funds Student Activity
ASSETS	
1110 Cash and Investments	\$ 251,296
1000 Total Assets	\$ 251,296
LIABILITIES	
Current Liabilities:	
2190 Due to Student Groups	\$ 251,296
2000 Total Liabilities	\$ 251,296
NET ASSETS	
3800 Held in Trust	\$ -
3000 Total Net Assets	\$ -

The accompanying notes are an integral part of this statement.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. Summary of Significant Accounting Policies

The basic financial statements of the Forney Independent School District (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 (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 as a body corporate has the 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 (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net assets (SNA) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange transactions.

The statement of activities (SOA) 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 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.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. Summary of Significant Accounting Policies (Continued)

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 is used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Capital Projects Fund – This fund accounts for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

In addition, the District reports the following fund types:

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

b. Measurement Focus – Basis of Accounting

Government-wide and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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, 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. 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 long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. Summary of Significant Accounting Policies (Continued)

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the functional level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$ 396,051
Special Revenue Fund	-0-
Debt Service Fund	-0-
Capital Projects Fund	<u>-0-</u>
Total	<u>\$ 396,051</u>

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. Summary of Significant Accounting Policies (Continued)

For the purpose of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method, supplies and materials are debited as expenditures when purchased.

Fund Equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for long-term debt and food service.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Debt Issuance Costs

Debt issuance costs are included in noncurrent assets. Unamortized premiums or discounts and refunding gains or losses are reflected in net long-term obligations. Both debt issuance costs and other debts are amortized over the lives of the related debt issues using the straight-line method.

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

6. 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 year end.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

A. Summary of Significant Accounting Policies (Continued)

7. Interfund Activities

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 "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

8. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest, but accumulates and is recorded as an expenditure as it is paid.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At June 30, 2010, all District cash deposits appear to have been covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

B. Deposits, Securities and Investments (Continued)

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments in external investment pools, such as TexPool, LOGIC, TexSTAR, and MBIA Investment Pool. All TexPool, LOGIC, TexSTAR, and MBIA investments are reported at share price (fair value) and are presented as cash and cash equivalents.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS), was created as an investment pool for its participants pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. The Texas CLASS Trust Agreement (Trust) is an agreement of indefinite term regarding the investment, reinvestment and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate (the "Participants"), MBIA Municipal Investors Service Corporation as Program Administrator (the "Program Administrator"), and Wells Fargo Bank Texas, NA as Custodian (the "Custodian").

Texas CLASS is supervised by a Board of Trustees who are elected by the Participants. The Board of Trustees supervises the Trust and its affairs and acts as the liaison between the Participants, the Custodian and the Program Administrator. The Board administers the affairs of the Trust. It also selects the consultants for Texas CLASS, including the Program Administrator and the Custodian.

The Board of Trustees has appointed an Advisory Board composed of Participants and other persons who do not have a business relationship with the Trust and are qualified to advise the Trust. The Advisory Board provides advice to the Board of Trustees and the Program Administrator about the Investment Policy and Investment Strategy of the Trust and about other matters as requested by the Board of Trustees and the Program Administrator.

The Fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's.

Local Government Investment Cooperative (LOGIC) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas to jointly invest their funds in permitted investments.

The Cooperative's governing body is a six-member Board of Directors (Board) comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of LOGIC.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

B. Deposits, Securities and Investments (Continued)

Day to day administration of LOGIC will be performed by First Southwest Asset Management, Inc. and JPMorgan Chase Investment Management, Inc. First Southwest will provide administrative, participant support and marketing services. JPMorgan Chase will provide investment management, custody, fund accounting and transfer agency services.

Portfolios will maintain a AAA or equivalent rating from at least one nationally recognized rating agency in compliance with the requirements of the Public Funds Investment Act. Class A Units of LOGIC I are currently rated AAAM by Standard & Poor's.

Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools.

J. P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (Board). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

The Board may establish separate Funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (units). The Board may issue an unlimited number of units in each Fund.

TexSTAR is rated AAAM by Standard & Poor's rating agency. This rating and the fund's operational settings allow the fund to comply with the requirement of the Public Funds Investment Act.

Texas Local Government Investment Pool (TexPool) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

The fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating as well as the operational policies and procedures allow the fund to comply with the requirements of the Public Funds Investment Act.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

B. Deposits, Securities and Investments (Continued)

The following table identifies the District's investment at June 30, 2010:

	Credit Risk Rating	Fair Value
LOGIC	AAAm	\$ 1,880,736
MBIA	AAAm	23,062,415
TexPool	AAAm	7,052
TexSTAR	AAAm	11,676
		<hr/>
Total		\$ 24,961,879

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: City Bank, Forney, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 5,000,000.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 4,210,811, and occurred during the month of March, 2010.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 423,058.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and 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 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.

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.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

B. Deposits, Securities and Investments (Continued)

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.

C. Property Taxes

Property taxes are levied by October 1, 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 1 of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Property tax revenues are considered available when collected within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.04 to fund general operations and \$ 0.46 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 2,333,464,800.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

D. Capital Assets

Capital asset activities during the year ended June 30, 2010 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being depreciated:				
Land	\$ 5,084,714	\$ 1,915,905	\$ -	\$ 7,000,619
Construction in Progress	2,225,338	577,590	(2,802,928)	-
Total Capital Assets not being depreciated	\$ 7,310,052	\$ 2,493,495	\$ (2,802,928)	\$ 7,000,619
Capital Assets being depreciated:				
Buildings and Improvements	\$ 247,635,421	\$ 5,872,169	\$ -	\$ 253,507,590
Equipment	925,333	11,330	-	936,663
Vehicles	4,632,888	285,941	-	4,918,829
Total Capital Assets being depreciated	\$ 253,193,642	\$ 6,169,440	\$ -	\$ 259,363,082
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 21,550,876	\$ 5,922,108	\$ -	\$ 27,472,984
Equipment	466,287	163,604	-	629,891
Vehicles	2,536,585	418,845	-	2,955,430
Total Accumulated Depreciation	\$ 24,553,748	\$ 6,504,557	\$ -	\$ 31,058,305
Total Capital Assets being depreciated, net	\$ 228,639,894	\$ (335,117)	\$ -	\$ 228,304,777
Governmental Activities Capital Assets, net	\$ 235,949,946	\$ 2,158,378	\$ (2,802,928)	\$ 235,305,396

Depreciation was charged to functions as follows:

Instruction	\$ 4,048,439
Instructional Resources and Media Services	214,431
School Leadership	256,093
Health Services	21,060
Student (Pupil) Transportation	400,539
Food Services	522,170
Cocurricular/Extracurricular Activities	609,752
General Administration	180,798
Plant Maintenance and Operations	219,007
Security and Monitoring Services	26,310
Data Processing Services	5,958
Total	\$ 6,504,557

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligations activity during the year ended June 30, 2010 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 249,146,441	\$ 31,654,963	\$ 17,080,000	\$ 263,721,404	\$ 2,401,762
Loans Payable	2,080,000	-	260,000	1,820,000	260,000
Capital Leases Payable	529,801	168,614	-	698,415	95,076
Accreted Interest Payable	6,797,733	6,583,025	105,000	13,275,758	-
Retirement Benefit Payable	785,953	11,007	-	796,960	-
Refunding Gain(Loss)	(507,831)	(327,164)	(232,693)	(602,302)	-
Unamortized Premium (Discount)	6,513,193	1,387,803	4,181,919	3,719,077	-
Total Governmental Activities	\$ 265,345,290	\$ 39,478,248	\$ 21,394,226	\$ 283,429,312	\$ 2,756,838

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

On August 3, 2009, the District issued "Forney Independent School District Unlimited Tax School Building Bonds, Series 2009," totaling \$ 3,000,000 for construction, rehabilitation, expansion or modification of District facilities; the equipping of school facilities, purchase of school sites and school buses. These bonds incur an average interest cost over the life of the bonds at a rate of 4.01% and mature annually with semi-annual interest payments. The bonds will fully mature in 2022.

The District issued "Forney Independent School District Unlimited Tax Refunding Bonds, Series 2009," totaling \$ 2,104,999 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building and Refunding Bonds, Series 2000

The bonds are dated July 1, 2009 and were issued August 3, 2009. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of August 15, 2009.

As a result of the refunding, the District decreased its debt service requirements by \$ 146,206. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 208,036.

On July 30, 2010, the District issued "Forney Independent School District Unlimited Tax School Building Bonds, Series 2010," totaling \$ 14,999,965 for construction, rehabilitation, expansion or modification of District facilities; the equipping of school facilities, purchase of school sites and school buses. These bonds incur an average interest cost over the life of the bonds at a rate of 3.96% and mature annually with semi-annual interest payments. The bonds will fully mature in 2041.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

E. Long Term Obligations (Continued)

The District issued “Forney Independent School District Unlimited Tax Refunding Bonds, Series 2010,” totaling \$ 11,550,000 to be used to refund maturities of the following outstanding Series:

Unlimited Tax School Building Bonds, Series 2003

The bonds are dated June 1, 2010 and were issued June 30, 2010. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District’s long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of August 15, 2010.

As a result of the refunding, the District decreased its debt service requirements by \$ 938,425. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 777,766.

Bonds outstanding at June 30, 2010, are as follows:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax School Building and Refunding Bonds, Series 2000	5.10%	\$ 13,329,945	\$ 3,289,944
Unlimited Tax School Building Bonds, Series 2001	5.35%	19,210,000	915,000
Unlimited Tax School Building Bonds, Series 2003	5.00%	17,575,000	3,000,000
Unlimited Tax School Building Bonds, Series 2004	5.00%	7,125,000	7,005,000
Unlimited Tax School Building Bonds, Series 2004A	4.71%	6,915,000	6,670,000
Unlimited Tax Refunding Bonds, Series 2005	4.15%	10,069,996	9,399,996
Unlimited Tax School Building and Refunding Bonds, Series 2005A	4.38%	21,471,684	19,491,683
Unlimited Tax School Building Bonds, Series 2006	4.35%	10,000,000	9,235,000
Unlimited Tax School Building Bonds, Series 2006A	4.76%	9,535,000	9,055,000
Unlimited Tax School Building Bonds, Series 2006B	4.67%	10,000,000	9,740,000
Unlimited Tax Refunding Bonds, Series 2006C	4.42%	2,560,000	2,515,000
Unlimited Tax Refunding Bonds, Series 2006D	4.44%	16,194,990	15,734,991
Unlimited Tax School Building Bonds, Series 2007	4.40%	9,995,000	9,745,000
Unlimited Tax School Building Bonds, Series 2007A	4.78%	51,999,993	51,614,993
Unlimited Tax School Building Bonds, Series 2008	5.02%	39,999,974	39,999,974
Unlimited Tax School Building Bonds, Series 2008A	5.99%	34,654,859	34,654,859
Unlimited Tax School Building Bonds, Series 2009	4.01%	3,000,000	3,000,000
Unlimited Tax Refunding Bonds, Series 2009	4.01%	2,104,999	2,104,999
Unlimited Tax School Building Bonds, Series 2010	3.96%	14,999,965	14,999,965
Unlimited Tax Refunding Bonds, Series 2010	3.96%	11,550,000	11,550,000
Totals			<u>\$ 263,721,404</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

E. Long Term Obligations (Continued)

Debt service requirements to maturity on bonded debt as of June 30, 2010, are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2011	\$ 2,401,762	\$ 13,264,707	\$ 15,666,469
2012	3,225,155	12,228,806	15,453,961
2013	3,498,070	12,585,392	16,083,462
2014	4,153,178	12,797,125	16,950,303
2015	5,098,345	12,151,179	17,249,524
2016-2020	36,138,980	60,763,215	96,902,195
2021-2025	36,275,112	61,056,103	97,331,215
2026-2030	44,633,336	48,274,916	92,908,252
2031-2035	67,082,466	25,877,846	92,960,312
2036-2040	60,030,000	6,109,128	66,139,128
2041-2045	1,185,000	32,588	1,217,588
Totals	<u>\$ 263,721,404</u>	<u>\$ 265,141,005</u>	<u>\$ 528,862,409</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of June 30, 2010.

Amortized Debt

Voters have authorized the issuance of additional bonds for construction and improvements. The following presents these authorizations:

Date of Authorization	Amount Authorized	Amount Issued	Remaining Unissued
November 7, 2006	\$ 96,785,000	\$ 50,570,000	\$ 46,215,000
May 8, 2010	30,000,000	11,500,000	18,500,000
	<u>\$ 126,785,000</u>	<u>\$ 62,070,000</u>	<u>\$ 64,715,000</u>

Loans

The District has executed various agreements to provide funding for capital assets in prior years. The following schedule presents the outstanding loans at June 30, 2010.

Payee-Purpose	Authority	Date Executed	Interest Rate	Original Amount	Outstanding Amount
City Bank - Construction (Series 2002 - Maintenance Tax Notes)	TEC 45.108	7/1/2002	1.00%	\$ 3,500,000	\$ 1,820,000

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

E. Long Term Obligations (Continued)

Maturity requirements on loans as of June 30, 2010, are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2011	\$ 260,000	\$ 27,300	\$ 287,300
2012	260,000	23,400	283,400
2013	260,000	19,500	279,500
2014	260,000	15,600	275,600
2015	260,000	11,700	271,700
2016-2019	520,000	11,700	531,700
Totals	\$ 1,820,000	\$ 109,200	\$ 1,929,200

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

Description	Implicit Interest Rate	Date of Agreement	Original Property Value
Capital One, NA - School Buses	5.42%	5/21/2009	\$ 529,801
American National Bank - School Buses	3.75%	6/30/2010	168,614

The lease terms are for five years. The terms call for annual payments over the life of the lease.

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2010, are as follows:

Year Ending June 30	Total Requirements
2011	\$ 123,801
2012	161,410
2013	161,410
2014	161,410
2015	161,411
2016	37,610
Total Minimum Lease Payment	\$ 807,052
Less Amount Representing Interest	(108,637)
Present Value of Net Minimum Lease Payments	\$ 698,415

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

F. 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 includes 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) 223-8778 or by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS publication heading.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provided for a member contribution rate of 6.4% for fiscal years 2010, 2009 and 2008, and a state contribution rate of 6.644% for fiscal year 2010 and 6.58% for fiscal years 2009 and 2008. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period September through December 2009 and increased to 6.644% for the period of January through August 2010. The District's employees' contributions to the System for the periods ended June 30, 2010, 2009 and 2008, were \$ 2,693,779, \$ 2,007,028, and \$ 1,951,544, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended June 30, 2010, 2009 and 2008 were \$ 638,041, \$ 499,262, and \$ 407,130, respectively.

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 2,171,536 are reflected in the general fund basic financial statements.

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care 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 website 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.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

F. Pension Plan (Continued)

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2010, 2009 and 2008. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 326,822 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 107,244 for subsidies for Medicare Part D.

H. Risk Management

Health Care

During the for the year ended June 30, 2010, employees of the Forney Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 as applicable per month per employee and employees, at their option, authorized payroll withholdings to provide dependents' coverage under the Plan. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Forney Independent School District and Blue Cross/Blue Shield (TRS Active-Care) is renewable September 1 of each year, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield (TRS Active-Care) are available for the year ended December 31, 2009, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended June 30, 2010, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2009, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

FORNEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

H. Risk Management (Continued)

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2010, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

The District does not appear to have any pending litigation as of June 30, 2010.

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2010, 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.

K. Prior Period Adjustments

Government-wide Financial Statements

The increase in net assets identified on Exhibit B-1 includes the following corrections of errors in prior periods:

Reclassification of Scholarship Fund to Special Revenue Fund	\$ 15,174
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Governmental Funds

The increase or decrease in various major funds as identified on Exhibit C-3 includes the following corrections of errors in the prior period:

Reclassification of Scholarship Funds to Special Revenue Fund	\$ 15,175
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FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2010

L. Revenue from Local and Intermediate Sources

During the year ended June 30, 2010, the District received revenue from local and intermediate sources consisting of the following:

Local Revenue Sources:	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Property Tax Collections	\$ 23,976,861	\$ 10,491,012	\$ -	\$ -	\$ 34,467,873
Tuition and Fees	51,420	-	-	-	51,420
Investment Income	48,166	21,004	7,647	-	76,817
Food Service Income	-	-	-	2,119,641	2,119,641
Intermediate Sources	17,500	-	-	-	17,500
Extracurricular Activities	162,969	-	-	-	162,969
Enterprising Services	-	-	-	279,663	279,663
Other	420,672	-	2,000	52,831	475,503
Total Local Revenue	\$ 24,677,588	\$ 10,512,016	\$ 9,647	\$ 2,452,135	\$ 37,651,386

M. Interfund Balances and Activities

Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2010, is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service Fund	Capital Projects Fund	\$ 20,148

N. Receivables

Receivables at June 30, 2010, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total
Due from Other Governments	\$ 5,265,918	\$ 6,710	\$ -	\$ 518,859	\$ 5,791,487
Property Taxes	1,481,718	511,307	-	-	1,993,025
Less Allowance for Uncollectible Property Taxes	(74,086)	(25,565)	-	-	(99,651)
Miscellaneous Other Receivables	215,117	-	-	66	215,183
Net Receivables	\$ 6,888,667	\$ 492,452	\$ -	\$ 518,925	\$ 7,900,044

FORNEY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2010

O. Compliance, Stewardship and Accountability

Expenditures over Appropriations

The following individual funds incurred expenditures in excess of appropriations at functional expenditure levels:

	Budget		Actual		Deficit
General Fund:					
Cocurricular/Extracurricular Activities	\$ 2,235,807	\$	2,242,319	\$	6,512
Plant Maintenance and Operations	6,688,194		6,704,036		15,842

REQUIRED SUPPLEMENTARY INFORMATION

FORNEY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 26,223,526	\$ 24,577,839	\$ 24,677,588	\$ 99,749
5800	State Program Revenues	28,749,303	30,446,636	30,348,871	(97,765)
5900	Federal Program Revenues	69,895	490,000	496,749	6,749
5020	Total Revenues	\$ 55,042,724	\$ 55,514,475	\$ 55,523,208	\$ 8,733
EXPENDITURES					
0010	Instruction and Instructional Related Services:				
0011	Instruction	\$ 32,050,949	\$ 30,635,516	\$ 30,496,134	\$ 139,382
0012	Instructional Resources and Media Services	665,201	664,209	603,572	60,637
0013	Curriculum and Staff Development	1,639,840	1,640,840	1,584,522	56,318
	Total Instruction and Instr. Related Services	\$ 34,355,990	\$ 32,940,565	\$ 32,684,228	\$ 256,337
0020	Instructional and School Leadership:				
0021	Instructional Leadership	\$ 768,019	\$ 617,961	\$ 561,430	\$ 56,531
0023	School Leadership	4,051,555	4,063,304	4,034,447	28,857
	Total Instructional and School Leadership	\$ 4,819,574	\$ 4,681,265	\$ 4,595,877	\$ 85,388
0030	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	\$ 1,461,880	\$ 1,712,176	\$ 1,711,081	\$ 1,095
0033	Health Services	909,780	905,298	884,984	20,314
0034	Student (Pupil) Transportation	1,534,731	2,191,111	2,026,982	164,129
0035	Food Services	-	90,000	89,877	123
0036	Cocurricular/Extracurricular Activities	1,393,257	2,235,807	2,242,319	(6,512)
	Total Support Services - Student (Pupil)	\$ 5,299,648	\$ 7,134,392	\$ 6,955,243	\$ 179,149
0040	Administrative Support Services:				
0041	General Administration	\$ 2,405,250	\$ 2,928,289	\$ 2,928,076	\$ 213
	Total Administrative Support Services	\$ 2,405,250	\$ 2,928,289	\$ 2,928,076	\$ 213
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	\$ 5,852,613	\$ 6,688,194	\$ 6,704,036	\$ (15,842)
0052	Security and Monitoring Services	277,992	563,424	475,865	87,559
0053	Data Processing Services	1,614,769	1,614,769	933,214	681,555
	Total Support Services - Nonstudent Based	\$ 7,745,374	\$ 8,866,387	\$ 8,113,115	\$ 753,272
0060	Ancillary Services:				
0061	Community Services	\$ -	\$ 16,100	\$ 16,031	\$ 69
	Total Ancillary Services	\$ -	\$ 16,100	\$ 16,031	\$ 69
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ 294,830	\$ 260,000	\$ 260,000	\$ -
0072	Interest on Long-term Debt	-	31,330	31,200	130
0073	Bond Issuance Costs and Fees	-	8,600	8,717	(117)
	Total Debt Service	\$ 294,830	\$ 299,930	\$ 299,917	\$ 13
6030	Total Expenditures	\$ 54,920,666	\$ 56,866,928	\$ 55,592,487	\$ 1,274,441
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 122,058	\$ (1,352,453)	\$ (69,279)	\$ 1,283,174
OTHER FINANCING SOURCES AND (USES)					
7913	Proceeds from Capital Leases	\$ -	\$ 565,000	\$ 168,614	\$ (396,386)
7915	Operating Transfers In	-	-	353	353
7080	Net Other Financing Sources and (Uses)	\$ -	\$ 565,000	\$ 168,967	\$ (396,033)
1200	Net Change in Fund Balance	\$ 122,058	\$ (787,453)	\$ 99,688	\$ 887,141
0100	Fund Balance - Beginning (July 1)	5,961,876	5,961,876	5,961,876	-
3000	Fund Balance - Ending (June 30)	\$ 6,083,934	\$ 5,174,423	\$ 6,061,564	\$ 887,141

OTHER SUPPLEMENTARY INFORMATION

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2010

Tax Roll Year	Last Ten Years Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2009	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2010
		Maintenance	Debt Service							
XXXX	2001 and Prior Years	Various	Various	Various	\$ 18,723	\$ -	\$ 783	\$ 233	\$ (297)	\$ 17,410
2001	2002	1.41000	0.21000	543,189,877	56,642	-	838	125	-	55,679
2002	2003	1.41000	0.21000	629,678,148	36,441	-	-	-	-	36,441
2003	2004	1.41000	0.21000	1,053,673,794	41,862	-	328	62	40,526	81,998
2004	2005	1.41000	0.26000	1,337,589,041	32,078	-	1,307	340	42,060	72,491
2005	2006	1.33458	0.28000	1,665,387,221	55,938	-	15,975	3,027	46,986	83,922
2006	2007	1.33458	0.28000	1,834,704,072	97,964	-	17,749	4,281	41,632	117,566
2007	2008	1.04000	0.38000	2,186,360,493	240,264	-	35,428	17,687	(49,341)	137,808
2008	2009	1.04000	0.42000	2,340,032,940	1,179,655	-	251,203	267,573	(414,722)	246,157
2009	2010	1.04000	0.46000	2,333,464,800	-	35,001,972	23,376,016	10,126,826	(355,577)	1,143,553
1000	Totals				\$ 1,759,567	\$ 35,001,972	\$ 23,699,627	\$ 10,420,154	\$ (648,733)	\$ 1,993,025

FORNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2010

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number		1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 285,145	\$ 2,161,337	\$ -	\$ -	\$ 2,446,482
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							-
6211	Legal Services			22,405				22,405
6212	Audit Services				24,900			24,900
6213	Tax Appraisal and Collection		402,539					402,539
621X	Other Prof. Services			866	55,118			55,984
6220	Tuition and Transfer Payments							-
6230	Education Service Centers			17,201	15,761		25	32,987
6240	Contr. Maint. And Repair					4,439		4,439
6250	Utilities							-
6260	Rentals				34,930		3,223	38,153
6290	Miscellaneous Contr.	1,626		7,729	57,574		32,675	99,604
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading			653	3,017			3,670
6330	Testing Materials				148			148
63XX	Other Supplies, Materials			3,088	63,093		5,810	71,991
6410	Travel, Subsistence, Stipends	2,704		4,521	44,950		3,820	55,995
6420	Ins. And Bonding Costs						441,039	441,039
6430	Election Costs	8,896						8,896
6490	Miscellaneous Operating	461		27,152	14,473		1,092	43,178
6500	Debt Service						108	108
6600	Capital Outlay							-
TOTAL		\$ 13,687	\$ 402,539	\$ 368,760	\$ 2,475,301	\$ 4,439	\$ 487,792	\$ 3,752,518

Total expenditures for General and Special Revenue Funds: (9) \$ 64,332,330

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 470,634
Total Debt & Lease (6500)	(11) \$ 300,094
Plant Maintenance (Function 51, 6100-6400)	(12) \$ 6,704,971
Food (Function XX, 6341 and 6499)	(13) \$ 1,479,264
Stipends (6413)	(14) \$ -
Column 4 (above) - Total Indirect Cost Subtotal	\$ 2,475,301
Net Allowed Direct Cost	\$ 52,902,066

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) \$ 253,507,590
Historical Cost of Buildings over 50 years old	(16) \$ 116,023
Amount of Federal Money in Building Cost (Net of # 16)	(17) \$ -
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18) \$ 5,855,492
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 244,059
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) \$ -

(8) Note A - \$ 822,501 in Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

FORNEY INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND
 AS OF JUNE 30, 2010

"UNAUDITED"

Data Control Codes	Explanation	Amount
1	Total General Fund Balance June 30, 2010 (Exhibit C-1 object 3000 for the General Fund only)	<u>\$ 6,061,564</u>
2	Total General Fund Reserve Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	\$ 396,051
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for General Fund only)	-
4	Estimated amount needed to cover fall cash flow deficit in General Fund (net of borrowed funds and funds representing deferred revenues)	-
5	Estimate of two month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	9,265,000
6	Estimate of delayed payments from state sources (58XX) including August payment delay	-
7	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.	-
8	Estimate of delayed payments from federal sources (59XX)	-
9	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>
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	<u>\$ 9,661,051</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (1-10)	<u><u>\$ (3,599,487)</u></u>

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 2,050,000	\$ 2,145,000	\$ 2,118,911	\$ (26,089)
5800	State Program Revenues	17,500	18,347	18,347	-
5900	Federal Program Revenues	1,008,913	1,273,000	1,155,314	(117,686)
5020	Total Revenues	\$ 3,076,413	\$ 3,436,347	\$ 3,292,572	\$ (143,775)
EXPENDITURES					
Current:					
0030	Support Services - Student (Pupil):				
0035	Food Service	\$ 3,076,413	\$ 3,588,000	\$ 3,571,559	\$ 16,441
	Total Support Services - Student (Pupil)	\$ 3,076,413	\$ 3,588,000	\$ 3,571,559	\$ 16,441
6030	Total Expenditures	\$ 3,076,413	\$ 3,588,000	\$ 3,571,559	\$ 16,441
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (151,653)	\$ (278,987)	\$ (127,334)
1200	Net Change in Fund Balance	\$ -	\$ (151,653)	\$ (278,987)	\$ (127,334)
0100	Fund Balance - Beginning (July 1)	321,236	321,236	321,236	-
3000	Fund Balance - Ending (June 30)	\$ 321,236	\$ 169,583	\$ 42,249	\$ (127,334)

FORNEY INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2010

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 11,348,460	\$ 10,755,186	\$ 10,512,016	\$ (243,170)
5800	State Program Revenues	1,210,046	1,864,087	2,330,351	466,264
5020	Total Revenues	\$ 12,558,506	\$ 12,619,273	\$ 12,842,367	\$ 223,094
EXPENDITURES					
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ 3,400,000	\$ 3,400,000	\$ 3,400,000	\$ -
0072	Interest on Long-term Debt	11,158,506	11,873,940	11,808,364	65,576
0073	Bond Issuance Costs and Fees	-	-	487,392	(487,392)
	Total Debt Service	<u>\$ 14,558,506</u>	<u>\$ 15,273,940</u>	<u>\$ 15,695,756</u>	<u>\$ (421,816)</u>
6030	Total Expenditures	\$ 14,558,506	\$ 15,273,940	\$ 15,695,756	\$ (421,816)
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ (2,000,000)	\$ (2,654,667)	\$ (2,853,389)	\$ (198,722)
OTHER FINANCING SOURCES (USES)					
7911	Capital-Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 13,655,000	\$ 13,655,000
7916	Premium or Discount on Issuance of Bonds	-	1,981,094	2,703,302	722,208
8949	Other Uses	-	-	(14,012,393)	(14,012,393)
7080	Net Other Financing Sources (Uses)	\$ -	\$ 1,981,094	\$ 2,345,909	\$ 364,815
1200	Net Change in Fund Balance	\$ (2,000,000)	\$ (673,573)	\$ (507,480)	\$ 166,093
0100	Fund Balance - Beginning (July 1)	10,700,469	10,700,469	10,700,469	-
3000	Fund Balance - Ending (June 30)	\$ 8,700,469	\$ 10,026,896	\$ 10,192,989	\$ 166,093

FORNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF JUNE 30, 2010

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ 13,275,758

FEDERAL AWARDS SECTION

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

(01) Federal Grantor/ Pass-Through Grantor/ Program Title	(02) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
Summer School LEP	84.369	69550902	3,079
ESEA Title II, Part D - Enhancing Education through Technology	84.318	10630001112902	1,385
ARRA - Title XIV - State Fiscal Stabilization*	84.394	10557001112902	2,330,494
ARRA - Title II, Part D - Enhancing Education through Technology	84.386	10553001112902	2,865
ARRA - IDEA-B, Formula*	84.391	10554001112902	611,365
ARRA - IDEA-B, Preschool*	84.392	10555001112902	20,940
ARRA - ESEA Title I Part A Improving Basic Programs*	84.389	10551001112902	77,794
IDEA-B Formula*	84.027	106600011299026600	1,018,598
IDEA-B Preschool*	84.173	106610011299026610	8,687
Total Passed through the Texas Education Agency			\$ 4,075,207
Passed through Education Service Center, Region X:			
ESEA Title II Part A - Teacher & Principal Training	84.367	10694501057950	\$ 83,098
ESEA Title III Part A - LEP	84.365	10671001057950	32,641
Vocational Education - Basic Grant	84.048	104200061057950	5,429
ESEA Title I Part A - Improving Basic Programs*	84.010	10610101057950	151,202
ESEA Title IV Part A - Safe & Drug Free Schools	84.186	10691001057950	8,143
Total Passed through Education Service Center, Region X			\$ 280,513
Total Department of Education			\$ 4,355,720
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed through Education Service Center, Region X:			
Head Start	93.600	06CHO391	\$ 2,330
Head Start	93.600	06CHO391	167,780
Total Department of Health and Human Services			\$ 170,110
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	71401001	\$ 215,771
National School Lunch Program	10.555	71301001	811,675
Commodity Food Distribution	10.565	129001A	127,868
Total Department of Agriculture			\$ 1,155,314
Total Federal Expenditures			\$ 5,681,144

* Denotes Major Program

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this statement.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Forney Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, 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 basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at June 30, 2010.