

**FORNEY INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND  
COMPLIANCE REPORT**

**For the Year Ended June 30, 2015**



**FORNEY INDEPENDENT SCHOOL DISTRICT**  
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# FORNEY INDEPENDENT SCHOOL DISTRICT

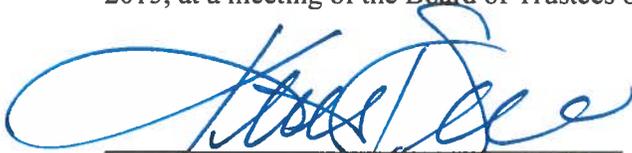
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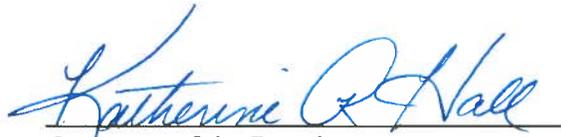
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**CERTIFICATE OF THE BOARD**

Forney Independent School District      Kaufman      129-902  
Name of School District      County      Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one)  approved  disapproved for the year ended June 30, 2015, at a meeting of the Board of Trustees of such school district on November 2, 2015.

  
\_\_\_\_\_  
President of the Board

  
\_\_\_\_\_  
Secretary of the Board

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



## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
Forney Independent School District  
Forney, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forney Independent School District (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

To the Board of Trustees  
Forney Independent School District

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 and Note 16 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of June 30, 2015. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 6 through 14 budgetary comparison information on pages 50 through 51, and pension schedules on pages 52 and 53 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

The combining and individual nonmajor fund financial statements, the TEA required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

To the Board of Trustees  
Forney Independent School District

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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
October 26, 2015

*(This page intentionally left blank.)* October 28, 2015

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **FORNEY INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Forney Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

#### **Financial Highlights**

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$87,664,202) (*deficit net position*).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$18,856,918 an increase of \$5,001,784 in comparison with the prior year. The increase in governmental fund balances was primarily due to the increase in the general fund balance of \$4,862,543.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,304,984 or 15.12 percent of total general fund expenditures.
- The District's total bonded debt decreased, net, by \$4,467,326 during the current fiscal year.
- The implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, increased the District's noncurrent liabilities by \$7,120,000, which represents the District's portion of the Teacher's Retirement System ("TRS") net pension liability.

#### **Overview of the Financial Statements**

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

#### **Government-wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Services, Co-curricular/Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees and Appraisal District Fees. The government-wide financial statements can be found on pages 16 through 17 of this report.

**Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds**

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the current fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, and the debt service fund, both of which are considered to be major funds. Data from the other nineteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and Child Nutrition Fund special revenue fund.

The basic governmental fund financial statements can be found on pages 18 through 21 of this report.

**Fiduciary Fund**

The fiduciary fund is used to account for resources held for the benefit of students. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operation.

The basic fiduciary fund financial statements can be found on pages 23 through 24 of this report.

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)*

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 through 48 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The required supplementary information can be found on pages 50 through 53.

**Other Information**

The combining and individual fund statements and schedules and other supplementary information are presented immediately following the required supplementary information and can be found on pages 56 through 69 of this report.

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Government-wide Financial Analysis**

As noted earlier, net position (deficit) may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$87,664,202) at the close of the fiscal year.

The District's net investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets, amounted to (\$63,864,373). The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate these liabilities.

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
Current and other assets	\$ 31,787,448	\$ 31,843,712
Capital and non current assets	215,070,006	221,584,868
<b>Total Assets</b>	<b>246,857,454</b>	<b>253,428,580</b>
Deferred charge on refunding	16,684,983	7,239,343
Deferred outflows - pension	1,609,594	
<b>Total Deferred Outflows of Resources</b>	<b>18,294,577</b>	<b>7,239,343</b>
Current liabilities	14,874,075	21,534,515
Long term liabilities	335,764,129	317,007,046
<b>Total Liabilities</b>	<b>350,638,204</b>	<b>338,541,561</b>
Deferred inflows - pension	2,178,029	
<b>Total Deferred Outflows of Resources</b>	<b>2,178,029</b>	
<b>Net Position:</b>		
Net investment in capital assets	\$ (63,864,373)	\$ (75,215,023)
Restricted for debt service	4,738,959	2,383,333
Unrestricted	(28,538,788)	(5,043,948)
<b>Total Net Position</b>	<b>\$ (87,664,202)</b>	<b>\$ (77,875,638)</b>

At the end of the current fiscal year, the District reports deficit balances in net investment in capital assets and in unrestricted net position, while reporting a positive balance in net position restricted for debt service. The District's net position decreased by \$1,586,987 during the current fiscal year.

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

	<b>Governmental Activities</b>	
	<b>2015</b>	<b>2014</b>
<b>Program Revenues</b>		
Charges for services	\$ 3,404,375	\$ 3,041,052
Operating grants	7,267,765	6,503,238
<b>General Revenues</b>		
Property taxes	38,986,426	36,597,813
State Aid - Formula Grants	36,191,544	32,641,830
Grants and contributions not restricted	358,050	
Interest earnings	38,116	44,315
Other	522,036	1,452,564
<b>Total Revenues</b>	<u>86,768,312</u>	<u>80,280,812</u>
<b>Expenses</b>		
Instruction	40,978,377	37,682,799
Instructional resources and media services	725,061	729,472
Curriculum and staff development	1,320,110	1,361,491
Instructional leadership	798,550	490,021
School leadership	4,687,865	4,420,790
Guidance, counseling, and evaluation services	2,524,979	1,989,220
Health services	982,224	972,778
Student transportation	2,130,368	2,114,854
Food service	3,545,613	3,811,991
Extracurricular activities	2,716,779	2,413,122
General administration	1,898,850	2,278,365
Facilities maintenance and operations	7,302,984	7,418,079
Security and monitoring services	596,880	632,341
Data processing services	3,182,777	1,362,420
Community services	800	2,074
Interest on long-term debt	13,000,799	14,088,983
Bond issuance costs and fees	1,435,582	2,701,955
Payments related to shared services arrangements	57,815	29,746
Payments to Juvenile Justice Alternative Education Programs		900
Other intergovernmental charges	468,886	439,000
<b>Total Expenses</b>	<u>88,355,299</u>	<u>84,940,401</u>
Excess (deficiency) before special items and transfers	(1,586,987)	(4,659,589)
Increase (Decrease) in Net Position	(1,586,987)	(4,659,589)
<b>Beginning net position, as restated</b>	(77,875,638)	(70,856,365)
Prior period adjustment	(8,201,577)	(2,359,684)
<b>Ending Net Position</b>	<u>\$ (87,664,202)</u>	<u>\$ (77,875,638)</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities**

Governmental activities decreased the District's net position by \$1,586,987. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent \$82,803,785 of total revenues. The remaining \$3,964,527 is generated from charges for services, investment earnings, and miscellaneous revenues.

	<b>Total Revenues</b>	<b>% of Total Revenues</b>
Property taxes	\$ 38,986,426	45%
State Aid - Formula Grants	36,191,544	42%
Operating grants and contributions	7,625,815	8%
Charges for services	3,404,375	4%
Other revenue	560,152	1%
<b>Total Revenues</b>	<b>\$ 86,768,312</b>	<b>100%</b>

The primary functional expenses of the District are instruction and interest on long term debt, which represent 61 percent of total expenses. The remaining individual functional categories of expenses are each less than 8 percent of total expenses.

	<b>Total Expenses</b>	<b>% of Total Expenses</b>
Instruction	\$ 40,978,377	46%
Interest on long term debt	13,000,799	15%
Other expenses	34,376,123	39%
<b>Total Expenses</b>	<b>\$ 88,355,299</b>	<b>100%</b>

**Financial Analysis of the Government's Funds**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$18,856,918, an increase of \$5,001,784 in comparison with the prior fiscal year. The increase in ending governmental fund balances is primarily due to a planned increase in the general fund balance.

The *general fund* is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,304,984, while total fund balance reached \$9,618,429. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 15 percent of total general fund expenditures, while total fund balance represents 16 percent of that same amount. The fund balance of the District's general fund increased by \$4,862,543 during the current fiscal year. The general fund balance increased primarily due to a planned budget surplus. The increase in fund

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

balance was necessary to make progress toward the stated School Board of Trustee's goal of having an unassigned fund balance in the general fund equal to two months of operating costs.

The *debt service fund* has a total fund balance of \$7,076,313, all of which is restricted for the payment of debt service. The net increase in the debt service fund balance during the current year of \$506,271 was in line with budgeted expectations. The School Board of Trustees goal was to have debt service fund balance equal to the upcoming August bond payment. The August bond payment was \$6,348,752.

**General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget of the general fund can be briefly summarized as follows:

	<b>Budget</b>	
	<b>Original</b>	<b>Final Amended</b>
Total revenues	\$ 62,200,000	\$ 63,873,966
Total expenditures	(59,900,000)	(61,804,573)
Other sources (uses)		1,531,972
<b>Net change in fund balance</b>	<b>\$ 2,300,000</b>	<b>\$ 3,601,365</b>

The review of the final amended budget versus actual for the general fund reflected that revenues were greater than budgetary estimates, primarily in local revenues and expenditures were less than budgetary estimates, primarily in general administration and facilities maintenance and operation.

**Capital Assets and Long-term Liabilities**

**Capital Assets**

The District's investment in capital assets for its governmental type activities as of June 30, 2015 includes land, buildings and improvements, furniture and equipment. The investment in capital assets for the current fiscal year was \$214,893,513. The following table summarizes the investment in capital assets as of June 30, 2015 and 2014

	<b>2015</b>	<b>2014</b>
Land	\$ 4,752,319	\$ 4,744,822
Buildings and improvements	278,097,122	278,097,122
Furniture and equipment	8,554,465	8,608,873
<b>Total</b>	<b>291,403,906</b>	<b>291,450,817</b>
Accumulated depreciation	(76,510,393)	(69,865,949)
<b>Net capital assets</b>	<b>\$ 214,893,513</b>	<b>\$ 221,584,868</b>

Additional information on the District's capital assets can be found in the notes to the financial statements.

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Long-term Liabilities**

At the end of the current fiscal year, the District had \$328,644,129 in bonds and other (including accreted interest on bonds) versus \$317,007,046 in the prior year, and increase of \$11,637,083. The District's general obligation bond rating is "AAA" according to national rating agencies. This is the result of guarantees of the Texas Permanent School Fund. Standard & Poor's and Moody's Investors Service issued the following underlying ratings of the District's general obligation bonds:

Standard & Poor's	Aaa
Moody's Investor's Service	Baa1

Changes in long term debt for the year ended June 30, 2015 are as follows:

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2015</u>
General obligation bonds	\$ 281,605,577	\$ 123,540,000	\$ (128,007,326)	\$ 277,138,251
Premiums/discounts	3,432,528	13,993,488	(1,852,280)	15,573,736
Accreted interest on premium				
compound interest bonds	30,390,382	4,253,923	(1,443,045)	33,201,260
Capital leases	798,559	1,628,972	(216,649)	2,210,882
Notes	780,000		(260,000)	520,000
	<u>\$ 317,007,046</u>	<u>\$ 143,416,383</u>	<u>\$ (131,779,300)</u>	<u>\$ 328,644,129</u>

Additional information on the District's long-term liabilities can be found in the notes to the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The 84<sup>th</sup> Texas Legislature increased funding for public education by \$4.0 billion for the 2016-2017 biennium. This increase included \$2.5 billion to fund enrollment growth. The remaining \$1.5 billion funded an increase to the per student basic allotment.

Also included in the state spending plan was funding to pay for business and property tax relief. The state appropriated \$2.6 billion for a 25% reduction to the franchise tax and \$1.2 billion to hold Districts harmless for a \$10,000 increase in the homestead exemption (from \$15,000 to \$25,000). None of the tax relief changes increased overall revenue to the District.

The following are highlights of the 2016 budget:

- The District expects an increase of 3% in student average daily attendance. Total revenues in the General Fund are budgeted to increase 3%.
- The District's General Fund expenditure budget will increase \$1.8 million, or 3%. These funds will be used to cover pay raises (1% general increase plus 1% for employee retention pay), 12 additional staff members, buses to transport students to and from school, and funds to cover the annual lease payments for technology devices for students and staff.
- The maintenance and operations tax rate will remain \$1.04 per \$100 valuation. The debt service rate will remain \$.50 per \$100 valuation. The District expects a 3.96% increase in tax collections due to property value growth.

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

- The District's adopted budget includes a surplus of \$2.2 million. The surplus is necessary to achieve the School Board of Trustee's goal to have unassigned fund balance equal to two months of operating expenditures.

The District has a 5-year repayment plan with the Texas Education Agency for overfunding received in the 2010-11 fiscal year. The first payment was spread throughout the 2011-12 fiscal year and the final payment will be spread throughout the 2015-16 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to John Chase, Chief Financial Officer, Forney Independent School District, 600 South Bois d'Arc, Forney, TX 75126.

## **BASIC FINANCIAL STATEMENTS**

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
June 30, 2015

*Exhibit A-1*

<u>Data Control Codes</u>	<u>Governmental Activities</u>
<b>Assets</b>	
1110 Cash and cash equivalents	\$ 21,847,634
1225 Property taxes receivables, net	807,480
1240 Due from other governments	8,864,978
1290 Other receivables, net	16,371
1410 Prepaid items	250,985
<b>Capital assets not subject to depreciation:</b>	
1510 Land	4,752,319
<b>Capital assets net of depreciation:</b>	
1520 Buildings and improvements, net	208,503,728
1530 Furniture and equipment, net	923,779
1550 Assets under capital lease, net	713,687
1800 Restricted assets	176,493
<b>1000 Total Assets</b>	<u>246,857,454</u>
<b>Deferred Outflows of Resources</b>	
1700 Deferred charge on refunding	16,684,983
1705 Deferred outflows - pension	1,609,594
<b>Total Deferred Outflows of Resources</b>	<u>18,294,577</u>
<b>Liabilities</b>	
2110 Accounts payable	490,759
2140 Interest payable	2,574,532
2160 Accrued wages payable	5,676,904
2300 Unearned revenue	6,131,880
<b>Noncurrent Liabilities:</b>	
2501 Due within one year	3,258,188
2502 Due in more than one year	325,385,941
2540 Net pension liability	7,120,000
<b>2000 Total Liabilities</b>	<u>350,638,204</u>
<b>Deferred Inflows of Resources</b>	
2600 Deferred inflows - pension	2,178,029
<b>Deferred Inflows of Resources</b>	<u>2,178,029</u>
<b>Net Position</b>	
3200 Net investment in capital assets	(63,864,373)
<b>Restricted for:</b>	
3850 Debt service	4,738,959
3900 Unrestricted	(28,538,788)
<b>3000 Total Net Position</b>	<u>\$ (87,664,202)</u>

See Notes to the Financial Statements

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2015

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
	Governmental activities:				
11	Instruction	\$ 40,978,377	\$ 142,918	\$ 4,062,499	\$ (36,772,960)
12	Instructional resources and media services	725,061		28,241	(696,820)
13	Curriculum and staff development	1,320,110		146,581	(1,173,529)
21	Instructional leadership	798,550		24,066	(774,484)
23	School leadership	4,687,865		184,148	(4,503,717)
31	Guidance, counseling, and evaluation services	2,524,979		273,276	(2,251,703)
33	Health services	982,224		640,366	(341,858)
34	Student transportation	2,130,368		67,879	(2,062,489)
35	Food service	3,545,613	2,262,081	1,345,709	62,177
36	Extracurricular activities	2,716,779	850,528	138,199	(1,728,052)
41	General administration	1,898,850		67,821	(1,831,029)
51	Facilities maintenance and operations	7,302,984	148,848	109,672	(7,044,464)
52	Security and monitoring services	596,880		73,965	(522,915)
53	Data processing services	3,182,777		46,728	(3,136,049)
61	Community services	800		800	
72	Interest on long-term debt	13,000,799			(13,000,799)
73	Bond issuance costs and fees	1,435,582			(1,435,582)
93	Payments related to shared services arrangements	57,815		57,815	
99	Other intergovernmental charges	468,886			(468,886)
<b>TG</b>	<b>Total governmental activities</b>	<u>\$ 88,355,299</u>	<u>\$ 3,404,375</u>	<u>\$ 7,267,765</u>	<u>(77,683,159)</u>

Data Control Codes		
	<b>General revenues:</b>	
	<b>Taxes:</b>	
MT	Property taxes, levied for general purposes	26,336,792
DT	Property taxes, levied for debt service	12,649,634
SF	State-aid formula grants	36,191,544
GC	Grants and contributions not restricted	358,050
IE	Investment earnings	38,116
MI	Miscellaneous	522,036
TR	Total general revenues	<u>76,096,172</u>
CN	Change in net position	(1,586,987)
NB	Net position - beginning	(77,875,638)
PA	Prior period adjustments	(8,201,577)
NE	Net position - ending	<u>\$ (87,664,202)</u>

See Notes to the Financial Statements

**FORNEY INDEPENDENT SCHOOL DISTRICT**

*Exhibit C-1*

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

June 30, 2015

<b>Data Control Codes</b>	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>				
1110 Cash and temporary investments	\$ 11,462,086	\$ 8,154,414	\$ 2,231,134	\$ 21,847,634
1120 Investments				
<b>Receivables:</b>				
1220 Property taxes - delinquent	771,631	334,492		1,106,123
1230 Allowance for uncollectible taxes (credit)	(220,839)	(77,804)		(298,643)
1240 Receivables from other governments	8,305,413		559,565	8,864,978
1260 Due from other funds	810,967			810,967
1290 Other receivables	16,371			16,371
1410 Prepaid items	136,952		114,033	250,985
1800 Restricted cash and investments	176,493			176,493
<b>1000 Total Assets</b>	<b>\$ 21,459,074</b>	<b>\$ 8,411,102</b>	<b>\$ 2,904,732</b>	<b>\$ 32,774,908</b>
<b>Liabilities, Deferred Inflows, and Fund Balance</b>				
<b>Liabilities</b>				
2110 Accounts payable	\$ 462,846	\$	\$ 27,913	\$ 490,759
2160 Accrued wages payable	5,358,673		318,231	5,676,904
2170 Due to other funds	420,153	1,500	389,314	810,967
2300 Unearned revenues	5,048,181	1,076,601	7,098	6,131,880
<b>2000 Total Liabilities</b>	<b>11,289,853</b>	<b>1,078,101</b>	<b>742,556</b>	<b>13,110,510</b>
<b>Deferred Inflows of Resources</b>				
2600 Unavailable revenues - property taxes	550,792	256,688		807,480
<b>Deferred Inflows of Resources</b>	<b>550,792</b>	<b>256,688</b>		<b>807,480</b>
<b>Fund Balance</b>				
<b>Non-Spendable</b>				
3430 Prepaid items	136,952		89,554	226,506
<b>Restricted</b>				
3450 Federal/State funds grant restrictions			18,728	18,728
3470 Capital acquisitions and contractual obligations	176,493		1,525,462	1,701,955
3480 Retirement of funded indebtedness		7,076,313		7,076,313
<b>Committed</b>				
3545 Other purposes			528,432	528,432
3600 Unassigned	9,304,984			9,304,984
<b>3000 Total fund balances</b>	<b>9,618,429</b>	<b>7,076,313</b>	<b>2,162,176</b>	<b>18,856,918</b>
<b>4000 Total Liabilities, Deferred Inflows, and Fund Balances</b>	<b>\$ 21,459,074</b>	<b>\$ 8,411,102</b>	<b>\$ 2,904,732</b>	<b>\$ 32,774,908</b>

See Notes to the Financial Statements

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO**  
**STATEMENT OF NET POSITION**  
*June 30, 2015*

*Exhibit C-2*

<u>Data Control Codes</u>		
	<b>Total fund balance, governmental funds</b>	<b>\$ 18,856,918</b>
	Amounts reported for governmental activities in the statement of net position are different because:	
<b>1</b>	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation, where applicable	214,893,513
<b>2</b>	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	807,480
<b>3</b>	Deferred loss on refunding	16,684,983
<b>4</b>	Deferred outflows related to TRS pension	1,609,594
	Long-term liabilities, including bonds payable and pension liability, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
<b>5</b>	General obligation bonds	(277,138,251)
<b>6</b>	Premiums on issuance	(15,573,736)
<b>7</b>	Accreted interest on premium compound interest bonds	(33,201,260)
<b>8</b>	Capital leases payable	(2,210,882)
<b>9</b>	Accrued interest payable	(2,574,532)
<b>10</b>	Notes payable	(520,000)
<b>11</b>	Net pension liability	(7,120,000)
<b>12</b>	Deferred inflow for pension investment earnings and proportionate share	(2,178,029)
<b>19</b>	<b>Total net position-governmental activities</b>	<b><u>\$ (87,664,202)</u></b>

See Notes to the Financial Statements

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2015**

*Exhibit C-3*

<b>Data Control Codes</b>		<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>					
5700	Local, intermediate, and out-of-state	\$ 27,592,888	\$ 12,719,009	\$ 2,860,641	\$ 43,172,538
5800	State program revenues	36,052,461	3,052,024	1,312,004	40,416,489
5900	Federal program revenues	1,035,936		2,520,025	3,555,961
<b>5020</b>	<b>Total revenues</b>	<u>64,681,285</u>	<u>15,771,033</u>	<u>6,692,670</u>	<u>87,144,988</u>
<b>Expenditures</b>					
<b>Current:</b>					
0011	Instruction	35,056,084		2,818,930	37,875,014
0012	Instruction resources and media services	626,328		34,975	661,303
0013	Curriculum and instructional staff development	1,076,966		113,668	1,190,634
0021	Instructional leadership	716,092		961	717,053
0023	School leadership	4,136,037		97,120	4,233,157
0031	Guidance, counseling and evaluation services	2,067,803		217,242	2,285,045
0033	Health services	843,766		35,121	878,887
0034	Student transportation	1,996,360		17,785	2,014,145
0035	Food services			3,220,034	3,220,034
0036	Extracurricular activities	2,163,761		325,290	2,489,051
0041	General administration	1,696,512		13,632	1,710,144
0051	Facilities maintenance and operations	6,558,679		38,401	6,597,080
0052	Security and monitoring services	534,225		7,428	541,653
0053	Data processing services	2,887,100		60,498	2,947,598
0061	Community services			800	800
<b>Debt service:</b>					
0071	Principal on long-term debt	476,532	2,012,320		2,488,852
0072	Interest on long-term debt	38,086	12,808,668		12,846,754
0073	Bond issuance costs and fees		1,435,582		1,435,582
<b>Capital outlay:</b>					
0081	Facilities acquisition and construction	7,497			7,497
<b>Intergovernmental:</b>					
0093	Payments related to shared services arrangements			57,815	57,815
0099	Other intergovernmental charges	468,886			468,886
<b>6030</b>	<b>Total Expenditures</b>	<u>61,350,714</u>	<u>16,256,570</u>	<u>7,059,700</u>	<u>84,666,984</u>
1100	Excess (deficiency) of revenues over expenditures	<u>3,330,571</u>	<u>(485,537)</u>	<u>(367,030)</u>	<u>2,478,004</u>
<b>Other Financing Sources (Uses)</b>					
7901	Refunding bonds issued		123,540,000		123,540,000
7912	Sale of real or personal property	3,000			3,000
7913	Proceeds from capital lease	1,628,972			1,628,972
7916	Premium or discount on issuance of bonds		13,993,488		13,993,488
8949	Other uses	(100,000)			(100,000)
8949	Payment to Bond Refunding Escrow Agent		(136,541,680)		(136,541,680)
<b>7080</b>	<b>Total other financing sources and uses</b>	<u>1,531,972</u>	<u>991,808</u>		<u>2,523,780</u>
1200	Net change in fund balances	4,862,543	506,271	(367,030)	5,001,784
<b>0100</b>	<b>Fund Balance - July 1 (Beginning)</b>	<u>4,755,886</u>	<u>6,570,042</u>	<u>2,529,206</u>	<u>13,855,134</u>
<b>3000</b>	<b>Fund Balance - June 30 (Ending)</b>	<u>\$ 9,618,429</u>	<u>\$ 7,076,313</u>	<u>\$ 2,162,176</u>	<u>\$ 18,856,918</u>

See Notes to the Financial Statements

**FORNEY INDEPENDENT SCHOOL DISTRICT**

*Exhibit C-4*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

*For the Year Ended June 30, 2015*

<b>Data Control Codes</b>		
	Net change in fund balances - total governmental funds (from C-3)	\$ 5,001,784
	Amounts reported for <i>governmental activities</i> in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
<b>1</b>	Governmental funds capital outlays	267,704
<b>2</b>	Governmental activities depreciation expense	(6,959,059)
<b>3</b>	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(124,585)
<b>4</b>	Repayment of bond principal, capital leases and loans payable is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	2,488,852
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	
<b>5</b>	Proceeds from issuance of refunding bonds	(123,540,000)
<b>6</b>	Premium issued on refunding bonds	(13,993,488)
<b>7</b>	Payments to refunding agent	136,541,680
<b>8</b>	Proceeds from capital lease	(1,628,972)
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
<b>9</b>	Increase in interest payable not recognized in fund statements	1,905,470
<b>10</b>	Accreted interest on capital appreciation bonds	(2,810,878)
<b>11</b>	Amortization of bond premium	1,852,280
<b>12</b>	Change in deferred loss on refunded bonds due to amortization and refundings	(1,100,917)
<b>13</b>	TRS contributions made after the plan measurement date	<u>513,142</u>
	<b>Change in net position of governmental activities (see B-1)</b>	<u><u>\$ (1,586,987)</u></u>

See Notes to the Financial Statements

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**FORNEY INDEPENDENT SCHOOL DISTRICT***Exhibit E-1***STATEMENT OF FIDUCIARY NET POSITION***For the Year Ended June 30, 2015*

<b>Data Control Codes</b>		<b>Private Purpose Trust Funds</b>	<b>Agency Fund</b>
	<b>Assets</b>		
1110	Cash and cash equivalents	\$ 7,276	\$ 260,666
<b>1000</b>	<b>Total Assets</b>	<u>7,276</u>	<u>260,666</u>
	<b>Liabilities</b>		
2110	Accounts payable		12,388
2190	Due to others		248,278
<b>2000</b>	<b>Total Liabilities</b>	<u>\$</u>	<u>\$ 260,666</u>
	<b>Net Position</b>		
3800	Restricted	<u>\$ 7,276</u>	

See Notes to the Financial Statements

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**For the Year Ended June 30, 2015**

*Exhibit E-2*

	<b>Private Purpose Trust Funds</b>
<b>Additions</b>	
Gifts and contributions	\$ 7,189
<b>Total additions</b>	<u>7,189</u>
<b>Deductions</b>	
Non-operating expenses	<u>10,345</u>
<b>Total deductions</b>	<u>10,345</u>
Change in net position	(3,156)
<b>Net position beginning of year</b>	<u>10,432</u>
<b>Net position end of year</b>	<u>\$ 7,276</u>

See Notes to the Financial Statements

**Note 1 - Summary of Significant Accounting Policies**

**A. Reporting Entity**

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

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has 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 ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

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

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

The District reports the following major governmental funds:

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

*Debt Service Fund:* This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**Note 1 - Summary of Significant Accounting Policies (continued)**

In addition, the District reports the following fund types:

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

**Special Revenue Funds:** These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor including federally-funded and state-funded grants. These grants are awarded to the District for the purpose of accomplishing specific educational tasks as defined in the grant awards.

**Private-Purpose Trust Funds:** These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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

**Government-wide and Fiduciary Fund Financial Statements (except Agency Fund):** These financial statements are reported using the economic resources measurement focus. They 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 general long-term debt, claims and judgments, and compensated absences, 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 leases 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.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**D. Implementation of New Standards**

In the current fiscal year, the District implemented the following new standards:

GASB Statement 68, *Accounting and Financial Reporting for Pensions* (“GASB 68”) establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (“GASB 71”) amends the transition provisions of GASB 68. GASB 71 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

**E. Deposits and Investments**

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

**F. Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/due from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/due from other funds”.

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectible accounts. Allowances for uncollectible taxes receivable are based on the District’s historical experience collecting property taxes. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements.

Property values are determined by the Kaufman County Appraisal District as of January 1 each year. The net assessed/appraised value for school tax purposes for fiscal year 2015 (tax year 2014) was \$2,524,807,922. Prior to July 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate, thus creating the tax levy. The combined tax rate for fiscal year 2014 was \$1.54, which was made up of \$1.04 for maintenance and operations, and \$.50 for debt service. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. The total adjusted levy for fiscal year 2015 was \$38,741,384. Property tax receivables are recorded as of the date of the levy. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**G. Inventories and Prepaid Items**

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

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

**H. Capital Assets**

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed 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>Assets</u>	<u>Years</u>
Building and improvements	15-50
Vehicles	5-10
Equipment	3-15

**I. Deferred Outflows/Inflows of Resources**

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

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

**Deferred outflows of resources for refunding** - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The amount of deferred outflows reported in the governmental activities for a deferred charge on refunding at June 30, 2015 was \$16,684,983.

**Deferred outflows of resources for pension** – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently 6.94 years. A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at June 30, 2015 was \$1,609,594.

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

**Deferred inflows of resources for unavailable revenues** - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources on the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2015 was \$807,480

**Deferred inflows of resources for pension** – Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period. In fiscal year 2015, the District reported deferred inflows of resources for pensions in the governmental activates in the amount of \$2,178,029.

**J. Pensions**

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

**K. Fund Equity**

Fund balances of the governmental funds are classified as follows:

**Nonspendable Fund Balance** - represents amounts that cannot be spent because they are either not in spendable form (such as Inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

**Restricted Fund Balance** - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget.

Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

**Note 1 - Summary of Significant Accounting Policies (continued)**

**Assigned Fund Balance** - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District Itself.

**Unassigned Fund Balance** - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

**L. Data Control Codes**

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

**M. Use of Estimates**

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

**Note 2 - Deposits and Investments**

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

At June 30, 2015, the carrying amount of the District's deposits (cash, and interest-bearing savings accounts included in temporary Investments) was \$5,068,302 and the bank balance was \$5,473,435. The District's cash deposits at June 30, 2015, were entirely covered by FDIC Insurance or by pledged collateral held by the District's agent bank in the District's name.

**Investments:** The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an Investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio Investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

**Note 2 - Deposits and Investments (continued)**

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

The Act determines the types of investments which are allowable for the District. These Include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) Investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

**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 rating agencies are designed to give an Indication of credit risk. At year end, the District was not significantly exposed to credit risk as balances in LOGIC, Texas Class, and TexPool, privately managed public funds investment pools, were rated AAAM by Standard & Poor's.

All credit ratings met acceptable levels required by legal guidelines prescribed in both the PFIA and the District's investment policy.

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

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

At year end, the District was not exposed to custodial credit risk.

**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.

**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.

**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.

**Investment Accounting Policy**

The District's general policy is to report money market investments and short-term participating interest-earning Investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase.

**Note 2 - Deposits and Investments (continued)**

The term "nonparticipating" means that the investment's value does not vary with market Interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-bearing investment contracts.

**Public Funds Investment Pools**

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants In the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of Its underlying Investment portfolio within one half of one percent of the value of its shares.

At year end, the District held investments in LOGIC, Texas Class and TexPool investment pools.

LOGIC is a "Constant Dollar" net asset value pool and is administered by First Southwest and JP Morgan Chase. LOGIC maintains three primary goals for investing public funds; safety, liquidity and yield.

Texas Class is duly chartered by the State of Texas Interlocal Cooperation Act, and is managed by MBIA Municipal Investors Service Corporation. Wells Fargo Bank, N.A. is the custodial bank. The primary objection of Texas Class is to maintain safety of principal while providing participating government entities with the highest possible rate of return for invested funds.

TexPool is duly chartered and overseen by the State Comptroller's Office and administered by Federated Investors, Inc. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase agreements, reverse repurchase agreements and no-load money market mutual funds regulated by the Securities and Exchange Commission.

**Note 2 - Deposits and Investments (continued)**

The District's investments at June 30, 2015 are shown below.

	<u>Fair Market Value</u>	<u>Weighted Average Maturity (Days)</u>
<b>Governmental Activities</b>		
Cash and deposits	\$ 4,800,360	N/A
<i>Investments</i>		
Local Government Investment Pools		
LOGIC	3,376,709	50
Texas Class	8,672,388	52
TexPool	5,174,670	43
<b>Total Investments</b>	<u>17,223,767</u>	49
<b>Total Governmental Activities</b>	<u>22,024,127</u>	
<b>Fiduciary Funds</b>		
Cash and Deposits	267,942	N/A
<b>Total Fiduciary Funds</b>	<u>267,942</u>	
<b>Total</b>	<u>\$ 22,292,069</u>	

The amount of interest earned on the District's investments for the fiscal year ended June 30, 2015, was \$38,116.

**Note 3 - Receivables**

Receivables as of June 30, 2015, for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Property Taxes	\$ 771,631	\$ 334,492	\$	\$ 1,106,123
Due from other governments	8,305,413		559,565	8,864,978
Other	16,371			16,371
Gross Receivables	9,093,415	334,492	559,565	9,987,472
Less allowance for doubtful accounts	(220,839)	(77,804)		(298,643)
<b>Net Total Receivables</b>	<u>\$ 8,872,576</u>	<u>\$ 256,688</u>	<u>\$ 559,565</u>	<u>\$ 9,688,829</u>

**Unearned Revenue**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported unearned revenues in the governmental funds for advanced collections of grants in the amount of \$7,098 and overpayment of state aid in the amount of \$6,124,782.

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*

**Note 4 - Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	<b>Balance</b> <b>July 01, 2014</b>	<b>Additions</b>	<b>(Retirements)</b> <b>and Transfers</b>	<b>Balance</b> <b>June 30, 2015</b>
Capital assets, not being depreciated				
Land	\$ 4,744,822	\$ 7,497	\$	\$ 4,752,319
<b>Total Capital assets, not being depreciated</b>	<u>4,744,822</u>	<u>7,497</u>		<u>4,752,319</u>
Capital assets, being depreciated				
Buildings and improvements	278,097,122			278,097,122
Assets under capital lease	1,374,231			1,374,231
Vehicles	4,609,022	117,808	(314,615)	4,412,215
Furniture and equipment	2,625,620	142,399		2,768,019
<b>Total Capital assets, being depreciated</b>	<u>286,705,995</u>	<u>260,207</u>	<u>(314,615)</u>	<u>286,651,587</u>
Less accumulated depreciation for:				
Buildings and improvements	(63,024,337)	(6,569,057)		(69,593,394)
Assets under capital lease	(522,174)	(138,370)		(660,544)
Vehicles	(4,294,315)	(138,751)	314,615	(4,118,451)
Furniture and equipment	(2,025,123)	(112,881)		(2,138,004)
<b>Total Accumulated depreciation</b>	<u>(69,865,949)</u>	<u>(6,959,059)</u>	<u>314,615</u>	<u>(76,510,393)</u>
<b>Governmental Capital Assets</b>	<u>\$ 221,584,868</u>	<u>\$ (6,691,355)</u>	<u>\$</u>	<u>\$ 214,893,513</u>

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

<b>Function</b>	<b>Depreciation</b> <b>Expense</b>
Instruction	\$ 3,828,455
Instructional resources and media services	68,506
Curriculum and staff development	117,812
Instructional leadership	78,354
School leadership	452,374
Guidance, counseling and evaluation services	226,499
Health services	92,284
Student transportation	218,463
Food Services	361,361
Extracurricular activities	236,736
General administration	185,581
Plant maintenance and operations	718,039
Security and monitoring services	58,508
Data processing services	316,087
	<u>\$ 6,959,059</u>

**Note 5 - Interfund Receivables, Payables, and Transfers**

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of June 30, 2015 is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Net</u>
<b>Governmental Activities:</b>			
General Fund	\$ 810,967	\$ 420,153	\$ 390,814
Debt Service Fund		1,500	(1,500)
Nonmajor Governmental Funds		389,314	(389,314)
<b>Total Governmental Activities</b>	<u>\$ 810,967</u>	<u>\$ 810,967</u>	<u>\$</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” The District did not report any transfers for fiscal year 2015.

**Note 6 - Long-term Liabilities**

**Short Term Debt**

The District accounts for short term debts for maintenance purposes through the general fund. The proceeds from loans are shown in the financial statements as other resources.

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2015, was as follows:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 281,605,577	\$ 123,540,000	\$ (128,007,326)	\$ 277,138,251	\$ 2,165,577
Premiums/discounts	3,432,528	13,993,488	(1,852,280)	15,573,736	
Accreted interest on premium compound interest bonds	30,390,382	4,253,923	(1,443,045)	33,201,260	449,425
Capital leases	798,559	1,628,972	(216,649)	2,210,882	383,186
Notes	780,000		(260,000)	520,000	260,000
	<u>\$ 317,007,046</u>	<u>\$ 143,416,383</u>	<u>\$ (131,779,300)</u>	<u>\$ 328,644,129</u>	<u>\$ 3,258,188</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*

**Note 6 - Long-term Liabilities (continued)**

A portion of the bonds sold in schoolhouse building series as well as several refunding series included capital appreciation bonds commonly referred to as "premium compound Interest bonds". The District annually records the appreciation of bond principal for the accreted value of the bonds through maturity of the issue. The interest of these bond series will be paid upon maturity. The following table summarizes the key features of the individual bonds, by issue:

	<b>Accreted Value</b>	<b>Principal</b>	<b>Accreted Interest</b>	<b>Maturity Value</b>	<b>Maturity Date</b>
2000	\$ 8,681,152	\$ 3,086,151	\$ 5,595,001	\$ 13,575,001	2016-2026
2008	4,369,749	1,394,973	2,974,776	7,650,000	2016-2031
2008A	6,322,325	363,023	5,959,302	9,800,000	2016-2028
2010	4,748,988	2,854,964	1,894,024	6,155,000	2018-2027
2011	18,327,443	14,808,236	3,519,207	36,230,000	2018-2042
2012	9,035,970	3,924,461	5,111,509	28,500,000	2033-2040
2013A	4,736,721	2,485,901	2,250,820	23,235,000	2039-2044
2013B	817,804	624,973	192,831	4,960,000	2039-2044
2014A	1,994,984	1,545,662	449,322	19,615,000	2040-2054
2014	21,021,790	15,767,322	5,254,468	160,305,000	2040-2054
Totals	<u>\$ 80,056,926</u>	<u>\$ 46,855,666</u>	<u>\$ 33,201,260</u>	<u>\$ 310,025,001</u>	

**Capital Leases**

The District is obligated under four capital leases to pay for the purchase of school buses and technology. The following schedule lists the property leased:

<b>Capital Lease Details</b>	<b>Interest Rate</b>	<b>Date of Agreement</b>	<b>Original Property Value</b>	<b>Property Purchased</b>
American National Bank	3.750%	11/28/2012	\$ 564,399	Buses
City Bank	3.750%	11/28/2012	529,801	Buses
City Bank	3.250%	4/25/2014	280,032	Buses
Key Government Finance	2.325%	4/17/2015	1,628,972	Technology
			<u>\$ 3,003,204</u>	

The American National Bank capital lease requires annual payments on July 1<sup>st</sup> in the amount of \$51,749 and the final installment is on July 1, 2020. The following represents the annual payments due:

<b>Year Ending</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
<b>June 30</b>			
2016	\$ 41,369	\$ 10,380	\$ 51,749
2017	42,918	8,831	51,749
2018	44,574	7,175	51,749
2019	46,268	5,481	51,749
2020	48,027	3,722	51,749
2021	49,848	1,901	51,749
	<u>\$ 273,004</u>	<u>\$ 37,490</u>	<u>\$ 310,494</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Exhibit F-1*

**Note 6 - Long-term Liabilities (continued)**

The 2012 City Bank capital lease requires annual payments on January 15th in the amount of \$52,141 and the final installment of \$46,711 is on January 15, 2018. The following represents the annual payments due:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2016	\$ 46,871	\$ 5,270	\$ 52,141
2017	48,629	3,512	52,141
2018	45,023	1,688	46,711
	<u>\$ 140,523</u>	<u>\$ 10,470</u>	<u>\$ 150,993</u>

The 2014 City Bank capital lease requires semi-annual payments on February 15th (interest only) and on August 15th (principal and interest). The final payment is on August 15, 2023. The following represents the annual payments due:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2016	\$ 25,000	\$ 8,304	\$ 33,304
2017	26,000	7,475	33,475
2018	27,000	6,614	33,614
2019	29,000	5,704	34,704
2020	30,000	4,745	34,745
2021 - 2025	131,000	8,727	139,727
	<u>\$ 268,000</u>	<u>\$ 41,569</u>	<u>\$ 309,569</u>

The 2015 Key Government Finance capital lease requires annual payments (principal and interest) on July 30<sup>th</sup> each year, with the first principal installment paid on April 30, 2015 and the final payment due on July 30, 2021. The following represents the annual payments due:

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2016	\$ 269,946	\$ 8,907	\$ 278,853
2017	249,256	29,597	278,853
2018	255,113	23,740	278,853
2019	261,109	17,744	278,853
2020	267,245	11,608	278,853
2021 - 2022	226,686	8,020	234,706
	<u>\$ 1,529,355</u>	<u>\$ 99,616</u>	<u>\$ 1,628,971</u>

**Loans Payable**

As of June 30, 2015, the District's loan payable balance totaled \$520,000. Series 2002, Maintenance Tax Notes were executed with City Bank on July 1, 2002 for the construction of a stadium. The following represents the annual payments due:

<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2016	\$ 260,000	\$ 7,824	\$ 267,824
2017	260,000	3,912	263,912
	<u>\$ 520,000</u>	<u>\$ 11,736</u>	<u>\$ 531,736</u>

**Note 6 - Long-term Liabilities (continued)**

**Advance Refunding of Debt**

On July 23, 2014, The District issued \$20,445,000 Unlimited Tax Refunding Bonds, Series 2014B with interest rates ranging from 2.0 percent to 5.0 percent and matures in fiscal year 2032. The bonds were used to provide resources to purchase US Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$20,990,000. The issuance was used to refund either portions of or 100 percent of bond series 2004A, 2005A, 2006 and 2006A. The reacquisition price exceeded the net carrying amount of the old debt by \$757,461. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued to be amortized over the shorter of the refunding bonds or the refunded bonds. In addition, the refunding resulted in an economic gain of \$1,909,335.

On June 10, 2015 the District issued \$103,095,000 Unlimited Tax Refunding Bonds, Series 2015 with interest rates ranging from 2.0 percent to 5.0 percent and matures in fiscal year 2038. The bonds were used to provide resources to purchase US Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$105,000,000. Bond series 2005, 2005A, 2006B, 2007, 2007A, 2008 and 2008A were either refunded in full or in portion. The refunding resulted in a deferred loss on refunding of \$10,369,772. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued to be amortized over the shorter of the refunding bonds or the refunded bonds. The refunding also resulted in an economic gain of \$5,095,911 (the present value of cash flow of the savings).

Bonds refunded with Series 2014B and 2015 are considered to be defeased and the liability has been removed from the government-wide financial statements.

Debt service requirements to maturity are as follows:

<b>Year Ending</b>			
<b>June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Totals</b>
2016	\$ 2,165,577	\$ 9,450,261	\$ 11,615,838
2017	3,684,869	11,052,396	14,737,265
2018	4,128,851	11,620,465	15,749,316
2019	4,548,059	11,609,130	16,157,189
2020	5,344,558	12,211,399	17,555,957
2021 - 2025	33,294,343	65,150,400	98,444,743
2026 - 2030	57,148,907	53,640,393	110,789,300
2031-2035	76,866,142	32,884,145	109,750,287
2036-2040	69,014,133	41,933,513	110,947,646
2041-2045	11,844,106	75,548,481	87,392,587
2046-2050	5,769,850	58,740,150	64,510,000
2051-2055	3,328,856	48,266,141	51,594,997
	<u>\$ 277,138,251</u>	<u>\$ 432,106,874</u>	<u>\$ 709,245,125</u>

**Note 6 - Long-term Liabilities (continued)**

**Defeased Debt**

In the current year and in prior years, the District defeased, certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At June 30, 2015, \$125,995,000 of refunded debt outstanding was considered defeased.

**Note 7 - Revenues from Local, Intermediate, and Out-of-State Sources**

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 26,266,661	\$ 12,621,587	\$	\$ 38,888,248
Penalties, interest and other tax related revenue	160,110	62,653		222,763
Investment Income	25,806	10,191	2,119	38,116
Co-curricular student activities	254,357		596,171	850,528
Tuition and fees	82,397			82,397
Rent	164,469			164,469
Food Sales			2,261,234	2,261,234
Other	639,088	24,578	1,117	664,783
	<u>\$ 27,592,888</u>	<u>\$ 12,719,009</u>	<u>\$ 2,860,641</u>	<u>\$ 43,172,538</u>

**Note 8 - General Fund Federal Source Revenues**

The following federal revenue sources are reported in the District's general fund:

<u>Program or Source</u>	<u>CFDA #</u>	<u>Amount</u>
Indirect Costs:		
School Breakfast Program	10.553	\$ 64,044
National School Lunch Program	10.555	265,053
E-Rate	N/A	70,771
SHARS	N/A	568,794
JROTC	N/A	67,274
		<u>\$ 1,035,936</u>

**Note 9 - Operating Leases**

Commitments under operating lease (noncapitalized) agreements for facilities and equipment are subject to fiscal funding clauses. As such, the agreements are cancelable and the District is therefore not obligated for minimum future rental payments as of June 30, 2015. The imputed interest on the leases is not readily determinable.

**Note 10 - Defined Benefit Pension Plan**

**Plan Description**

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

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

**Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided**

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

**Contributions**

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

**Note 10 - Defined Benefit Pension Plan (continued)**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

**Contribution Rates**

	<u>2015</u>	<u>2014</u>
Member	6.70%	6.40%
Non-Employer Contributing Entity	6.80%	6.80%
Employers	6.80%	6.80%
2014 Employer contributions		\$ 675,785
2014 Member contributions		\$ 628,448
2014 NECE on-behalf contributions		\$2,240,774

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

**Note 10 - Defined Benefit Pension Plan (continued)**

**Actuarial Assumptions**

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

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

*\*Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014, are summarized below:

**Note 10 - Defined Benefit Pension Plans (continued)**

Asset Class	Target Allocation	Real Return Geometric Basis	Long Term Expected Portfolio Real Rate of Return
<b>Global Equity</b>			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

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

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	Discount Rate		
	1% Decrease (7%)	Current Rate (8%)	1% Increase (9%)
District's proportional share of the net pension liability	\$ 12,723,008	\$ 7,120,000	\$ 2,929,994

**Note 10 - Defined Benefit Pension Plans (continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At August 31, 2014, the District reported a liability of \$7,120,000 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 7,120,000
State's proportionate share that is associated with the District	<u>23,658,884</u>
Total	<u><u>\$ 30,778,884</u></u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.027% which was no change from its proportion measured as of August 31, 2013.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$658,119 and revenue of \$2,187,220 for support provided by the State.

**Note 10 - Defined Benefit Pension Plans (continued)**

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 110,113	\$
Change in Assumptions	462,808	
Net difference between projected and actual earnings on pension plan investments		2,176,163
Change in proportion and differences between District's contributions and proportionate share of contributions		1,866
District TRS contributions subsequent to the measurement date	<u>1,036,672</u>	
Total	<u>\$ 1,609,593</u>	<u>\$ 2,178,029</u>

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

<b>Year ending June 30</b>	<b>Pension Expense Amount</b>
2016	\$ (447,913)
2017	(447,913)
2018	(447,913)
2019	(447,912)
2020	96,128
2021	<u>90,415</u>
	<u>\$(1,605,108)</u>

**Note 11 - Retiree Health Plan**

**Plan Description**

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

**Note 11 - Retiree Health Plan (continued)**

The Texas Legislature determines the funding benefits and has no continuing obligation to provide benefits beyond each fiscal year. Currently, the TRS-Care are financed through a combination of retiree premiums and percentage of payroll contributions from active employees, school districts, and the State of Texas.

**Benefit Provisions and Service Requirements**

Retirees can receive free basic level of coverage and optional coverage is also available. All dependent coverage is optional. Basic coverage is a comprehensive major medical group health insurance plan. Generally, TRS public school retirees with more than 10 years of service and their dependents are eligible for this insurance coverage.

**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 .5% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2015, 2014 and 2013. Per Texas Insurance Code, Chapter 1575, the public school contribution cannot be less than .25% or more than .75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 5%.

Contributions made by the State, District, and staff members for the year ended June 30, 2015, 2014 and 2013 are as follows:

<u>Fiscal Year</u>	<u>State TRS Care Contributions Made on Behalf Of the District</u>	<u>District Required Contributions To TRS Care</u>	<u>Staff Members' Contributions To TRS Care</u>	<u>District's Annual Covered Payroll</u>
2015	\$ 431,013	\$ 257,031	\$ 284,837	\$ 44,390,038
2014	371,379	239,932	228,332	41,568,387
2013	228,332	229,490	262,216	40,340,180

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the state on behalf of the District have been recorded in the governmental fund financial statements of the District both as state revenues and expenditures. These contributions are the legal responsibility of the State.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$131,106, \$112,647, and \$107,184, respectively.

**Note 12 - Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, Injuries to employees, and natural disasters. During fiscal year 2015, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding Insurance coverage for each of the past three fiscal years.

**Health Insurance**

During the year ended June 30, 2015, employees of the District were covered by a health Insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2015, and terms of coverage and premium costs are included in the contractual provisions.

**Workers' Compensation**

During the year ended June 30, 2015, employees of the District were covered by a Worker's Compensation plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreements.

The contract between the District and the third party administrator, Creative Risk Funding (CRF), acting on behalf of the self-funded pool, is renewable on September 1. This pool includes several other school districts and was operated under the contractual provisions of Article 4413(32c), Interlocal Cooperation Act.

In accordance with State statutes, the District was protected against unanticipated catastrophic individual and aggregate losses by an insurance policy purchased from Safety National Casualty Corporation, a commercial insurer licensed or eligible to do business in the State of Texas. The policy provides specific stop-loss coverage for each occurrence that exceeds \$350,000. The aggregate stop-loss coverage for the combined claims of all the members in the insurance pool was \$7,796,049. According to CRF, the District's share of unfunded obligations include \$56,605 in claims that were incurred, but not paid, and \$95,715 in estimated claims incurred, but not reported.

**Note 13 - Shared Service Arrangements/Joint Ventures**

**Shared Services Arrangement - Membership**

The District participates in a shared services arrangement ("SSA") for a federal program with Mesquite ISD for deaf education services.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, school name, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

**Note 14 - Contingent Liabilities**

Contingencies

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

Litigation

No reportable litigation was pending against the District at June 30, 2015.

**Note 15 - Arbitrage**

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated it does not have an arbitrage liability as of June 30, 2015.

**Note 16 - Prior Period Adjustment**

In fiscal year 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions. As such, the prior period adjustment was necessary to record the beginning pension liability of the District. The following illustrates the effect of the prior period adjustment:

<b>Beginning Net Position - As Originally Presented</b>	\$ (77,875,638)
Restatement due to:	
Net pension liability (measurement date as of August 31, 2013)	(8,742,773)
Deferred Outflows:	
District contributions made to TRS during the fiscal year	<u>675,785</u>
<b>Beginning Net Position - As Restated</b>	<u>\$ (85,942,626)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
For the Year Ended June 30, 2015

Exhibit G-1

Data Control Codes		Budgeted Amounts		Actual Amounts, GAAP Basis	Variance with Final Budget - Positive (Negative)
		Original	Final		
	<b>Revenues</b>				
5700	Local revenues	\$ 27,200,000	\$ 27,218,591	\$ 27,592,888	\$ 374,297
5800	State program revenues	34,150,000	35,805,375	36,052,461	247,086
5900	Federal program revenues	850,000	850,000	1,035,936	185,936
<b>5020</b>	<b>Total revenues</b>	<u>62,200,000</u>	<u>63,873,966</u>	<u>64,681,285</u>	<u>807,319</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
0011	Instruction	34,100,000	34,714,987	35,056,084	(341,097)
0012	Instruction resources and media services	750,000	644,105	626,328	17,777
0013	Curriculum and instructional staff	1,300,000	1,153,178	1,076,966	76,212
0021	Instructional leadership	475,000	722,691	716,092	6,599
0023	School leadership	4,163,000	4,221,798	4,136,037	85,761
0031	Guidance, counseling and evaluation services	1,950,000	2,068,832	2,067,803	1,029
0033	Health services	875,000	846,536	843,766	2,770
0034	Student transportation	1,985,000	2,004,199	1,996,360	7,839
0036	Extracurricular activities	2,100,000	2,166,836	2,163,761	3,075
0041	General administration	2,400,000	1,913,253	1,696,512	216,741
0051	Facilities maintenance and operations	7,100,000	6,799,092	6,558,679	240,413
0052	Security and monitoring services	525,000	558,890	534,225	24,665
0053	Data processing services	1,250,000	3,055,676	2,887,100	168,576
0061	Community services	5,000	5,000		5,000
	<b>Debt Service:</b>				
0071	Principal on long-term debt	422,000	422,000	476,532	(54,532)
0072	Interest on long-term debt			38,086	(38,086)
	<b>Capital Outlay:</b>				
0081	Facilities acquisition and construction		7,500	7,497	3
	<b>Intergovernmental:</b>				
0099	Payments to appraisal district	500,000	500,000	468,886	31,114
<b>6030</b>	<b>Total Expenditures</b>	<u>59,900,000</u>	<u>61,804,573</u>	<u>61,350,714</u>	<u>453,859</u>
1100	Excess (deficiency) of revenues over expenditures	<u>2,300,000</u>	<u>2,069,393</u>	<u>3,330,571</u>	<u>1,261,178</u>
	<b>Other Financing Sources (Uses)</b>				
7912	Sale of property			3,000	3,000
7913	Proceeds from capital lease		1,631,972	1,628,972	(3,000)
8949	Other uses		(100,000)	(100,000)	
<b>7080</b>	<b>Total other financing sources and uses</b>		<u>1,531,972</u>	<u>1,531,972</u>	
1200	Net change in fund balances	2,300,000	3,601,365	4,862,543	1,261,178
<b>0100</b>	<b>Fund balances - beginning</b>	<u>4,755,886</u>	<u>4,755,886</u>	<u>4,755,886</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 7,055,886</u>	<u>\$ 8,357,251</u>	<u>\$ 9,618,429</u>	<u>\$ 1,261,178</u>

See Notes to Required Supplementary Information

**A. Budgets and Budgetary Accounting**

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund and Debt Service Fund during the fiscal year ended June 30, 2015. During the year ended June 30, 2015, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>	<u>Debt Service</u>
Amendments Approved	\$ 1,904,573	\$ 3,601,808

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by June 30, 2014. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

**B. Expenditures in Excess of Appropriations**

At end of the current fiscal year, expenditures in the District’s general fund exceeded appropriations for instruction in the amount of \$341,097 ,principal on long term debt in the amount of \$54,532 and interest on long-term debt in the amount of \$38,086 .

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**REQUIRED SUPPLEMENTARY INFORMATION**

*Exhibit G-3*

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY**

**Teacher Retirement System of Texas**

	<u><b>2014</b></u>
District's proportion of the net pension liability	0.0266%
District's proportionate share of the net pension liability	\$ 7,120,000
State's proportionate share of the net pension liability associated with the District	<u>23,658,884</u>
Total	<u><u>\$ 30,778,884</u></u>
District's covered-employee payroll (for Measurement Year)	\$ 42,055,864
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	16.9%
Plan fiduciary net position as a percentage of the total pension liability *	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68.

**FORNEY INDEPENDENT SCHOOL DISTRICT**

*Exhibit G-4*

**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF DISTRICT CONTRIBUTIONS**

**Teachers Retirement System of Texas  
Last 5 Fiscal Years**

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 1,144,400	\$ 674,285	\$ 584,040	\$ 587,962	\$ 722,254
Contributions in relation to the contractual required contributions	<u>1,144,400</u>	<u>674,285</u>	<u>584,040</u>	<u>587,962</u>	<u>722,254</u>
contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 44,390,038	\$ 41,568,387	\$ 40,340,180	\$ 43,093,741	\$ 44,880,225
Contributions as a percentage of covered employee payroll	2.58%	1.62%	1.45%	1.36%	1.61%

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**OTHER SUPPLEMENTARY INFORMATION**

**FORNEY INDEPENDENT SCHOOL DISTRICT**

*COMBINING BALANCE SHEET*

*ALL NONMAJOR GOVERNMENTAL FUNDS*

*June 30, 2015*

		204	205	211
<b>Data Control Codes</b>		<b>Title IV Safe &amp; Drug Free</b>	<b>Head Start</b>	<b>ESEA Title I Part A</b>
<b>Assets</b>				
1110	Cash and temporary investments	\$	\$	\$
<b>Receivables:</b>				
1240	Receivables from other governments		35,170	189,189
1410	Prepaid items			
<b>1000</b>	<b>Total Assets</b>	<u>\$</u>	<u>\$ 35,170</u>	<u>\$ 189,189</u>
 <b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
<b>Current Liabilities:</b>				
2110	Accounts payable	\$	\$	\$ 3,896
2160	Accrued wages payable		20,614	25,194
2170	Due to other funds		14,556	160,099
2300	Unearned revenues			
<b>2000</b>	<b>Total Liabilities</b>		<u>35,170</u>	<u>189,189</u>
 <b>Fund Balance:</b>				
<b>Non-Spendable:</b>				
3430	Prepaid items			
<b>Restricted:</b>				
3450	Federal/State funds grant restrictions			
3470	Capital acquisitions & contractual obligations			
<b>Committed:</b>				
3545	Other purposes			
<b>3000</b>	<b>Total Fund Balances</b>			
<b>4000</b>	<b>Total Liabilities and Fund Balances</b>	<u>\$</u>	<u>\$ 35,170</u>	<u>\$ 189,189</u>

224                      225                      240                      244                      255

<b>IDEA B Formula</b>	<b>IDEA B Preschool Grant</b>	<b>Child Nutrition</b>	<b>Carl D Perkins</b>	<b>Title II, Part A</b>
\$	\$	\$ 146,499	\$	\$
288,360	1,984	26,757		15,061
19,627				
<u>\$ 307,987</u>	<u>\$ 1,984</u>	<u>\$ 173,256</u>	<u>\$</u>	<u>\$ 15,061</u>

\$ 16,858	\$	\$ 217	\$	\$ 12
99,588		172,835		
191,541	1,984			15,049
<u>307,987</u>	<u>1,984</u>	<u>173,052</u>	<u></u>	<u>15,061</u>

204

		204		
<u>\$ 307,987</u>	<u>\$ 1,984</u>	<u>\$ 173,256</u>	<u>\$</u>	<u>\$ 15,061</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

	263	289	385
<u>Data Control Codes</u>	<u>Title III, Part A LEP</u>	<u>Federally Funded Special Revenue Fund</u>	<u>State Supplemental Visually Impaired</u>
<b>Assets</b>			
1110 Cash and temporary investments	\$	\$ 4,398	\$
<b>Receivables:</b>			
1240 Receivables from other governments	344		
1410 Prepaid items			
<b>1000 Total Assets</b>	<u>\$ 344</u>	<u>\$ 4,398</u>	<u>\$</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110 Accounts payable	\$ 275	\$	\$
2160 Accrued wages payable			
2170 Due to other funds	69		
2300 Unearned revenues		1,139	
<b>2000 Total Liabilities</b>	<u>344</u>	<u>1,139</u>	<u></u>
<b>Fund Balance:</b>			
<b>Non-Spendable:</b>			
3430 Prepaid items			
<b>Restricted:</b>			
3450 Federal/State funds grant restrictions		3,259	
3470 Capital acquisitions & contractual obligations			
<b>Committed:</b>			
3545 Other purposes			
<b>3000 Total Fund Balances</b>	<u></u>	<u>3,259</u>	<u></u>
<b>4000 Total Liabilities and Fund Balances</b>	<u>\$ 344</u>	<u>\$ 4,398</u>	<u>\$</u>

397	410	414	425
<u>Advanced Placement Incentive</u>	<u>Instructional Materials Allotment</u>	<u>Accelerated Science Program</u>	<u>Teacher Induction and Mentoring Program</u>
\$	\$	\$ 9,680	\$ 503
2,700			
6,840	4,852		
<u>\$ 9,540</u>	<u>\$ 4,852</u>	<u>\$ 9,680</u>	<u>\$ 503</u>
\$	\$	\$	\$
2,151			
	4,852		
<u>2,151</u>	<u>4,852</u>	<u>          </u>	<u>          </u>
6,840			
549		9,680	503
<u>7,389</u>	<u>          </u>	<u>9,680</u>	<u>503</u>
<u>\$ 9,540</u>	<u>\$ 4,852</u>	<u>\$ 9,680</u>	<u>\$ 503</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING BALANCE SHEET**  
**ALL NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2015**

	427	429	461
<u>Data Control Codes</u>	<u>Texas Fitness Now</u>	<u>Texas Educators' Excellence</u>	<u>Campus Activity Funds</u>
<b>Assets</b>			
1110	\$ 1,107	\$ 4,533	\$ 535,087
<b>Receivables:</b>			
1240			
1410			7,516
<b>1000 Total Assets</b>	<u>\$ 1,107</u>	<u>\$ 4,533</u>	<u>\$ 542,603</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	\$	\$	\$ 6,655
2160			
2170			
2300	1,107		
<b>2000 Total Liabilities</b>	<u>1,107</u>		<u>6,655</u>
<b>Fund Balance:</b>			
<b>Non-Spendable:</b>			
3430			7,516
<b>Restricted:</b>			
3450		4,533	
3470			
<b>Committed:</b>			
3545			528,432
<b>3000 Total Fund Balances</b>		<u>4,533</u>	<u>535,948</u>
<b>4000 Total Liabilities and Fund Balances</b>	<u>\$ 1,107</u>	<u>\$ 4,533</u>	<u>\$ 542,603</u>

*Exhibit H-1*  
*Page 3 of 3*

699

<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 1,529,327	\$ 2,231,134
	559,565
75,198	114,033
\$ 1,604,525	\$ 2,904,732
\$	\$ 27,913
	318,231
3,865	389,314
	7,098
3,865	742,556
75,198	89,554
	18,728
1,525,462	1,525,462
	528,432
1,600,660	2,162,176
\$ 1,604,525	\$ 2,904,732

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2015*

<b>Data Control Codes</b>		<b>204</b>	<b>205</b>	<b>211</b>
		<b>Title IV Safe &amp; Drug Free</b>	<b>Head Start</b>	<b>ESEA Title I Part A</b>
<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues		74,219	233,488
<b>5020</b>	<b>Total Revenues</b>		<u>74,219</u>	<u>233,488</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction		74,219	227,526
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development			5,962
0021	Instructional leadership			
0023	School leadership			
0031	Guidance, counseling and evaluation services			
0033	Health services			
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0051	Facilities maintenance and operations			
0052	Security and monitoring services	78		
0053	Data processing services			
0061	Community services			
0093	Payments related to shared services			
<b>6030</b>	<b>Total Expenditures</b>	<u>78</u>	<u>74,219</u>	<u>233,488</u>
1100	Excess (deficiency) of revenues over expenditures	(78)		
<b>0100</b>	<b>Fund balance - July 1 (beginning)</b>	<u>78</u>		
<b>3000</b>	<b>Fund balance - June 30 (ending)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

224	225	240	244	255
IDEA B Formula	IDEA B Preschool Grant	Child Nutrition	Carl D Perkins	Title II, Part A
\$	\$	\$ 2,262,081 15,046	\$	\$
<u>1,113,897</u>	<u>11,551</u>	<u>943,111</u>	<u>36,691</u>	<u>53,544</u>
<u>1,113,897</u>	<u>11,551</u>	<u>3,220,238</u>	<u>36,691</u>	<u>53,544</u>
827,032	11,551		36,691	22,419
1,125 961				31,125
191,873 35,091				
		3,220,034		
<u>57,815</u>				
<u>1,113,897</u>	<u>11,551</u>	<u>3,220,034</u>	<u>36,691</u>	<u>53,544</u>
		204		
<u>\$</u>	<u>\$</u>	<u>\$ 204</u>	<u>\$</u>	<u>\$</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2015*

<b>Data Control Codes</b>		<b>263</b>	<b>289</b>	<b>385</b>
		<b>Title III, Part A LEP</b>	<b>Federally Funded Special Revenue Fund</b>	<b>State Supplemental Visually Impaired</b>
	<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			2,321
5900	Federal program revenues	53,524		
<b>5020</b>	<b>Total Revenues</b>	<u>53,524</u>		<u>2,321</u>
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction	47,125		2,411
0012	Instruction resources and media services			
0013	Curriculum and instructional staff development	5,599		
0021	Instructional leadership			
0023	School leadership			
0031	Guidance, counseling and evaluation services			
0033	Health services			
0034	Student transportation			
0035	Food service			
0036	Extracurricular activities			
0041	General administration			
0051	Facilities maintenance and operations			
0052	Security and monitoring services			
0053	Data processing services			
0061	Community services	800		
0093	Payments related to shared services			
<b>6030</b>	<b>Total Expenditures</b>	<u>53,524</u>		<u>2,411</u>
1100	Excess (deficiency) of revenues over expenditures			(90)
<b>0100</b>	<b>Fund balance - July 1 (beginning)</b>		<u>3,259</u>	<u>90</u>
<b>3000</b>	<b>Fund balance - June 30 (ending)</b>	<u>\$</u>	<u>\$ 3,259</u>	<u>\$</u>

397	410	414	425 Teacher Induction and Mentoring Program
<u>Advanced Placement Incentive</u>	<u>Instructional Materials Allotment</u>	<u>Accelerated Science Program</u>	
\$ 8,550	\$ 1,285,980	\$	\$
<u>8,550</u>	<u>1,285,980</u>		
	1,237,772		
7,173	48,208		
<u>7,173</u>	<u>1,285,980</u>		
1,377			
<u>6,012</u>		9,680	503
<u>\$ 7,389</u>	<u>\$</u>	<u>\$ 9,680</u>	<u>\$ 503</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
*For the Year Ended June 30, 2015*

<b>Data Control Codes</b>		<b>427</b>	<b>429</b>	<b>461</b>
		<b>Texas Fitness Now</b>	<b>Texas Educators' Excellence</b>	<b>Campus Activity Funds</b>
	<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$	\$ 596,171
5800	State program revenues		107	
5900	Federal program revenues			
<b>5020</b>	<b>Total Revenues</b>		<u>107</u>	<u>596,171</u>
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction			111,582
0012	Instruction resources and media services			34,975
0013	Curriculum and instructional staff development			14,476
0021	Instructional leadership			
0023	School leadership			97,120
0031	Guidance, counseling and evaluation services			25,369
0033	Health services			30
0034	Student transportation			195
0035	Food service			
0036	Extracurricular activities			264,140
0041	General administration			13,632
0051	Facilities maintenance and operations			304
0052	Security and monitoring services			615
0053	Data processing services			
0061	Community services			
0093	Payments related to shared services			
<b>6030</b>	<b>Total Expenditures</b>			<u>562,438</u>
1100	Excess (deficiency) of revenues over expenditures		107	33,733
<b>0100</b>	<b>Fund balance - July 1 (beginning)</b>		<u>4,426</u>	<u>502,215</u>
<b>3000</b>	<b>Fund balance - June 30 (ending)</b>	<u>\$</u>	<u>\$ 4,533</u>	<u>\$ 535,948</u>

699

<b>Capital Projects Fund</b>	<b>Total-Other Governmental Funds</b>
\$ 2,389	\$ 2,860,641
	1,312,004
	2,520,025
2,389	6,692,670
220,602	2,818,930
	34,975
	113,668
	961
	97,120
	217,242
	35,121
17,590	17,785
	3,220,034
61,150	325,290
	13,632
38,097	38,401
6,735	7,428
60,498	60,498
	800
	57,815
404,672	7,059,700
(402,283)	(367,030)
2,002,943	2,529,206
\$ 1,600,660	\$ 2,162,176

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
*June 30, 2015*

*Exhibit H-3*

<b>Data Control Codes</b>		<b>806 Smith Elementary Scholarship</b>	<b>816 Forney ISD Board of Trustees Scholarship</b>	<b>Total Private Purpose Trust Funds</b>
	<b>Assets</b>			
1110	Cash and cash equivalents	\$ 5,009	\$ 2,267	\$ 7,276
<b>1000</b>	<b>Total Assets</b>	<u>5,009</u>	<u>2,267</u>	<u>7,276</u>
	<b>Liabilities</b>			
<b>2000</b>	<b>Total Liabilities</b>			
	<b>Net Position</b>			
3800	Restricted	<u>\$ 5,009</u>	<u>\$ 2,267</u>	<u>\$ 7,276</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
*For the Year Ended June 30, 2015*

*Exhibit H-4*

	<b>806</b>	<b>816</b>	
	<b>Smith</b>	<b>Forney ISD</b>	<b>Total Private</b>
	<b>Elementary</b>	<b>Board of</b>	<b>Purpose Trust</b>
	<b>Scholarship</b>	<b>Trustees</b>	<b>Funds</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Additions</b>			
Gifts and contributions	\$ 7,089	\$ 100	\$ 7,189
<b>Total additions</b>	<u>7,089</u>	<u>100</u>	<u>7,189</u>
<b>Deductions</b>			
Non-operating expenses	4,345	6,000	10,345
<b>Total deductions</b>	<u>4,345</u>	<u>6,000</u>	<u>10,345</u>
Change in net position	2,744	(5,900)	(3,156)
<b>Net position beginning of year</b>	<u>2,265</u>	<u>8,167</u>	<u>10,432</u>
<b>Net position end of year</b>	<u>\$ 5,009</u>	<u>\$ 2,267</u>	<u>\$ 7,276</u>

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## **REQUIRED TEA SCHEDULES**

**FORNEY INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

*For the Year Ended June 30, 2015*

<b>Last Ten Fiscal Years</b>	<b>Tax Rates</b>		<b>Net Assessed/Appraised Value For School Tax Purposes</b>	<b>Beginning Balance 7/01/2014</b>
	<b>1 Maintenance</b>	<b>2 Debt Service</b>		
2006 and prior	Various	Various	Various	\$ 95,259
2007	1.334600	0.280000	1,834,704,072	26,941
2008	1.040000	0.380000	2,186,360,493	32,515
2009	1.040000	0.420000	2,340,032,940	66,335
2010	1.040000	0.460000	2,333,464,800	73,632
2011	1.040000	0.460000	2,263,120,733	72,686
2012	1.040000	0.460000	2,274,351,650	82,237
2013	1.040000	0.500000	2,307,567,564	84,896
2014	1.040000	0.500000	2,351,857,078	403,219
2015	1.040000	0.500000	2,524,807,922	
<b>1000 Totals</b>				<u><u>\$ 937,720</u></u>

Penalty and interest receivable on taxes

**Total taxes receivable per Exhibit C-1**

*Exhibit J-1*

<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 6/30/2015</b>
\$	\$ 2,485	\$ 440	\$ (73,103)	\$ 19,231
	4,287	899	(596)	21,159
	3,036	1,109	(301)	28,069
	4,422	1,786	(10,502)	49,625
	34,204	15,129	23,367	47,666
	33,521	14,827	22,795	47,133
	36,517	16,151	20,440	50,009
	39,409	18,947	22,328	48,868
	208,295	100,142	(7,211)	87,571
<u>38,882,042</u>	<u>25,900,486</u>	<u>12,452,157</u>	<u>(140,658)</u>	<u>388,741</u>
<u>\$ 38,882,042</u>	<u>\$ 26,266,662</u>	<u>\$ 12,621,587</u>	<u>\$ (143,441)</u>	788,072
				<u>318,051</u>
				<u>\$ 1,106,123</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**BUDGETARY COMPARISON SCHEDULE**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH FUND**  
*For the Year Ended June 30, 2015*

*Exhibit J-4*

<b>Data Control Codes</b>		<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
		<b>Original</b>	<b>Final</b>		
	<b>Revenues</b>				
5700	Local revenues	\$2,325,000	\$2,325,000	\$ 2,262,081	\$ (62,919)
5800	State program revenues	75,000	75,000	15,046	(59,954)
5900	Federal program revenues	1,350,000	1,350,000	943,111	(406,889)
<b>5020</b>	<b>Total Revenues</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,220,238</b>	<b>(529,762)</b>
	<b>Expenditures</b>				
0035	Food services	3,750,000	3,750,000	3,220,034	529,966
<b>6030</b>	<b>Total Expenditures</b>	<b>3,750,000</b>	<b>3,750,000</b>	<b>3,220,034</b>	<b>529,966</b>
1200	Net change in fund balances			204	204
<b>0100</b>	<b>Fund balances - beginning</b>				
<b>3000</b>	<b>Fund balances - ending</b>	<b>\$</b>	<b>\$</b>	<b>\$ 204</b>	<b>\$ 204</b>

**FORNEY INDEPENDENT SCHOOL DISTRICT**

*Exhibit J-5*

**BUDGETARY COMPARISON SCHEDULE**

**DEBT SERVICE FUND**

*For the Year Ended June 30, 2015*

<b>Data Control Codes</b>		<b>Budgeted Amounts</b>		<b>Actual Amounts, Budgetary Basis</b>	<b>Variance with Final Budget - Positive (Negative)</b>
		<b>Original</b>	<b>Final</b>		
	<b>Revenues</b>				
5700	Local and intermediate sources	\$ 12,675,000	\$ 12,675,000	\$ 12,719,009	\$ 44,009
5800	State program revenues	2,175,000	2,900,000	3,052,024	152,024
<b>5020</b>	<b>Total Revenues</b>	<u>14,850,000</u>	<u>15,575,000</u>	<u>15,771,033</u>	<u>196,033</u>
	<b>Expenditures</b>				
	<b>Current:</b>				
	<b>Debt Service:</b>				
0071	Principal on long-term debt	2,012,320	2,012,320	2,012,320	
0072	Interest on long-term debt	11,605,000	12,808,668	12,808,668	
0073	Bond issuance costs and fees	32,680	1,439,012	1,435,582	3,430
<b>6030</b>	<b>Total Expenditures</b>	<u>13,650,000</u>	<u>16,260,000</u>	<u>16,256,570</u>	<u>3,430</u>
1100	Excess (deficiency) of revenues over expenditures	<u>1,200,000</u>	<u>(685,000)</u>	<u>(485,537)</u>	<u>199,463</u>
	<b>Other Financing Sources (Uses)</b>				
7901	Refunding Bonds Issued		115,810,221	123,540,000	7,729,779
7916	Premium or discount on issuance of bonds			13,993,488	13,993,488
8949	Payment to Bond Refunding Escrow Agent		(114,818,413)	(136,541,680)	(21,723,267)
<b>7080</b>	<b>Total other financing sources and uses</b>		<u>991,808</u>	<u>991,808</u>	
1200	Net change in fund balances	1,200,000	306,808	506,271	199,463
<b>0100</b>	<b>Fund balances - beginning</b>	<u>6,570,042</u>	<u>6,570,042</u>	<u>6,570,042</u>	
<b>3000</b>	<b>Fund balances - ending</b>	<u>\$ 7,770,042</u>	<u>\$ 6,876,850</u>	<u>\$ 7,076,313</u>	<u>\$ 199,463</u>

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**FEDERAL AWARDS SECTION**

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

To the Board of Trustees  
Forney Independent School District  
Forney, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forney Independent School District (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated October 26, 2015.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #2014-001.

### **The District's Response to Finding**

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

### **Purpose of this Report**

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
October 26, 2015

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

To the Board of Trustees  
Forney Independent School District  
Forney, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Forney Independent School District's (the "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, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB 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 considered necessary in the circumstances.

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

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

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

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

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

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

*Whitley Penn LLP*

Houston, Texas  
October 26, 2015

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For the Year ended June 30, 2015*

**I. Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that is not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency (ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) OMB Circular A-133?	No

Identification of major programs

Name of Federal Program or Cluster CFDA Numbers

**US Department of Education**

*Special Education Cluster:*

IDEA-B, Formula	84.027A
IDEA-B, Preschool	84.173A

Dollar Threshold Considered Between Type A and Type B Federal Programs \$300,000

Auditee qualified as low-risk auditee? Yes

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
*For the Year ended June 30, 2015*

**II. Financial Statement Findings**

**Finding #2014-001**

*Criteria:* Per the Texas Administrative Code section 105.11 and the Texas Education Agency's Financial Accountability System Resource Guide Section 4.6.5, school districts must spend at least 58 percent of their Career and Technology program allotment on direct expenditures.

*Condition:* For fiscal year 2015, the District's calculation shows the District underspent its Career and Technology program allotment.

*Effect:* The District, after allocation of Program Intent Code 99, may not be in compliance with the spending requirement.

*Cause:* Personnel costs coding to the general ledger has caused this shortfall.

*Recommendation:* The District should continue to evaluate the account coding of eligible Career and Technology costs to ensure compliance with this spending requirement in fiscal year 2016.

**III. Federal Awards Findings And Questioned Costs**

None reported

**IV. Status Of Prior Year Findings**

<b>Finding #2014-001</b> Career and Technology program allotment spending requirement	Unresolved; See current year finding #2014-001
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**V. Corrective Action Plan**

<b>Finding 2014-001:</b> Career and Technology program allotment spending requirement	<b>Contact Person:</b> John Chase, CFO  <b>Response:</b> The Chief Financial Officer will review the teaching assignments of all high school teacher to insure that salaries for career and technology teachers are property reported. Students enrolled in career and technology courses will also be reviewed to determine the amount of funding that will be received for career and technology instruction. Any spending short falls will be addressed during the upcoming budget development process.
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**Estimated Completion Date:** June 30, 2016

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2015

*Exhibit K-1*

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	District Fund Number	(2) Federal CFDA Number	(3) Federal Expenditures
<b>U.S. Department of Education</b>				
<b>Passed Through Region 10 Education Service Center:</b>				
14610101057950	<i>ESEA, Title I, Part A</i>	211	84.010A	\$ 31,535
15610101057950	<i>ESEA, Title I, Part A</i>	211	84.010A	201,953
15420006057950	<i>Carl D. Perkins Basic Grant</i>	244	84.048A	36,691
14694501057950	<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	11,348
15694501057950	<i>ESEA Title II, Part A, Teacher/Principal Training</i>	255	84.367A	42,196
14671001057950	<i>ESEA Title III, Part A, LEP</i>	263	84.365A	3,410
15671001057950	<i>ESEA Title III, Part A, LEP</i>	263	84.365A	50,114
<b>Total Passed Through Region 10 Education Service Center</b>				377,247
<b>Passed Through Texas Education Agency:</b>				
146600011299026000	<i>IDEA-B Formula *</i>	224	84.027A	12,699
156600011299026600	<i>IDEA-B Formula *</i>	224	84.027A	1,101,198
146610011299026610	<i>IDEA-B Preschool *</i>	225	84.173A	5,040
156610011299026610	<i>IDEA-B Preschool *</i>	225	84.173A	6,511
<b>Total Passed Through Texas Education Agency</b>				1,125,448
<b>Total U.S. Department of Education</b>				1,502,695
<b>U.S. Department of Health and Human Services</b>				
<b>Passed Through Region 10 Education Service Center</b>				
06CH0391	<i>Head Start</i>	205	93.600	3,231
06CH7092	<i>Head Start</i>	205	93.600	70,988
<b>Total U.S. Department of Health and Human Services</b>				74,219
<b>U.S. Department of Agriculture</b>				
<b>Passed Through Texas Department of Agriculture:</b>				
Non Cash Assistance (Commodities):				
71301501	<i>National School Lunch Program**</i>	240	10.555	120,749
<b>Passed Through Texas Department of Education:</b>				
Cash Assistance:				
71301501	<i>National School Lunch Program**</i>	240	10.555	927,379
71401501	<i>School Breakfast Program**</i>	240	10.553	224,080
<b>Total U.S. Department of Agriculture</b>				1,272,208
<b>Total Expenditures of Federal Awards</b>				\$ 2,849,122

\*Special Education Cluster

\*\*Child Nutrition Cluster

**Note 1 -Basis of Accounting**

The District accounts for all awards under federal programs in the General and Certain Special Revenue Funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

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

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

**Note 2 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**Note 3 - Reconciliation to Basic Financial Statements**

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-3:

Total shown on Schedule of Expenditures of Federal Awards	\$ 2,849,122
Federal Revenue Accounted for in Governmental Funds	
E-Rate Reimbursements	70,771
SHARS	568,794
JROTC	<u>67,274</u>
	<u>706,839</u>
<b>Total Federal Revenue - Exhibit C-3</b>	<u><u>\$ 3,555,961</u></u>

**Note 4 - General Fund Expenditures**

Federal Awards reported in the general fund are summarized as follows:

**Federal Revenue Accounted for in General Fund**

Indirect Costs:

School Breakfast Program	\$	64,044
National School Lunch Program		265,053
E-Rate Reimbursements		70,771
SHARS		568,794
JROTC		67,274
	\$	<u>1,035,936</u>

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