

FORNEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2018

FORNEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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CERTIFICATE OF BOARD

Forney Independent School District
Name of School District

Kaufman
County

129-902
Co. - Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended June 30, 2018, at a meeting of the Board of Trustees of such school district on the 1st day of October, 2018.

Barbara P. Green
Signature of Board Secretary

Bree Pham
Signature of Board President

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Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
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**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

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Independent Auditors' Report

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

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, 2018, 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 Standard* 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Forney Independent School District as of June 30, 2018, 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 Notes 11 and 25 to the financial statements, in the current fiscal year, the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its other post-employment benefit (OPEB) plan – a multiple-employer, cost-sharing, defined benefit OPEB plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-Wide Statements. Exhibit A-1 discloses the District's Net OPEB Liability and deferred resource outflows and deferred resource inflows related to the District's OPEB plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Positions. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 7 through 15, the *budgetary comparison information* on pages 61 and 62, and the *pension and OPEB schedules* on pages 63 through 69 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Forney Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules listed in the table of contents 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 the Uniform Guidance, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018 on our consideration of Forney Independent School District's internal control over financial reporting and on our test 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 Forney Independent School District's internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

September 24, 2018

**FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

As management of Forney Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2018.

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 (\$113,293,268) (*deficit net position*).
- The District's total net position increased by \$14,545,000 during the current fiscal year from the result of current year operations. However, beginning net position decreased by \$44,083,348 due to new standards that required recording of the District's proportionate share of the Teacher Retirement System's net OPEB liability.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$45,978,947 an increase of \$4,652,793 in comparison with the prior year. The increase in governmental fund balances was due primarily to an increase in the general fund balance of \$3,084,568 and an increase in the Debt Service Fund of \$2,694,467.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23,831,978 or 31.3 percent of total general fund expenditures.
- The District's total bonded debt (par value) decreased, net, by \$9,009,095 during the current fiscal year.

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 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).

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, Interest on Long-term Debt, Bond Issuance Costs and Fees, Payments Related to Shared Services Arrangements, and Appraisal District Fees. The government-wide financial statements can be found on pages 18 through 19 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 and 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 statement of revenues, expenditures, and changes in fund balances prove a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains eighteen 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 seventeen 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 20 through 23 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *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 funds are custodial in nature.

The basic fiduciary fund financial statements can be found on pages 25 through 26 of this report.

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 27 through 57 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. In addition, two schedules of required supplementary information are presented containing information on the District's participation in the Teacher Retirement System of Texas pension plan and other post-employment benefit (OPEB) plan (TRS-Cares). The required supplementary information can be found on pages 63 through 69.

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 72 through 81 of this report.

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 (\$113,293,268) at the close of the fiscal year.

The District's net investments in capital assets (e.g. land, buildings and improvements, and furniture and equipment) less any outstanding related debt used to acquire those assets, amounted to (\$70,968,290). 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.

	Governmental Activities	
	2018	2017
Current and other assets	\$ 58,264,537	\$ 50,316,817
Capital and non-current assets	203,352,481	205,822,580
Total Assets	261,617,018	256,139,397
Deferred charge on bond refundings	13,911,774	15,042,979
Deferred outflows - OPEB	349,893	-
Deferred outflows - pension	7,855,113	7,508,351
Total Deferred Outflows of Resources	22,116,780	22,551,330
Current liabilities	13,076,727	10,930,342
Long-term liabilities	368,982,051	348,807,785
Total Liabilities	382,058,778	359,738,127
Deferred inflows - OPEB	10,501,554	-
Deferred inflows - pension	4,466,734	2,707,560
Total Deferred Inflows of Resources	14,968,288	2,707,560
Net Position:		
Net investments in capital assets	\$ (70,698,290)	\$ (71,249,224)
Restricted	15,206,837	12,419,512
Unrestricted	(57,531,815)	(24,925,248)
Total Net Position	\$ (113,023,268)	\$ (83,754,960)

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 restricted net position. The District's net position decreased by \$29,268,308 during the current fiscal year.

The District's total ending net position is \$35.3 million lower due to new accounting standards adopted regarding the accounting for OPEB (TRS-Care retiree health insurance program) promulgated by the Governmental Accounting Standards Board.

	Governmental Activities	
	2018	2017
Program Revenues		
Charges for services	\$ 3,692,208	\$ 3,978,403
Operating grants	(3,413,847)	11,775,696
General Revenues		
Property taxes	55,074,784	48,056,573
State Aid - Formula Grants	37,047,276	36,681,659
Grants and contributions not restricted	62,865	27,194
Interest earnings	641,356	288,218
Other	627,221	563,411
Total Revenues	93,731,863	101,371,154
Expenses		
Instruction	33,594,276	46,487,761
Instructional resources and media services	605,106	790,961
Curriculum and staff development	1,378,191	1,763,504
Instructional leadership	831,182	1,017,061
School leadership	3,605,580	5,033,062
Guidance, counseling, and evaluation services	1,997,220	2,842,416
Health services	834,670	1,118,600
Student transportation	2,216,939	2,528,601
Food service	3,129,969	3,810,246
Extracurricular activities	2,683,808	2,938,904
General administration	1,818,598	1,937,093
Facilities maintenance and operations	8,378,951	7,678,681
Security and monitoring services	707,673	634,580
Data processing services	1,486,402	1,807,991
Interest on long-term debt	14,826,411	15,344,507
Bond issuance costs and fees	489,788	18,862
Payments related to shared services arrangements	81,451	57,383
Other intergovernmental charges	575,629	536,858
Total Expenses	79,241,844	96,347,071
Extraordinary Item - Net	55,021	(60,021)
Increase (Decrease) in Net Position	14,545,040	4,964,062
Beginning Net Position	(83,754,960)	(88,719,022)
Prior period adjustment	(44,083,348)	-
Ending Net Position	\$ (113,293,268)	\$ (83,754,960)

Governmental Activities

Governmental activities increased the District's net position by \$14,545,040. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent \$88,771,078 of total revenues. The remaining \$4,960,785 is generated from charges for services, investment earnings, and miscellaneous revenues. Operating grants and contributions includes negative \$13.4 million of State of Texas on-behalf support related to the Teacher Retirement System TRS-Care OPEB plan. Because of changes to the plan during the current year, the Plan expense was negative, which reduced expenses for the current fiscal year.

	<u>Total Revenues</u>	<u>% of Total Revenues</u>
Property taxes	\$ 55,074,784	59%
State aid - formula grants	37,047,276	40%
Operating grants and contributions	(3,413,847)	-4%
Charges for services	3,692,208	4%
Other revenue	1,331,442	1%
Total Revenues	<u><u>\$ 93,731,863</u></u>	<u><u>100%</u></u>

The primary functional expenses of the District are instruction, facilities maintenance and operations, and interest on long term debt, which represent 72 percent of total expenses. The remaining individual functional categories of expenses are each less than 4 percent of total expenses.

	<u>Total Expenses</u>	<u>% of Total Expenses</u>
Instruction	\$ 33,594,276	42%
Facilities maintenance and operations	8,378,951	11%
Interest on long-term debt	14,826,411	19%
Other expenses	22,442,206	28%
Total Expenses	<u><u>\$ 79,241,844</u></u>	<u><u>100%</u></u>

Financial Analysis of the Government's Funds

As noted earlier, the District uses funds 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 \$45,978,947, an increase of \$4,652,793 in comparison with the prior fiscal year. The increase in ending governmental fund balances is primarily due to planned increases in the general fund and debt service fund fund balances.

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 \$23,831,978, while total fund balance reached \$26,732,544. 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 31 percent of total general fund expenditures, while total fund balance represents 35 percent of that same amount. The fund balance of the District's general fund increased by \$3,084,568 during the current fiscal year. The increase in fund balance was due to a planned budget surplus of \$1.0 million, an increase in tax collections due to higher than expected property values, and under-spending the amended budget by \$5.2 million. Approximately \$2.8 million of this increase in fund balance is earmarked for projects started during the current fiscal year, but not completed until the 2018-2019 fiscal year.

The *debt service fund* has a total fund balance of \$18,590,363, 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 \$2,694,467 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 2018 bond payment was \$13,188,166.

General Fund Budgetary Highlights

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

	Budget	
	Original	Final Amended
Total revenues	\$ 77,690,074	\$ 79,551,003
Total expenditures	(76,627,041)	(81,328,340)
Other sources (uses)	-	-
Net change in fund balance	\$ 1,063,033	\$ (1,777,337)

The review of the amended budget versus actual for the general fund reflected that revenues were very close to budgetary estimates and expenditures were less than budgetary estimates, primarily in instruction, facilities maintenance and operation, and facilities acquisition and construction.

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2018 includes land, buildings and improvements and furniture and equipment. The investment in capital assets as of June 30, 2018 was \$203,352,481. The following table summarizes the investment in capital assets as of June 30, 2018 and 2017.

	2018	2017
Land	\$ 4,752,319	\$ 4,752,319
Construction in progress	3,144,740	-
Building and improvements	278,097,122	278,097,122
Furniture and equipment	15,620,306	13,683,788
Total	301,614,487	296,533,229
Accumulated depreciation	(98,262,006)	(90,710,649)
Net capital assets	\$ 203,352,481	\$ 205,822,580

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

Long-term Liabilities

At the end of the current fiscal year, the District had \$330,076,028 in bonds and other long-term debt (including accreted interest on bonds) versus \$334,170,761 in the prior year, a decrease of \$4,094,733. 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	A
Moody's Investor Service	A3

Changes in long-term debt for the year ended June 30, 2018 are as follows:

	Balance 7/1/2017	Additions	Retired/ Refunded	Balance 6/30/2018	Due Within One Year
General obligation bonds	\$269,882,806	\$41,103,183	\$50,112,278	\$260,873,711	\$5,184,139
Premiums/discounts	15,771,892	7,236,529	1,488,824	21,519,597	917,857
Accreted Interest -					
Capital Appreciation Bonds	41,399,775	4,770,443	4,326,735	41,843,483	1,175,861
Capital Leases	2,660,694	-	1,051,867	1,608,827	460,585
Notes	4,455,594	-	225,184	4,230,410	265,009
	<u>\$334,170,761</u>	<u>\$53,110,155</u>	<u>\$57,204,888</u>	<u>\$330,076,028</u>	<u>\$8,003,451</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 spending bill passed during the regular session of the 85th Texas Legislature included approximately \$500 million in additional funding for the 2017-2019 biennium. The governor called a special session to address several issues that were not resolved during the regular session. During the special session, the legislature appropriated an additional \$400 million for public education.

Included in the funding increase passed during the special session was \$120 million for charter schools and public schools to pay for new facilities, \$150 million in transition grants to offset losses in state aid related to mandated tax rate reductions in 2005, \$41 million to remove an existing financial penalty for small school districts, and \$40 million for an autism and dyslexia grant program for public schools.

The following are highlights of the 2018-2019 budget:

- The District average daily student attendance is expected to be 10,297, up 6.0%. Total revenues in the General Fund are budgeted to increase 6.5%.
- The District's General Fund expenditure budget will increase approximately \$2.5 million, or 3.0%.
- Taxable property value used to prepare the 2018-2019 budget was up \$474 million, or 13.4%. Of this amount, \$242 million was for new property added to the tax roll for the first time.
- The maintenance and operations tax rate will remain \$1.04 per \$100 valuation. The debt service rate will remain \$0.50 per \$100 valuation.

The above factors were taken into consideration when adopting the budget for 2018-2019. Total general fund revenue is expected to increase \$5.2 million over the previous year. These funds will be used to give a 2.5% pay increase to most staff and to fund 59 new positions. The budget also includes \$2.7 million for capital improvement expenditures and buses to transport students to and from school.

The District's adopted budget includes a surplus of \$558,000. This operating surplus is necessary to help maintain a fund balance healthy enough to meet short-term cash flow needs.

Requests for Information

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

600 South Bois d'Arc Street
Forney, TX 75126
Telephone: (972) 564-4055

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BASIC FINANCIAL STATEMENTS

FORNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT A-1

Data Control Codes	Primary Government <hr/> Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 44,580,879
1220 Property Taxes Receivable (Delinquent)	1,378,217
1230 Allowance for Uncollectible Taxes	(415,515)
1240 Due from Other Governments	12,450,843
1410 Prepayments	270,113
Capital Assets:	
1510 Land	4,752,319
1520 Buildings, Net	188,816,787
1530 Furniture and Equipment, Net	6,638,635
1580 Construction in Progress	3,144,740
1000 Total Assets	<hr/> 261,617,018
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge on Bond Refunding	13,911,774
1703 Deferred Resource Outflows Related to TRS OPEB	349,893
1705 Deferred Resource Outflows Related to TRS Pension	7,855,113
1700 Total Deferred Outflows of Resources	<hr/> 22,116,780
LIABILITIES	
2110 Accounts Payable	2,226,514
2140 Accrued Interest Payable	3,699,808
2150 Payroll Deductions & Withholdings	158,808
2160 Accrued Wages Payable	6,584,925
2200 Accrued Expenses	164,477
2300 Unearned Revenue	242,195
Noncurrent Liabilities	
2501 Due Within One Year	8,003,451
2502 Due in More Than One Year	322,072,577
2540 Net Pension Liability (District's Share)	13,800,819
2545 Net OPEB Liability (District's Share)	25,105,204
2000 Total Liabilities	<hr/> 382,058,778
DEFERRED INFLOWS OF RESOURCES	
2603 Deferred Resource Inflows Related to TRS OPEB	10,501,554
2605 Deferred Resource Inflows Related to TRS Pension	4,466,734
2600 Total Deferred Inflows of Resources	<hr/> 14,968,288
NET POSITION	
3200 Net Investment in Capital Assets	(70,968,290)
3820 Restricted for Federal and State Programs	4,831
3850 Restricted for Debt Service	15,202,006
3900 Unrestricted	(57,531,815)
3000 Total Net Position	<hr/> <hr/> \$ (113,293,268)

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

FORNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6 Primary Gov. Governmental Activities
		3 Charges for Services	4 Operating Grants and Contributions	
	Expenses			
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 33,594,276	\$ 436,703	\$ (4,215,839)	\$ (37,373,412)
12 Instructional Resources and Media Services	605,106	45,516	(73,010)	(632,600)
13 Curriculum and Staff Development	1,378,191	16,650	(96,681)	(1,458,222)
21 Instructional Leadership	831,182	-	(125,632)	(956,814)
23 School Leadership	3,605,580	136,239	(626,539)	(4,095,880)
31 Guidance, Counseling and Evaluation Services	1,997,220	66,735	(255,650)	(2,186,135)
33 Health Services	834,670	590	(121,472)	(955,552)
34 Student (Pupil) Transportation	2,216,939	203	294,481	(1,922,255)
35 Food Services	3,129,969	2,280,760	777,201	(72,008)
36 Extracurricular Activities	2,683,808	524,857	(311,545)	(2,470,496)
41 General Administration	1,818,598	7,359	27,740	(1,783,499)
51 Facilities Maintenance and Operations	8,378,951	176,596	(175,205)	(8,377,560)
52 Security and Monitoring Services	707,673	-	(4,555)	(712,228)
53 Data Processing Services	1,486,402	-	(106,207)	(1,592,609)
72 Debt Service - Interest on Long Term Debt	14,826,411	-	1,517,615	(13,308,796)
73 Debt Service - Bond Issuance Cost and Fees	489,788	-	-	(489,788)
93 Payments related to Shared Services Arrangements	81,451	-	81,451	-
99 Other Intergovernmental Charges	575,629	-	-	(575,629)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 79,241,844	\$ 3,692,208	\$ (3,413,847)	(78,963,483)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			37,194,360
DT	Property Taxes, Levied for Debt Service			17,880,424
SF	State Aid - Formula Grants			37,047,276
GC	Grants and Contributions not Restricted			62,865
IE	Investment Earnings			641,356
MI	Miscellaneous Local and Intermediate Revenue			627,221
E1	Extraordinary Item - Resource			785,974
E2	Extraordinary Item - (Use)			(730,953)
TR	Total General Revenues & Extraordinary Items			93,508,523
CN	Change in Net Position			14,545,040
NB	Net Position - Beginning			(83,754,960)
PA	Prior Period Adjustment			(44,083,348)
NE	Net Position--Ending			\$ (113,293,268)

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

FORNEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 23,953,636	\$ 18,590,363	\$ 2,036,880	\$ 44,580,879
1220 Property Taxes - Delinquent	943,098	435,119	-	1,378,217
1230 Allowance for Uncollectible Taxes (Credit)	(291,847)	(123,668)	-	(415,515)
1240 Receivables from Other Governments	9,729,141	-	775,733	10,504,874
1260 Due from Other Funds	596,309	-	-	596,309
1410 Prepayments	96,657	-	173,456	270,113
1000 Total Assets	<u>\$ 35,026,994</u>	<u>\$ 18,901,814</u>	<u>\$ 2,986,069</u>	<u>\$ 56,914,877</u>
LIABILITIES				
2110 Accounts Payable	\$ 1,092,805	\$ -	\$ 1,133,709	\$ 2,226,514
2150 Payroll Deductions and Withholdings Payable	158,808	-	-	158,808
2160 Accrued Wages Payable	6,227,109	-	357,816	6,584,925
2170 Due to Other Funds	-	-	596,309	596,309
2200 Accrued Expenditures	164,477	-	-	164,477
2300 Unearned Revenues	-	-	242,195	242,195
2000 Total Liabilities	<u>7,643,199</u>	<u>-</u>	<u>2,330,029</u>	<u>9,973,228</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	651,251	311,451	-	962,702
2600 Total Deferred Inflows of Resources	<u>651,251</u>	<u>311,451</u>	<u>-</u>	<u>962,702</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	96,657	-	6,093	102,750
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	4,831	4,831
3480 Retirement of Long-Term Debt	-	18,590,363	-	18,590,363
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	645,116	645,116
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	2,803,909	-	-	2,803,909
3600 Unassigned Fund Balance	23,831,978	-	-	23,831,978
3000 Total Fund Balances	<u>26,732,544</u>	<u>18,590,363</u>	<u>656,040</u>	<u>45,978,947</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 35,026,994</u>	<u>\$ 18,901,814</u>	<u>\$ 2,986,069</u>	<u>\$ 56,914,877</u>

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

FORNEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 45,978,947
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	-
2 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	301,614,487
3 Accumulated depreciation is not reported in the fund financial statements.	(98,262,006)
4 Bonds payable, capital leases payable, and loans payable, are not reported in the fund financial statements.	(266,712,948)
5 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(41,843,483)
6 Bond premiums on outstanding bonds payable are not reported in the fund financial statements.	(21,519,597)
7 Revenue from property taxes reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	962,702
8 Revenue from the State Foundation Program not recognized in the fund financial statements is accrued and recognized in the government-wide financial statements.	1,945,969
9 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due.	(3,699,808)
10 The deferred charge on bond refundings is not recorded in the fund financial statements, but is shown as a deferred outflow of resources in the government-wide financial statements.	13,911,774
11 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$13,800,819, Deferred Inflows of Resources related to TRS in the amount of \$4,466,734, and Deferred Outflows of Resources related to TRS in the amount of \$7,855,113. This results in a decrease in Net Position in the amount of \$10,412,440.	(10,412,440)
12 Included in the items related to government-wide long-term debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$25,105,204, a Deferred Resource Inflow related to TRS OPEB in the amount of \$10,501,554, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$349,893. This amounted to a net decrease in Net Position in the amount of \$35,256,865.	(35,256,865)
19 Net Position of Governmental Activities	\$ (113,293,268)

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

FORNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 38,961,086	\$ 18,113,022	\$ 3,099,063	\$ 60,173,171
5800 State Program Revenues	39,820,390	1,517,615	727,739	42,065,744
5900 Federal Program Revenues	1,037,407	-	2,878,954	3,916,361
5020 Total Revenues	79,818,883	19,630,637	6,705,756	106,155,276
EXPENDITURES:				
Current:				
0011 Instruction	41,889,989	-	2,132,447	44,022,436
0012 Instructional Resources and Media Services	660,565	-	45,574	706,139
0013 Curriculum and Instructional Staff Development	1,562,863	-	151,246	1,714,109
0021 Instructional Leadership	1,075,719	-	84,802	1,160,521
0023 School Leadership	4,440,002	-	136,239	4,576,241
0031 Guidance, Counseling and Evaluation Services	2,435,802	-	279,357	2,715,159
0033 Health Services	1,036,633	-	29,387	1,066,020
0034 Student (Pupil) Transportation	2,860,855	-	6,923	2,867,778
0035 Food Services	-	-	3,455,164	3,455,164
0036 Extracurricular Activities	2,818,311	-	281,588	3,099,899
0041 General Administration	2,098,237	-	7,359	2,105,596
0051 Facilities Maintenance and Operations	8,846,163	-	-	8,846,163
0052 Security and Monitoring Services	705,313	-	-	705,313
0053 Data Processing Services	2,306,638	-	-	2,306,638
Debt Service:				
0071 Principal on Long Term Debt	1,277,051	4,963,140	-	6,240,191
0072 Interest on Long Term Debt	182,472	11,963,787	-	12,146,259
0073 Bond Issuance Cost and Fees	-	489,788	-	489,788
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,395,451	-	1,762,104	3,157,555
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	81,451	81,451
0099 Other Intergovernmental Charges	575,629	-	-	575,629
6030 Total Expenditures	76,167,693	17,416,715	8,453,641	102,038,049
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	3,651,190	2,213,922	(1,747,885)	4,117,227
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	41,103,183	-	41,103,183
7915 Transfers In	-	-	621,643	621,643
7916 Premium or Discount on Issuance of Bonds	-	7,236,529	-	7,236,529
8911 Transfers Out (Use)	(621,643)	-	-	(621,643)
8949 Payment to Refunding Escrow Fund	-	(47,859,167)	-	(47,859,167)
7080 Total Other Financing Sources (Uses)	(621,643)	480,545	621,643	480,545
EXTRAORDINARY ITEMS:				
7919 Extraordinary Item - Resource	785,974	-	-	785,974
8913 Extraordinary Item - (Use)	(730,953)	-	-	(730,953)
1200 Net Change in Fund Balances	3,084,568	2,694,467	(1,126,242)	4,652,793
0100 Fund Balance - July 1 (Beginning)	23,647,976	15,895,896	1,782,282	41,326,154
3000 Fund Balance - June 30 (Ending)	\$ 26,732,544	\$ 18,590,363	\$ 656,040	\$ 45,978,947

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

FORNEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 4,652,793
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	-
Current year capital asset additions are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The effect of reclassifying the current year capital asset additions increases government-wide net position.	5,148,039
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease government-wide net position.	(7,618,138)
Current year long-term debt principal payments on capital leases, bonds payable, and loans payable are expenditures in the fund financial statements, but are shown as reductions of long-term debt in the government-wide financial statements.	6,240,192
The current year increase in accreted interest payable on capital appreciation bonds is not recorded in the fund financial statements. The net effect of the current year's change in accreted interest payable on capital appreciation bonds is to decrease government-wide net position.	(2,943,883)
Current year amortization of the premium on bonds payable is not recorded in the fund financial statements, but is shown as a decrease in long-term debt in the government-wide financial statements.	917,857
Current year amortization of the deferred charge on bond refundings is not reflected in the fund financial statements, but is shown as a reduction of the deferred charge in the government-wide financial statements.	(770,093)
Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements.	115,966
Revenues from property taxes are deferred in the fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible amounts in the government-wide financial statements.	(74,737)
Revenue from the State Foundation Program received more than 60 days after the fiscal year-end is not recognized in the fund financial statements, but is recognized in the government-wide financial statements.	1,107,313
Current year issuances of refunding bonds are reported as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.	(41,103,183)

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

FORNEY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT C-4

The premiums on the current year issuances of refunding bonds are recorded as other financing sources in the fund financial statements, but are shown as an increase in long-term debt in the government-wide financial statements.	(7,236,529)
The current year payment to the escrow agent for refunding debt is an other financing use in the fund financial statements, but is reported as a reduction in long-term debt in the government-wide financial statements. The payment of \$47,859,167 includes the payment to refund bonds of \$48,220,279 and a deferred gain on bond refundings of \$361,112.	47,859,167
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS contributions made after the measurement date of 8/31/2017 caused the change in the ending net position to increase by \$156,021. These contributions were replaced with the District's adjustment to pension expense for the year of \$732,228, which caused a decrease in the change in net position. The net effect of all of these is to decrease the change in net position by \$576,207.	(576,207)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2017 but during the current fiscal year caused the ending net position to increase in the amount of \$107,342. These contributions were replaced with the District's OPEB expense for the year, which was \$8,719,141 benefit and also caused an increase in net position. The impact of both of these is to increase the change in net position by \$8,826,483.	8,826,483
Change in Net Position of Governmental Activities	<u><u>\$ 14,545,040</u></u>

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

FORNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 10,426	\$ 280,485
Total Assets	<u>10,426</u>	<u>\$ 280,485</u>
LIABILITIES		
Accounts Payable	-	\$ 2,346
Due to Student Groups	-	278,139
Total Liabilities	<u>-</u>	<u>\$ 280,485</u>
NET POSITION		
Restricted for Other Purposes	<u>10,426</u>	
Total Net Position	<u>\$ 10,426</u>	

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

FORNEY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 5,530
Total Additions	<u>5,530</u>
DEDUCTIONS:	
Other Operating Costs	<u>6,088</u>
Total Deductions	<u>6,088</u>
Change in Net Position	(558)
 Total Net Position - July 1 (Beginning)	 <u>10,984</u>
 Total Net Position - June 30 (Ending)	 <u><u>\$ 10,426</u></u>

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

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Board of Trustees, a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees is elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basic financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, Forney Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. The District had no business-type activities.

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

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused debt service fund balances are transferred to the General Fund after all of the related debt obligations have been met.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.
3. **Private Purpose Trust Funds** - The District accounts for donations which have the stipulation that the funds be used for a specific purpose in this fund. The District's Private Purpose Trust Funds are scholarship funds. These funds are not budgeted.
4. **Agency Funds** - These custodial funds are used to account for activities of student groups. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. If any unused resources are declared surplus by the student groups, they are transferred to the General Fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fiduciary fund financial statements (except agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 60 day availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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.

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

The revenues susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

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

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal period beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within Fund Groups at the function code level and revenue object code level.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Fund. The other special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

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

June 30, 2018	
<u>Fund Balance</u>	
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ -
Nonappropriated Budget Funds	<u>656,040</u>
All Special Revenue Funds	<u>\$656,040</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at June 30 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. The District had no material encumbrances outstanding at June 30, 2018.

F. INVENTORIES AND PREPAID ITEMS

The purchase method is used to account for inventories of paper and other supplies. Under this method, these items are charged to expenditures when purchased. 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.

G. INTERFUND ACTIVITY

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

H. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings and Improvements	15-50 Years
Vehicles	5-10 Years
Equipment	3-15 Years

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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 three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings 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 the deferred charge on bond refundings at June 30, 2018 was \$13,911,774.

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 approximately 6.7 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, 2018 was \$7,855,113.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 8.6 years.

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 three 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 in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2018 was \$962,702.

**FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 2018, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$4,466,734.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (8.6 years for the 2017 measurement year). In fiscal year 2018, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$10,501,554.

J. CASH EQUIVALENTS

Investments are considered to be cash equivalents if they are highly liquid and have a maturity of three months or less when purchased.

K. NET POSITION

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

L. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are recorded and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

M. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2018, 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.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

N. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

O. IMPLEMENTATION OF NEW STANDARD

In the current fiscal year the District implemented the following new standard:

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* ("GASB 75") establishes accounting and financial reporting standards for other post-employment benefits (OPEB) that are provided to the employees of state and local governmental employers through 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 expenses/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.

NOTE 2. FUND BALANCES

The District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. The fund balance of certain grant programs is restricted for those grant programs.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. The Board of Trustees have committed resources as of June 30, 2018 for campus activities.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance of the General Fund as of June 30, 2018 for funding of projects approved by the Board.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance of the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

The details of the fund balances are included in the Governmental Funds Balance Sheet and are described below:

General Fund

The General Fund has unassigned fund balance of \$23,831,978 at June 30, 2018. Prepaid items of \$96,657 are considered nonspendable fund balance. The District has assigned \$2,803,909 of fund balance for various projects that have been approved but not completed.

Debt Service Fund

The Debt Service Fund has restricted funds of \$18,590,362 at June 30, 2018 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

Other Funds

The fund balance of \$651,209 of the Campus Activity Fund (a special revenue fund) is partially shown as nonspendable (\$6,093) for prepaid items and the remainder of \$645,116 is shown as committed due to Board policy committing those funds to campus activities. The Special Revenue Funds include \$4,831 of fund balance restricted for Federal or State grant programs.

NOTE 3. 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.

1. Cash Deposits:

At June 30, 2018, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$3,928,094 and the bank balance was \$4,987,793. The District's cash deposits at June 30, 2018 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. During the year ended June 30, 2018, District deposits were fully collateralized throughout the year.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2018, the District's cash deposits (including certificates of deposit) totaled \$4,987,793. This entire amount was either collateralized with securities held by the District's agent or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk as of June 30, 2018.
- b. Custodial Credit Risk - Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2018, the District held investments in three public funds investment pools. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.
- c. Credit Risk: This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for all investment pools at year-end was AAAM (Standard & Poor's).
- d. Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for each investment pool is less than 90 days.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2018, the District was not exposed to foreign currency risk.
- f. Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. The District's investments in public funds investment pools are not subject to the concentration risk.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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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.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District's investments at June 30, 2018, are shown below:

	Fair Market Value	Weighted Average Maturity (Days)
Governmental Activities		
Cash and deposits	<u>\$ 3,637,184</u>	N/A
<i>Investments</i>		
Local Government Investments Pools		
LOGIC	3,225,421	28
Texas Class	36,416,122	50
TexPool	<u>1,302,152</u>	27
Total Investments	<u>40,943,695</u>	
Total Governmental Activities	<u>44,580,879</u>	
Fiduciary Funds		
Cash and Deposits	<u>290,930</u>	N/A
Total Fiduciary Funds	<u>290,930</u>	
Total	<u><u>\$ 44,871,809</u></u>	

The amount of interest earned on the District's investments for the fiscal year ended June 30, 2018, was \$641,356.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each asset or liability.

The District's investments in public funds investment pools are not required to be measured at fair value but are measured at amortized cost.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1	Additions/ Completions	Retirement/ Adjustments	Balance June 30
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 4,752,319	\$ -	\$ -	\$ 4,752,319
Construction in progress	-	3,144,740	-	3,144,740
Total capital assets not being depreciated	4,752,319	3,144,740	-	7,897,059
Capital assets, being depreciated				
Buildings and improvements	278,097,122	-	-	278,097,122
Assets under capital lease	1,374,231	699,000	(529,001)	1,544,230
Vehicles	4,649,065	569,247	462,220	5,680,532
Furniture and equipment	7,660,492	735,052	-	8,395,544
Total capital assets being depreciated	291,780,910	2,003,299	(66,781)	293,717,428
Less accumulated depreciation for:				
Buildings and improvements	(82,729,672)	(6,550,663)	-	(89,280,335)
Assets under capital lease	(1,038,531)	(225,361)	476,101	(787,791)
Vehicles	(3,870,021)	(239,986)	(409,320)	(4,519,327)
Furniture and equipment	(3,072,425)	(602,128)	-	(3,674,553)
Total accumulated depreciation	(90,710,649)	(7,618,138)	66,781	(98,262,006)
Total capital assets, being depreciated, net	201,070,261	(5,614,839)	-	195,455,422
Governmental activities capital assets, net	<u>\$ 205,822,580</u>	<u>\$ (2,470,099)</u>	<u>\$ -</u>	<u>\$ 203,352,481</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

Governmental activities:	
Instruction	\$4,336,177
Instructional Resources & Media Services	69,420
Curriculum & Staff Development	168,513
Instructional Leadership	114,090
School Leadership	449,887
Guidance, Counseling & Evaluation Services	266,925
Health Services	104,116
Student Transportation	234,676
Food Services	337,486
Cocurricular/Extracurricular Activities	301,018
General Administration	207,000
Plant Maintenance and Operations	807,737
Security & Monitoring Services	64,360
Data Processing Services	<u>156,733</u>
Total depreciation expense-Governmental activities	<u>\$7,618,138</u>

NOTE 5. LONG-TERM LIABILITIES

Long-term liabilities includes par bonds, capital appreciation (deep discount) serial bonds, capital leases payable, and loans payable. All long-term debt represents transactions in the District's governmental activities.

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

CAPITAL LEASES PAYABLE

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

<u>Capital Lease Details</u>	<u>Interest Rate</u>	<u>Date of Agreement</u>	<u>Original Property Value</u>	<u>Property Purchased</u>
American National Bank	3.750%	7/1/2012	\$ 564,399	Buses
City Bank	3.250%	4/25/2014	280,032	Buses
Key Government Finance	2.325%	4/17/2015	1,628,972	Technology
Bank of America	1.620%	3/15/2016	1,457,530	Technology
Key Government Finance	2.960%	5/30/2017	699,000	Technology
			<u>\$ 4,629,933</u>	

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Future lease payment requirements under the noncancellable capital leases are as follows:

2019	\$ 505,106
2020	505,147
2021	343,656
2022	362,128
Thereafter	<u>-</u>
Total future minimum lease payments	1,716,037
Less amount representing interest	<u>(107,910)</u>
Present value of net minimum lease payments	<u>\$1,608,127</u>

LOANS PAYABLE

The District is obligated under two loans payable as follows:

	<u>Interest Rate</u>	<u>Date of Loan</u>	<u>Final Maturity Date</u>	<u>Original Amount</u>	<u>Balance June 30, 2018</u>	<u>Purpose</u>
Skyward Software	0.000%	12/10/2015	7/1/2020	\$ 202,178	\$ 116,410	Software
Public Property Finance Contract, Series 2015	3.050%	9/9/2015	4/1/2030	4,634,000	4,114,000	Energy Management
				<u>\$4,836,178</u>	<u>\$ 4,230,410</u>	

Future loans payable debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 265,009	\$ 125,477	\$ 390,486
2020	275,811	118,615	394,426
2021	315,590	111,386	426,976
2022	299,000	102,907	401,907
2023	320,000	93,788	413,788
2024-2028	1,893,000	309,666	2,202,666
2029-2030	862,000	39,650	901,650
	<u>\$4,230,410</u>	<u>\$ 901,489</u>	<u>\$5,131,899</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

BONDS PAYABLE

The District has the following bonds payable outstanding as of June 30, 2018:

Description	Interest Rate Payable	Original Issuance Amount	Amounts Outstanding 6/30/18
Bonded Indebtedness:			
Unlimited Tax School Building and Refunding Bonds, Series 2000	6.760%	13,329,945	\$2,911,881
Unlimited Tax Refunding Bonds, Series 2006C	4.250-4.600%	2,560,000	965,000
Unlimited Tax School Building Bonds, Series 2008A	5.750-48.117%	34,654,859	194,526
Unlimited Tax School Building Bonds, Series 2009	3.000-4.375%	3,000,000	1,420,000
Unlimited Tax Refunding Bonds, Series 2009	3.100-4.450%	2,104,999	1,060,000
Unlimited Tax School Building Bonds, Series 2010	3.000-5.500%	14,999,965	14,620,369
Unlimited Tax Refunding Bonds, Series 2010	2.000-4.000%	11,550,000	8,905,000
Unlimited Tax School Building and Refunding Bonds, Series 2011	2.000-5.810%	18,809,003	16,630,432
Unlimited Tax School Building Bonds, Series 2011A	3.125-4.000%	12,220,000	12,220,000
Unlimited Tax Refunding Bonds, Series 2012	4.750-5.820%	3,924,461	3,924,461
Unlimited Tax Refunding Bonds, Series 2013	2.400-2.800%	5,420,000	5,420,000
Unlimited Tax Refunding Bonds, Series 2013A	6.130-6.280%	2,485,901	2,485,901
Unlimited Tax Refunding Bonds, Series 2013B	7.000-7.100%	624,973	624,973
Unlimited Tax Refunding Bonds, Series 2014A	7.100-8.000%	1,545,662	1,545,662
Unlimited Tax Refunding Bonds, Series 2014	6.250-7.000%	15,767,323	15,767,323
Unlimited Tax Refunding Bonds, Series 2014B	2.000-5.000%	20,405,000	19,420,000
Unlimited Tax Refunding Bonds, Series 2015	2.000-5.000%	103,095,000	98,515,000
Unlimited Tax Refunding Bonds, Series 2016	2.000-5.000%	14,485,000	13,140,000
Unlimited Tax Refunding Bonds, Series 2017	2.350-5.000%	41,403,183	41,103,183
Total Bonded Indebtedness			<u>\$260,873,711</u>

Bonds payable debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2019	\$ 5,184,139	\$ 11,103,564	\$ 16,287,703
2020	5,119,558	11,858,370	16,977,928
2021	5,361,967	12,159,968	17,521,935
2022	5,839,497	12,192,420	18,031,917
2023	6,190,840	12,369,200	18,560,040
2024-2028	42,109,897	58,722,006	100,831,903
2029-2033	68,296,236	36,616,014	104,912,250
2034-2038	80,827,034	26,163,823	106,990,857
2039-2043	21,441,653	74,620,385	96,062,038
2044-2048	11,736,747	62,753,253	74,490,000
2049-2053	8,021,397	59,853,603	67,875,000
2054-2056	744,746	12,160,254	12,905,000
	<u>\$260,873,711</u>	<u>\$390,572,860</u>	<u>\$651,446,571</u>

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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:

Series	Par Amount	Accreted Interest at Issue	Accreted Interest Since Issue	Total Accreted Value	Maturity Amount	Maturity Dates
2000	\$ 2,911,881	\$ 196,307	\$ 6,830,182	\$ 9,938,370	\$ 13,030,000	2019-2026
2008A	194,526	3,105,850	2,747,510	6,047,886	8,395,000	2019-2028
2010	2,475,368	959,927	1,252,987	4,688,282	5,540,000	2019-2027
2011	13,875,432	29,131	5,755,046	19,659,609	34,880,000	2019-2042
2012	3,924,461	3,843,075	2,759,848	10,527,384	28,500,000	2033-2040
2013A	2,485,901	1,744,939	1,461,903	5,692,743	23,235,000	2039-2044
2013B	624,973	87,142	295,335	1,007,450	4,960,000	2039-2044
2014	15,767,323	2,545,518	7,237,398	25,550,239	160,305,000	2040-2054
2014A	1,545,662	259,073	680,597	2,485,332	19,615,000	2040-2054
2017	1,853,183	-	51,715	1,904,898	2,540,000	2026-2031
Total	<u>\$45,658,710</u>	<u>\$ 12,770,962</u>	<u>\$ 29,072,521</u>	<u>\$ 87,502,193</u>	<u>\$301,000,000</u>	

Changes in the long-term liabilities of the District for the year ended June 30, 2018 were as follows:

Description	Balance 7/1/2017	Additions	Retired/ Refunded	Balance 6/30/2018	Due Within One Year
Bonded Indebtedness:					
General obligation bonds	\$269,882,806	\$41,103,183	\$50,112,278	\$260,873,711	\$5,184,139
Premiums/discounts	15,771,892	7,236,529	1,488,824	21,519,597	917,857
Accreted Interest -					
Capital Appreciation Bonds	41,399,775	4,770,443	4,326,735	41,843,483	1,175,861
Capital Leases	2,660,694	-	1,051,867	1,608,827	460,585
Notes	4,455,594	-	225,184	4,230,410	265,009
	<u>\$334,170,761</u>	<u>\$53,110,155</u>	<u>\$57,204,888</u>	<u>\$330,076,028</u>	<u>\$8,003,451</u>

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute, at the time taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The District is in compliance with this requirement.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2018.

**FORNEY INDEPENDENT SCHOOL DISTRICT
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ADVANCE REFUNDING OF DEBT

On July 5, 2017, the District issued \$41,103,183 (par value) of Unlimited Tax Refunding Bonds, Series 2017 with interest rates ranging from 2.35 percent to 5.0 percent and final maturity in fiscal year 2039. 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 \$48,752,966. The issuance was used to refund either portions of or 100 percent of bond series 2007, 2007A, and 2008. The reacquisition price was less than the net carrying amount of the old debt by \$361,112. This amount is being amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. In addition, the refunding resulted in an economic gain of \$7,659,925 (the present value of debt service savings).

Bonds refunded with Series 2017 are considered to be defeased and the liability has been removed from the government-wide financial statements. The defeased bonds were repaid on August 15, 2017, the call date of the bonds.

DEFEASED DEBT

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 liability for the defeased debt are not included in the District's financial statements. At June 30, 2018 \$34,135,000 of refunded debt outstanding was considered defeased.

NOTE 6. DEFERRED CHARGES ON BOND REFUNDINGS

The District's deferred charges on bond refundings are as follows:

Balance – June 30, 2017	\$15,042,979
Current year loss/(gain) on bond refunding	(361,112)
Current period amortization	<u>(770,093)</u>
Balance – June 30, 2018	<u>\$13,911,774</u>

NOTE 7. 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, 2018. The imputed interest on the leases is not readily determinable.

NOTE 8. PROPERTY TAXES

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 on the assessed (appraised) value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2017-18 fiscal period was based was \$3,549,936,957. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15 % delinquent collection fees for attorney costs.

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The tax rates assessed for the period ended June 30, 2018, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$0.50 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

Current tax collections for the period ended June 30, 2018 were 99.2 % of the June 30, 2018 adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of June 30, 2018, property taxes and penalty and interest receivable, net of estimated uncollectible taxes, totaled \$651,251 and \$311,451 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected.

NOTE 9. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2018 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2018.

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General Fund:		
Non-Major Special Revenue Fund	\$596,309	\$ -
Total Major Governmental Funds	<u>596,309</u>	<u>-</u>
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	-	596,309
Total Nonmajor Governmental Funds	<u>-</u>	<u>596,309</u>
 Total	 <u>\$596,309</u>	 <u>\$ 596,309</u>

During the year ended June 30, 2018, the District transferred \$621,643 from the General Fund to the Capital Projects Fund to pay for authorized bond projects. This amount will be reimbursed to the General Fund in the 18-19 fiscal year with bond proceeds.

NOTE 10. DEFINED BENEFIT PENSION PLAN

Plan Description. Forney Independent School 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.

FORNEY INDEPENDENT SCHOOL DISTRICT
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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.texas.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 above.

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

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

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Forney ISD FY2018 Employer Contributions	\$ 1,557,673	
Forney ISD FY2018 Member Contributions	\$ 4,034,458	
Forney ISD 2018 NECE On-Behalf Contributions	\$ 2,622,034	

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 the 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, 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 the fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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

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

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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

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

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

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Forney ISD's proportionate share of the net pension liability:	\$23,265,444	\$13,800,819	\$5,919,970

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2018, Forney Independent School District reported a liability of \$13,800,819 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Forney Independent School District. The amount recognized by Forney Independent School 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 Forney Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$13,800,819
State's proportionate share that is associated with the District	<u>25,002,570</u>
Total	<u>\$38,803,389</u>

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .043161802%, an increase of .004427747% from its proportionate share of .038734055% at August 31, 2016.

**FORNEY INDEPENDENT SCHOOL DISTRICT
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Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

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

For the year ended June 30, 2018, Forney Independent School District recognized pension expense of \$2,557,401 and revenue of \$2,557,401 for support provided by the State.

At June 30, 2018, Forney Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 201,912	\$ 744,260
Changes in actuarial assumptions	628,649	359,887
Difference between projected and actual investment earnings	2,122,406	3,128,179
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,584,151	234,408
Contributions paid to TRS subsequent to the measurement date	1,317,995	-
Total	\$7,855,113	\$4,466,734

\$1,317,995 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Pension Expense Amount
2019	\$ 309,929
2020	1,190,871
2021	242,241
2022	(23,415)
2023	192,175
Thereafter	158,583

NOTE 11. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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.

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Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability</u>	<u>Total</u>
Total OPEB Liability	\$43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates			
Effective Sept. 1, 2016 - Dec. 31, 2017			
	<u>TRS-Care 1</u>	<u>TRS-Care 2</u>	<u>TRS-Care 3</u>
	<u>Basic Plan</u>	<u>Optional Plan</u>	<u>Optional Plan</u>
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
Forney ISD FY18 Employer Contributions		\$398,401
Forney ISD FY18 Member Contributions		\$340,573
Forney ISD 2018 NECE On-behalf Contributions		\$615,028

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether or not they participate in the TRS Care OPEB program. When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Assumptions. The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions. The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

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Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on specific plan experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. *The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District’s proportionate share of the Net OPEB Liability:	\$29,630,371	\$25,105,204	\$21,467,993

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the OPEB liability would be if it were calculated using a trend rate that is one-percentage lower or one-percentage point higher than the assumed healthcare cost trend rate:

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$20,902,594	\$25,105,204	\$30,619,564

OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2018, the District reported a liability of \$25,105,204 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District.

The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$25,105,204
State's proportionate share that is associated with the District	<u>\$39,899,269</u>
Total	<u>\$65,004,473</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.057731363% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact included assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended June 30, 2018, the District recognized OPEB expense of (\$13,351,356) and revenue of (\$13,351,356) for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 524,090
Changes in actuarial assumptions	-	9,977,464
Difference between projected and actual investment earnings	3,814	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	115	-
Contributions paid to TRS subsequent to the measurement date	345,964	-
Total	\$ 349,893	\$10,501,554

The net amounts of the employer's balance of deferred outflows and inflows of resources (not including the deferred contribution paid subsequent to the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	OPEB Expense Amount
2019	\$ (1,385,173)
2020	(1,385,173)
2021	(1,385,173)
2022	(1,385,173)
2023	(1,386,127)
Thereafter	(3,570,806)

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 12. RETIREE HEALTH PLAN

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017 and 2016. For fiscal year 2018, contribution rates were 1.25 for the State of Texas, 0.65% for active employees and 0.75% for school districts. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2018, 2017 and 2016, the State's contributions to TRS-Care were \$706,821, \$473,438, and \$438,515, respectively, the active member contributions were \$340,573, \$317,440, and \$296,021, respectively, and the school district's contributions were \$398,401, \$283,536, and \$267,425, respectively, which equaled the required contributions each year.

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 D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended June 30, 2018, the contribution made on behalf of the District was \$198,319.

NOTE 13. HEALTH CARE

During the period ended June 30, 2018, employees of Forney Independent School District were covered by a health insurance plan (the Plan). The District contributed \$225 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay any additional contribution and contributions for dependents. All contributions were paid to a fully insured plan.

NOTE 14. WORKERS COMPENSATION

The District participates in the Texas Public Schools Workers Compensation Project Self-Insurance Joint Fund ("the fund"). The District was partially self-funded to a loss fund maximum of \$394,566 for the 17-18 fiscal period. Additionally, the District incurred fixed costs of \$121,576 for their share of claims administration, loss control, record keeping, and cost of excess insurance.

Creative Risk Funding provides claims administration. Reinsurance is provided for individual claim losses exceeding \$100,000 for the District and \$350,000 for the Fund and aggregate losses exceeding \$8,988,577 for the Fund. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

**FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

The accrued liability for workers compensation self-insurance of \$164,477 includes incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

Changes in workers compensation claims liability amounts in fiscal periods 2018 and 2017 are represented below:

Fiscal Year	Beginning of period Claims Liability	Claims and Changes in Estimates	Claims Payments	End of Period Claims Liability
2018	\$175,992	\$203,039	\$214,554	\$164,477
2017	196,830	226,123	246,961	175,992

NOTE 15. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation, Per Capita, Existing Debt Allotment, and Instruction Facilities Allotment Programs. Amounts due from federal and state governments in the governmental funds as of June 30, 2018, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Government	Local Governments	Total
General	\$9,700,296	\$ -	\$28,845	\$ 9,729,141
Special Revenue	-	775,733	-	775,733
Debt Service	-	-	-	-
Total	<u>\$9,700,296</u>	<u>\$775,733</u>	<u>\$28,845</u>	<u>\$10,504,874</u>

NOTE 16. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 17. ARBITRAGE

In accordance with the provisions of Section 148(f) of the Internal Service 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, 2018.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 18. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources in the fund-basis financial statements consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 36,595,956	\$ -	\$ 17,845,098	\$ -	\$ 54,441,054
Food Sales	-	2,280,126	-	-	2,280,126
Investment Income	415,108	2,384	209,490	14,374	641,356
Penalties, interest and other tax related income	121,823	-	58,434	-	180,257
Co-curricular student activities	243,424	801,545	-	-	1,044,969
Other	1,584,775	634	-	-	1,585,409
Total	<u>\$ 38,961,086</u>	<u>\$ 3,084,689</u>	<u>\$ 18,113,022</u>	<u>\$ 14,374</u>	<u>\$ 60,173,171</u>

NOTE 19. GENERAL FUND FEDERAL SOURCE REVENUES

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

Program or Source	CFDA #	Amount
Indirect Costs:		
School Breakfast Program	10.553	\$ 46,094
National School Lunch Program	10.555	198,557
E-Rate	N/A	70,825
SHARS	N/A	653,094
JROTC	N/A	68,837
		<u>\$1,037,407</u>

NOTE 20. UNEARNED REVENUE

Unearned revenue at June 30, 2018 consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Student Account Balances	\$ -	\$ 72,477	\$ -	\$ 72,477
Grant Funds	-	169,718	-	169,718
	<u>\$ -</u>	<u>\$242,195</u>	<u>\$ -</u>	<u>\$242,195</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 21. SHARED SERVICE ARRANGEMENTS/JOINT VENTURES

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, Mesquite ISD, 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 22. EXTRAORDINARY ITEM

The District incurred a significant casualty loss due to a water leak at one of its high schools. The District has recorded the following receipts (from insurance coverage) and the following expenses (uses) for repairs of the damage.

Extraordinary item – resource	\$785,974
Extraordinary item – use	<u>(730,953)</u>
Net gain from extraordinary item	<u>\$ (55,021)</u>

NOTE 23. CONSTRUCTION COMMITMENTS

As of June 30, 2018, the District had entered into contracts for various construction and renovation projects. At June 30, 2018, there was \$19,167,361 remaining costs under these contracts. These projects are to be paid from bond proceeds from a bond issue in July 2018 (See Note 24) as well as General Fund resources.

NOTE 24. SUBSEQUENT EVENT

On July 10, 2018, the District issued \$35.8 million (par value) of Unlimited Tax School Building & Refunding Bonds (Series 2018) to refund \$24.1 million (par value) of existing bonds and provide \$15.9 million of bond proceeds for authorized projects. The refunding will lower the District’s total future debt service payments by \$2.8 million. The new issue will increase the District’s required debt service payments (principal and interest) for the year ended June 30, 2019 by \$506,891.

NOTE 25. PRIOR PERIOD ADJUSTMENT

In fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions (OPEB)*. As such, a prior period adjustment was necessary to record the beginning OPEB liability of the District. The following illustrates the effect of the prior period adjustment:

Beginning Net Position – As Originally Presented	\$(83,754,960)
Restatement due to:	
Net OPEB liability (measurement date as of August 31, 2016)	(44,321,970)
Deferred Outflows:	
District contributions made to TRS after August 31, 2016	<u>238,622</u>
Beginning Net Position – As Restated	<u>\$(127,838,308)</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 37,738,061	\$ 38,773,591	\$ 38,961,086	\$ 187,495
5800 State Program Revenues	39,009,656	39,835,055	39,820,390	(14,665)
5900 Federal Program Revenues	942,357	942,357	1,037,407	95,050
5020 Total Revenues	77,690,074	79,551,003	79,818,883	267,880
EXPENDITURES:				
Current:				
0011 Instruction	42,689,002	42,803,992	41,889,989	914,003
0012 Instructional Resources and Media Services	684,879	689,555	660,565	28,990
0013 Curriculum and Instructional Staff Development	1,604,475	1,622,568	1,562,863	59,705
0021 Instructional Leadership	1,087,337	1,086,977	1,075,719	11,258
0023 School Leadership	4,528,136	4,533,136	4,440,002	93,134
0031 Guidance, Counseling and Evaluation Services	2,475,229	2,505,278	2,435,802	69,476
0033 Health Services	1,042,868	1,048,372	1,036,633	11,739
0034 Student (Pupil) Transportation	2,946,609	2,960,309	2,860,855	99,454
0036 Extracurricular Activities	2,789,989	2,990,806	2,818,311	172,495
0041 General Administration	2,248,411	2,328,411	2,098,237	230,174
0051 Facilities Maintenance and Operations	9,103,441	9,779,122	8,846,163	932,959
0052 Security and Monitoring Services	652,614	714,749	705,313	9,436
0053 Data Processing Services	1,632,739	2,386,204	2,306,638	79,566
Debt Service:				
0071 Principal on Long Term Debt	1,277,990	1,277,990	1,277,051	939
0072 Interest on Long Term Debt	182,472	182,472	182,472	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,100,000	3,837,549	1,395,451	2,442,098
Intergovernmental:				
0099 Other Intergovernmental Charges	580,850	580,850	575,629	5,221
6030 Total Expenditures	76,627,041	81,328,340	76,167,693	5,160,647
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	1,063,033	(1,777,337)	3,651,190	5,428,527
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(621,643)	(621,643)
EXTRAORDINARY ITEMS:				
7919 Extraordinary Item - Resource	-	735,000	785,974	50,974
8913 Extraordinary Item - (Use)	-	(735,000)	(730,953)	4,047
1200 Net Change in Fund Balances	1,063,033	(1,777,337)	3,084,568	4,861,905
0100 Fund Balance - July 1 (Beginning)	23,647,976	23,647,976	23,647,976	-
3000 Fund Balance - June 30 (Ending)	\$ 24,711,009	\$ 21,870,639	\$ 26,732,544	\$ 4,861,905

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

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 during the fiscal year ended June 30, 2018. During the year ended June 30, 2018, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>
Amendments Approved	\$4,701,299

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 (principals 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, 2017. 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.

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.043161802%	0.038734055%	0.0416884%	0.0266553%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 13,800,819	\$ 14,637,024	\$ 14,736,295	\$ 7,120,000
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	25,002,570	29,594,886	28,115,166	23,658,884
Total	<u>\$ 38,803,389</u>	<u>\$ 44,231,910</u>	<u>\$ 42,851,461</u>	<u>\$ 30,778,884</u>
District's Covered Payroll	\$ 49,484,106	\$ 45,915,687	\$ 44,674,140	\$ 42,055,864
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	27.89%	31.88%	32.99%	16.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016
Contractually Required Contribution	\$ 1,557,673	\$ 1,364,826	\$ 1,219,018
Contribution in Relation to the Contractually Required Contribution	1,557,673	1,364,826	1,219,018
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 52,395,548	\$ 48,837,086	\$ 45,546,050
Contributions as a Percentage of Covered Payroll	2.97%	2.79%	2.68%

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

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

	2015		2014		2013		2012		2011
\$	1,144,400	\$	674,285	\$	584,040	\$	587,962	\$	722,254
	1,144,400		674,285		584,040		587,962		722,254
\$	-0-	\$	-0-	\$	-0-	\$	-0-	\$	-0-
\$	44,390,038	\$	41,568,387	\$	40,340,180	\$	43,093,741	\$	44,880,225
	2.58%		1.62%		1.45%		1.36%		1.61%

FORNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.057731363%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 25,105,204
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) associated with the District	39,899,269
Total	<u>\$ 65,004,473</u>
District's Covered Payroll	\$ 49,484,106
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	50.73%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS FOR OTHER POST EMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>
Contractually Required Contribution	\$ 398,401
Contribution in Relation to the Contractually Required Contribution	398,401
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered Payroll	\$ 52,395,548
Contributions as a Percentage of Covered Payroll	0.76%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year..

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

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FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION AND OPEB INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

PENSION LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

OPEB LIABILITY:

Changes of benefit terms:

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

Changes of assumptions:

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact included assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

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COMBINING SCHEDULES

FORNEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		205	211	224	225
		Head Start	ESEA I, A Improving Basic Program	IDEA - Part B Formula	IDEA - Part B Preschool
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	32,864	210,042	461,052	5,147
1410	Prepayments	-	-	860	-
1000	Total Assets	<u>\$ 32,864</u>	<u>\$ 210,042</u>	<u>\$ 461,912</u>	<u>\$ 5,147</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ 442	\$ -	\$ -
2160	Accrued Wages Payable	9,674	54,121	110,740	1,016
2170	Due to Other Funds	23,190	155,479	351,172	4,131
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>32,864</u>	<u>210,042</u>	<u>461,912</u>	<u>5,147</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 32,864</u>	<u>\$ 210,042</u>	<u>\$ 461,912</u>	<u>\$ 5,147</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund
\$ 260,116	\$ -	\$ -	\$ -	\$ -	\$ 27	\$ -	\$ 3,188
-	21,501	38,422	6,347	358	-	-	-
-	-	-	-	-	-	-	166,503
<u>\$ 260,116</u>	<u>\$ 21,501</u>	<u>\$ 38,422</u>	<u>\$ 6,347</u>	<u>\$ 358</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 169,691</u>
\$ 9,549	\$ -	\$ -	\$ 116	\$ -	\$ -	\$ -	\$ -
178,090	-	4,175	-	-	-	-	-
-	21,501	34,247	6,231	358	-	-	-
72,477	-	-	-	-	27	-	169,691
<u>260,116</u>	<u>21,501</u>	<u>38,422</u>	<u>6,347</u>	<u>358</u>	<u>27</u>	<u>-</u>	<u>169,691</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 260,116</u>	<u>\$ 21,501</u>	<u>\$ 38,422</u>	<u>\$ 6,347</u>	<u>\$ 358</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ 169,691</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

Data Control Codes		414 Accelerated Science Program	429 Texas Educators Excellence	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 1,213	\$ 3,618	\$ 648,089	\$ 916,251
1240	Receivables from Other Governments	-	-	-	775,733
1410	Prepayments	-	-	6,093	173,456
1000	Total Assets	<u>\$ 1,213</u>	<u>\$ 3,618</u>	<u>\$ 654,182</u>	<u>\$ 1,865,440</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 2,973	\$ 13,080
2160	Accrued Wages Payable	-	-	-	357,816
2170	Due to Other Funds	-	-	-	596,309
2300	Unearned Revenues	-	-	-	242,195
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>2,973</u>	<u>1,209,400</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	6,093	6,093
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	1,213	3,618	-	4,831
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	645,116	645,116
3000	Total Fund Balances	<u>1,213</u>	<u>3,618</u>	<u>651,209</u>	<u>656,040</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,213</u>	<u>\$ 3,618</u>	<u>\$ 654,182</u>	<u>\$ 1,865,440</u>

699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 1,120,629	\$ 2,036,880
-	775,733
-	173,456
<u>\$ 1,120,629</u>	<u>\$ 2,986,069</u>
 \$ 1,120,629	 \$ 1,133,709
-	357,816
-	596,309
-	242,195
<u>1,120,629</u>	<u>2,330,029</u>
 -	 6,093
-	4,831
-	645,116
-	656,040
<u>\$ 1,120,629</u>	<u>\$ 2,986,069</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	205 Head Start	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	74,408	444,487	1,075,636	10,404
5020 Total Revenues	74,408	444,487	1,075,636	10,404
EXPENDITURES:				
Current:				
0011 Instruction	72,858	330,491	744,301	10,404
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	100	26,905	5,484	-
0021 Instructional Leadership	-	81,821	2,981	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	212,622	-
0033 Health Services	-	-	28,797	-
0034 Student (Pupil) Transportation	1,450	5,270	-	-
0035 Food Services	-	-	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	81,451	-
6030 Total Expenditures	74,408	444,487	1,075,636	10,404
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	397 Advanced Placement Incentives	410 State Textbook Fund
\$ 2,283,144	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
98,671	-	-	-	-	1,735	5,130	608,128
1,073,349	47,532	96,687	40,504	15,947	-	-	-
3,455,164	47,532	96,687	40,504	15,947	1,735	5,130	608,128
-	47,532	3,809	38,337	15,065	1,525	-	608,128
-	-	-	-	-	-	-	-
-	-	92,878	2,167	882	210	5,130	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,455,164	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,455,164	47,532	96,687	40,504	15,947	1,735	5,130	608,128
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

FORNEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	414 Accelerated Science Program	429 Texas Educators Excellence	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 801,545	\$ 3,084,689
5800 State Program Revenues	-	14,075	-	727,739
5900 Federal Program Revenues	-	-	-	2,878,954
5020 Total Revenues	-	14,075	801,545	6,691,382
EXPENDITURES:				
Current:				
0011 Instruction	-	13,177	246,820	2,132,447
0012 Instructional Resources and Media Services	-	58	45,516	45,574
0013 Curriculum and Instructional Staff Development	-	840	16,650	151,246
0021 Instructional Leadership	-	-	-	84,802
0023 School Leadership	-	-	136,239	136,239
0031 Guidance, Counseling and Evaluation Services	-	-	66,735	279,357
0033 Health Services	-	-	590	29,387
0034 Student (Pupil) Transportation	-	-	203	6,923
0035 Food Services	-	-	-	3,455,164
0036 Extracurricular Activities	-	-	281,588	281,588
0041 General Administration	-	-	7,359	7,359
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	81,451
6030 Total Expenditures	-	14,075	801,700	6,691,537
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(155)	(155)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
1200 Net Change in Fund Balance	-	-	(155)	(155)
0100 Fund Balance - July 1 (Beginning)	1,213	3,618	651,364	656,195
3000 Fund Balance - June 30 (Ending)	\$ 1,213	\$ 3,618	\$ 651,209	\$ 656,040

699		Total	
Capital		Nonmajor	
Projects		Governmental	
Fund		Funds	
\$	14,374	\$	3,099,063
	-		727,739
	-		2,878,954
	14,374		6,705,756
	-		2,132,447
	-		45,574
	-		151,246
	-		84,802
	-		136,239
	-		279,357
	-		29,387
	-		6,923
	-		3,455,164
	-		281,588
	-		7,359
	1,762,104		1,762,104
	-		81,451
	1,762,104		8,453,641
	(1,747,730)		(1,747,885)
	621,643		621,643
	(1,126,087)		(1,126,242)
	1,126,087		1,782,282
\$	-	\$	656,040

FORNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2018

	806	816 Private Purpose Trust Fund	Total Private Purpose Trust Funds
<hr/>			
ASSETS			
Cash and Cash Equivalents	\$ 8,159	\$ 2,267	\$ 10,426
Total Assets	<u>8,159</u>	<u>2,267</u>	<u>10,426</u>
NET POSITION			
Restricted for Other Purposes	<u>8,159</u>	<u>2,267</u>	<u>10,426</u>
Total Net Position	<u>\$ 8,159</u>	<u>\$ 2,267</u>	<u>\$ 10,426</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	806	816 Private Purpose Trust Fund	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	\$ 5,530	\$ -	\$ 5,530
Total Additions	<u>5,530</u>	<u>-</u>	<u>5,530</u>
DEDUCTIONS:			
Other Operating Costs	<u>6,088</u>	<u>-</u>	<u>6,088</u>
Total Deductions	<u>6,088</u>	<u>-</u>	<u>6,088</u>
Change in Net Position	(558)	-	(558)
Total Net Position - July 1 (Beginning)	<u>8,717</u>	<u>2,267</u>	<u>10,984</u>
Total Net Position - June 30 (Ending)	<u>\$ 8,159</u>	<u>\$ 2,267</u>	<u>\$ 10,426</u>

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REQUIRED T.E.A. SCHEDULES

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2018

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.460000	2,333,464,800
2011	1.040000	0.460000	2,263,120,733
2012	1.040000	0.460000	2,274,351,650
2013	1.040000	0.500000	2,307,567,564
2014	1.040000	0.500000	2,351,857,078
2015	1.040000	0.500000	2,524,807,922
2016	1.040000	0.500000	2,619,751,558
2017	1.040000	0.500000	3,067,166,142
2018 (School year under audit)	1.040000	0.500000	3,549,936,957
1000 TOTALS			

Penalty and interest receivable on taxes

Total taxes receivable per Exhibit C-1

EXHIBIT J-1

(10) Beginning Balance 7/1/2017		(20) Current Year's Total Levy		(31) Maintenance Collections		(32) Debt Service Collections		(40) Entire Year's Adjustments		(50) Ending Balance 6/30/2018	
\$	71,706	\$	-	\$	937	\$	371	\$	(418)	\$	69,980
	38,269		-		654		289		(1,224)		36,102
	35,300		-		563		249		(1,102)		33,386
	65,187		-		24,507		10,839		(909)		28,932
	74,623		-		85,354		41,036		76,544		24,777
	72,718		-		101,094		48,603		130,948		53,969
	89,256		-		98,827		47,513		125,430		68,346
	142,563		-		109,541		52,664		106,083		86,441
	421,693		-		160,830		77,322		(46,244)		137,297
			54,669,029		36,537,718		17,566,212		(142,829)		422,270
\$	1,011,315	\$	54,669,029	\$	37,120,025	\$	17,845,098	\$	246,279		961,500
											416,717
										\$	1,378,217

FORNEY INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,592,000	\$ 2,592,000	\$ 2,283,144	\$ (308,856)
5800	State Program Revenues	99,482	99,482	98,671	(811)
5900	Federal Program Revenues	1,247,243	1,247,243	1,073,349	(173,894)
5020	Total Revenues	3,938,725	3,938,725	3,455,164	(483,561)
EXPENDITURES:					
0035	Food Services	3,938,725	3,938,725	3,455,164	483,561
6030	Total Expenditures	3,938,725	3,938,725	3,455,164	483,561
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balance - July 1 (Beginning)	-	-	-	-
3000	Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 17,786,400	\$ 17,786,400	\$ 18,113,022	\$ 326,622
5800	State Program Revenues	1,391,332	1,391,332	1,517,615	126,283
5020	Total Revenues	19,177,732	19,177,732	19,630,637	452,905
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	4,963,851	4,963,141	4,963,140	1
0072	Interest on Long Term Debt	12,091,342	11,963,787	11,963,787	-
0073	Bond Issuance Cost and Fees	35,000	515,546	489,788	25,758
6030	Total Expenditures	17,090,193	17,442,474	17,416,715	25,759
1100	Excess of Revenues Over Expenditures	2,087,539	1,735,258	2,213,922	478,664
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	41,103,184	41,103,183	(1)
7916	Premium or Discount on Issuance of Bonds	-	7,236,530	7,236,529	(1)
8949	Payment to Refunding Escrow Fund	-	(47,859,168)	(47,859,167)	1
7080	Total Other Financing Sources (Uses)	-	480,546	480,545	(1)
1200	Net Change in Fund Balances	2,087,539	2,215,804	2,694,467	478,663
0100	Fund Balance - July 1 (Beginning)	15,895,896	15,895,896	15,895,896	-
3000	Fund Balance - June 30 (Ending)	\$ 17,983,435	\$ 18,111,700	\$ 18,590,363	\$ 478,663

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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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Forney Independent School District's basic financial statements, and have issued our report dated September 24, 2018.

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 District'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Hankins, Eastup, Deaton, Tonn & Seay

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

September 24, 2018

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

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 compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Forney Independent School District's major federal programs for the year ended June 30, 2018. Forney Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of finding 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 Forney Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Forney Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Forney Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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


Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

September 24, 2018

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

I. Summary of Auditor's Results

1. Type of auditor's report issued on the financial statements: Unmodified.
2. Internal control over financial reporting:
Material weakness(es) identified: No
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
3. Noncompliance which is material to the financial statements: None
4. Internal controls over major federal programs:
Material weakness(es) identified: None
Significant deficiency(ies) identified that are not considered to be material weaknesses: None reported
5. Type of auditor's report on compliance for major federal programs: Unmodified.
6. Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)?: No
7. Major programs include:
Child Nutrition Cluster:
CFDA 10.553 School Breakfast Program
CFDA 10.555 National School Lunch Program
8. Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.
9. Low risk auditee: Yes

II. Findings Related to the Financial Statements

None.

III. Findings and Questioned Costs Related to Federal Awards

None

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

No prior findings.

FORNEY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2018

CORRECTIVE ACTION PLAN

None required.

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Region 10 Education Service Center</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17610101057950	\$ 9,095
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18610101057950	435,392
Total CFDA Number 84.010A			444,487
Career and Technical - Basic Grant	84.048	18420006057950	47,532
Title III, Part A - English Language Acquisition	84.365A	17671001057950	17,591
Title III, Part A - English Language Acquisition	84.365A	18671001057950	22,913
Total CFDA Number 84.365A			40,504
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	17694501057950	7,523
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18694501057950	89,164
Total CFDA Number 84.367A			96,687
ESEA, Title IV, Part A - Discretionary Funds	84.424A	18680101057950	14,760
Total Passed Through Region 10 Education Service Center			643,970
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	176600011299026000	16,773
*IDEA - Part B, Formula	84.027	186600011299026000	1,058,863
Total CFDA Number 84.027			1,075,636
*IDEA - Part B, Preschool	84.173	176610011299026610	656
*IDEA - Part B, Preschool	84.173	186610011299026610	9,748
Total CFDA Number 84.173			10,404
Total Special Education Cluster (IDEA)			1,086,040
Summer School LEP	84.369A	695517	1,187
Total Passed Through State Department of Education			1,087,227
TOTAL U.S. DEPARTMENT OF EDUCATION			1,731,197
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Region 10 Education Service Center</u>			
Head Start	93.600	06CH7092	6,530
Head Start	93.600	06CH7092	67,878
Total CFDA Number 93.600			74,408
Total Passed Through Region 10 Education Service Center			74,408
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			74,408
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401801	211,923
*National School Lunch Program - Cash Assistance	10.555	71301801	912,891
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301801	193,186
Total CFDA Number 10.555			1,106,077
Total Child Nutrition Cluster			1,318,000
Total Passed Through the State Department of Agriculture			1,318,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,318,000
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,123,605

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

1. The District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types and Agency 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 fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant 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 deferred revenues until earned.

3. The District participates in numerous state and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the District, there are not significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions has been recorded in the accompanying combined financial statements for such contingencies.
4. The District also received \$653,094 of School Health and Related Services (SHARS) payments, \$70,825 of E-rate reimbursements, and \$68,837 of JROTC payments. These payments are not considered Federal awards for purposes of the Schedule of Expenditures of Federal Awards and were recorded as Federal revenues in the General Fund.