

FORNEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED JUNE 30, 2016

FORNEY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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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, 2016, at a meeting of the Board of Trustees of such school district on the 3rd day of October, 2016.

Cheryl Mason
Signature of Board Secretary

[Signature]
Signature of Board President

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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 5 through 13, the *budgetary comparison information* on pages 54 and 55, and the *pension schedules* on pages 56 and 57 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, the 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 23, 2016 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 23, 2016

**FORNEY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016
(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, 2016.

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 (\$88,719,022) (*deficit net position*).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$29,734,544 an increase of \$11,029,945 in comparison with the prior year. The increase in governmental fund balances was due to an increase in the general fund balance of \$6,439,930 and an increase in the Debt Service Fund of \$4,742,764.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$15,850,870 or 23.3 percent of total general fund expenditures.
- The District's total bonded debt (par value) decreased, net, by \$3,570,576 during the current fiscal year.
- Under the accounting standards of GASB 68, *Accounting and Financial Reporting for Pensions*, the District's net pension liability, which represents the District's portion of the Teacher's Retirement System ("TRS") net pension liability increased \$7,616,295.

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 16 through 17 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities 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 nineteen 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 18 through 21 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 23 through 24 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 25 through 51 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. The required supplementary information can be found on pages 54 through 58.

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 60 through 69 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 (\$88,719,022) 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 (\$69,580,767). 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	
	2016	2015
Current and other assets	\$ 37,343,572	\$ 31,787,448
Capital and non-current assets	212,655,500	215,070,006
Total Assets	249,999,072	246,857,454
Deferred charge on bond refundings	15,795,876	16,684,983
Deferred outflows - pension	8,569,553	1,609,594
Total Deferred Outflows of Resources	24,365,429	18,294,577
Current liabilities	10,540,321	14,874,075
Long-term liabilities	349,813,214	335,764,129
Total Liabilities	360,353,535	350,638,204
Deferred inflows - pension	2,729,988	2,178,029
Total Deferred Inflows of Resources	2,729,988	2,178,029
Net Position:		
Net investments in capital assets	\$ (69,580,767)	\$ (63,864,373)
Restricted	8,381,140	4,738,959
Unrestricted	(27,519,395)	(28,538,788)
Total Net Position	\$ (88,719,022)	\$ (87,664,202)

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 \$902,501 during the current fiscal year.

	Governmental Activities	
	2016	2015
Program Revenues		
Charges for services	\$ 3,629,320	\$ 3,404,375
Operating grants	13,052,496	7,267,765
General Revenues		
Property taxes	40,663,508	38,986,426
State Aid - Formula Grants	35,331,374	36,191,544
Grants and contributions not restricted	73,036	358,050
Interest earnings	123,027	38,116
Other	321,019	522,036
Total Revenues	<u>93,193,780</u>	<u>86,768,312</u>
Expenses		
Instruction	45,796,172	40,978,377
Instructional resources and media services	727,422	725,061
Curriculum and staff development	1,546,975	1,320,110
Instructional leadership	821,364	798,550
School leadership	5,171,433	4,687,865
Guidance, counseling, and evaluation services	2,689,310	2,524,979
Health services	1,091,950	982,224
Student transportation	2,226,000	2,130,368
Food service	3,911,121	3,545,613
Extracurricular activities	2,784,037	2,716,779
General administration	1,789,383	1,898,850
Facilities maintenance and operations	7,084,632	7,302,984
Security and monitoring services	587,675	596,880
Data processing services	2,198,064	3,182,777
Community services	-	800
Interest on long-term debt	14,838,172	13,000,799
Bond issuance costs and fees	258,637	1,435,582
Payments related to shared services arrangements	77,546	57,815
Other intergovernmental charges	496,388	468,886
Total Expenses	<u>94,096,281</u>	<u>88,355,299</u>
Increase (Decrease) in Net Position	(902,501)	(1,586,987)
Beginning Net Position	(87,664,202)	(77,875,638)
Prior period adjustment	(152,319)	(8,201,577)
Ending Net Position	<u>\$ (88,719,022)</u>	<u>\$ (87,664,202)</u>

Governmental Activities

Governmental activities decreased the District's net position by \$902,501. Revenues are generated primarily from three sources. Property taxes, state-aid formula grants, and operating grants and contributions represent \$89,047,378 of total revenues. The remaining \$4,146,402 is generated from charges for services, investment earnings, and miscellaneous revenues.

	Total Revenues	% of Total Revenues
Property taxes	\$ 40,663,508	43%
State aid - formula grants	35,331,374	38%
Operating grants and contributions	13,052,496	14%
Charges for services	3,629,320	4%
Other revenue	517,082	1%
Total Revenues	\$ 93,193,780	100%

The primary functional expenses of the District are instruction and interest on long term debt, which represent 65 percent of total expenses. The remaining individual functional categories of expenses are each less than 6 percent of total expenses.

	Total Expenses	% of Total Expenses
Instruction	\$ 45,796,172	49%
Interest on long-term debt	14,838,172	16%
Other expenses	33,461,937	35%
Total Expenses	\$ 94,096,281	100%

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 \$29,734,544, an increase of \$11,029,945 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 \$15,850,870, while total fund balance reached \$15,906,040. 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 23 percent of total general fund expenditures, while total fund balance represents 23 percent of that same amount. The fund balance of the District's general fund increased by \$6,439,930 during the current fiscal year. The increase in fund balance was necessary to achieve the stated School Board of Trustee's goal of having an unassigned fund balance in the general fund equal to two months of operating costs and to provide additional liquidity.

The *debt service fund* has a total fund balance of \$11,819,077, 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 \$4,742,764 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 2016 bond payment was \$9,265,828.

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	\$ 65,804,746	\$ 67,740,033
Total expenditures	(63,637,395)	(70,710,261)
Other sources (uses)	-	6,293,708
Net change in fund balance	\$ 2,167,351	\$ 3,323,480

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 and facilities maintenance and operation.

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of June 30, 2016 includes land, buildings and improvements and furniture and equipment. The investment in capital assets for the current fiscal year was \$212,655,500. The following table summarizes the investment in capital assets as of June 30, 2016 and 2015.

	2016	2015
Land	\$ 4,752,319	\$ 4,752,319
Building and improvements	278,097,122	278,097,122
Furniture and equipment	13,547,147	8,554,465
Total	296,396,588	291,403,906
Accumulated depreciation	(83,741,088)	(76,510,393)
Net capital assets	\$ 212,655,500	\$ 214,893,513

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 \$335,076,919 in bonds and other long-term debt (including accreted interest on bonds) versus \$328,644,219 in the prior year, an increase of \$6,432,700. 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	Baa1

Changes in long-term debt for the year ended June 30, 2016 are as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
General obligation bonds	\$ 277,138,251	\$ 14,485,000	\$ 18,055,576	\$ 273,567,675	\$ 3,684,869
Premiums/discounts	15,573,736	1,959,093	929,765	16,603,064	831,172
Accreted interest on premium compound interest bonds	33,201,260	4,292,939	449,423	37,044,776	560,135
Capital leases	2,210,882	1,457,530	762,186	2,906,226	901,735
Notes	520,000	4,836,178	401,000	4,955,178	499,584
	<u>\$ 328,644,129</u>	<u>\$ 27,030,740</u>	<u>\$ 20,597,950</u>	<u>\$ 335,076,919</u>	<u>\$ 6,477,495</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 84th Texas Legislature increased funding for public education by \$4.0 billion for the 2016-2017 biennium. This increase included \$2.5 billion to fund enrollment growth. The remaining \$1.5 billion funded an increase in the per student basic allotment.

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

The following are highlights of the District's 2016-2017 budget:

- The District average daily student attendance is expected to be 9,307, up 3.8%. Total revenues in the General Fund are budgeted to increase 5.8%.
- The District's General Fund expenditure budget will decrease approximately \$1.0 million, or 1.4%.
- Taxable property value used to prepare the 2016-2017 budget was up \$298 million, or 11.4%. New construction value added to the tax roll was \$117 million. After the budget was adopted, it was determined that actual taxable value was up 16.6%.
- 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 2016-2017. The District had \$6.3 million included in the prior year amended budget for special projects. If you remove the effect of these special projects from the previous year's budget, appropriations for 2016-2017 increased 8.2%. This increase will be used to cover pay raises (4.2% weighted average increase for teachers and 3% of pay grade mid-point for most other staff), 44 additional staff members, buses to transport students to and from school, and non-payroll increases to fund additional student growth.

The District's adopted budget includes a surplus of \$1.9 million. The surplus is mainly due to property tax growth. Since the state funding formula uses the previous year's property value to calculate state aid payments, it is expected that this surplus will be reversed in the following budget year when the 16.6% property value increase is used in the funding formula.

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, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 27,143,370
1220 Property Taxes Receivable (Delinquent)	1,102,310
1230 Allowance for Uncollectible Taxes	(337,389)
1240 Due from Other Governments	9,310,570
1290 Other Receivables, net	12,527
1410 Prepayments	112,184
Capital Assets:	
1510 Land	4,752,319
1520 Buildings, Net	201,934,673
1530 Furniture and Equipment, Net	5,968,508
1000 Total Assets	249,999,072
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge on Bond Refundings	15,795,876
1705 Deferred Outflows Related to TRS	8,569,553
1700 Total Deferred Outflows of Resources	24,365,429
LIABILITIES	
2110 Accounts Payable	700,343
2140 Accrued Interest Payable	3,696,214
2150 Payroll Deductions & Withholdings	296
2160 Accrued Wages Payable	5,756,302
2200 Accrued Expenses	196,830
2300 Unearned Revenue	190,336
Noncurrent Liabilities	
2501 Due Within One Year	6,477,495
2502 Due in More Than One Year	328,599,424
2540 Net Pension Liability (District's Share)	14,736,295
2000 Total Liabilities	360,353,535
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows Related to TRS	2,729,988
2600 Total Deferred Inflows of Resources	2,729,988
NET POSITION	
3200 Net Investment in Capital Assets	(69,580,767)
3820 Restricted for Federal and State Programs	13,298
3850 Restricted for Debt Service	8,367,842
3900 Unrestricted	(27,519,395)
3000 Total Net Position	\$ (88,719,022)

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, 2016

EXHIBIT B-1

Data Control Codes	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	1	3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 45,796,172	\$ 236,445	\$ 6,071,572	\$ (39,488,155)
12 Instructional Resources and Media Services	727,422	32,004	42,930	(652,488)
13 Curriculum and Staff Development	1,546,975	11,870	201,551	(1,333,554)
21 Instructional Leadership	821,364	-	62,352	(759,012)
23 School Leadership	5,171,433	167,132	362,353	(4,641,948)
31 Guidance, Counseling and Evaluation Services	2,689,310	73,906	387,190	(2,228,214)
33 Health Services	1,091,950	270	122,686	(968,994)
34 Student (Pupil) Transportation	2,226,000	-	593,388	(1,632,612)
35 Food Services	3,911,121	2,315,102	1,191,738	(404,281)
36 Extracurricular Activities	2,784,037	584,615	136,454	(2,062,968)
41 General Administration	1,789,383	7,081	360,627	(1,421,675)
51 Facilities Maintenance and Operations	7,084,632	199,971	241,507	(6,643,154)
52 Security and Monitoring Services	587,675	924	3,886	(582,865)
53 Data Processing Services	2,198,064	-	80,622	(2,117,442)
72 Debt Service - Interest on Long Term Debt	14,838,172	-	3,116,094	(11,722,078)
73 Debt Service - Bond Issuance Cost and Fees	258,637	-	-	(258,637)
93 Payments related to Shared Services Arrangements	77,546	-	77,546	-
99 Other Intergovernmental Charges	496,388	-	-	(496,388)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 94,096,281	\$ 3,629,320	\$ 13,052,496	(77,414,465)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			27,463,949
DT	Property Taxes, Levied for Debt Service			13,199,559
SF	State Aid - Formula Grants			35,331,374
GC	Grants and Contributions not Restricted			73,036
IE	Investment Earnings			123,027
MI	Miscellaneous Local and Intermediate Revenue			321,019
TR	Total General Revenues			76,511,964
CN	Change in Net Position			(902,501)
NB	Net Position - Beginning			(87,664,202)
PA	Prior Period Adjustment			(152,319)
NE	Net Position--Ending			\$ (88,719,022)

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

FORNEY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 13,088,925	\$ 11,794,108	\$ 2,260,337	\$ 27,143,370
1220 Property Taxes - Delinquent	767,315	334,995	-	1,102,310
1230 Allowance for Uncollectible Taxes (Credit)	(247,373)	(90,016)	-	(337,389)
1240 Receivables from Other Governments	8,806,153	20,872	483,545	9,310,570
1260 Due from Other Funds	348,682	-	-	348,682
1290 Other Receivables	8,430	4,097	-	12,527
1410 Prepayments	55,170	-	57,014	112,184
1000 Total Assets	<u>\$ 22,827,302</u>	<u>\$ 12,064,056</u>	<u>\$ 2,800,896</u>	<u>\$ 37,692,254</u>
LIABILITIES				
2110 Accounts Payable	\$ 661,425	\$ -	\$ 38,918	\$ 700,343
2150 Payroll Deductions and Withholdings Payable	296	-	-	296
2160 Accrued Wages Payable	5,420,803	-	335,499	5,756,302
2170 Due to Other Funds	-	-	348,682	348,682
2200 Accrued Expenditures	196,830	-	-	196,830
2300 Unearned Revenues	121,966	-	68,370	190,336
2000 Total Liabilities	<u>6,401,320</u>	<u>-</u>	<u>791,469</u>	<u>7,192,789</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	519,942	244,979	-	764,921
2600 Total Deferred Inflows of Resources	<u>519,942</u>	<u>244,979</u>	<u>-</u>	<u>764,921</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3430 Prepaid Items	55,170	-	49,718	104,888
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	13,298	13,298
3470 Capital Acquisition and Contractual Obligation	-	-	1,313,223	1,313,223
3480 Retirement of Long-Term Debt	-	11,819,077	-	11,819,077
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	633,188	633,188
3600 Unassigned Fund Balance	15,850,870	-	-	15,850,870
3000 Total Fund Balances	<u>15,906,040</u>	<u>11,819,077</u>	<u>2,009,427</u>	<u>29,734,544</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 22,827,302</u>	<u>\$ 12,064,056</u>	<u>\$ 2,800,896</u>	<u>\$ 37,692,254</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, 2016

Total Fund Balances - Governmental Funds	\$ 29,734,544
1 Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the fund financial statements.	296,396,588
2 Accumulated depreciation is not reported in the fund financial statements.	(83,741,088)
3 Bonds payable, capital leases payable, and loans payable, are not reported in the fund financial statements.	(281,429,079)
4 Accreted interest payable on capital appreciation bonds is not reported in the fund financial statements.	(37,044,776)
5 Bond premiums on outstanding bonds payable are not reported in the fund financial statements.	(16,603,064)
6 Revenue from property taxes reported as unavailable revenue in the fund financial statements is recognized as revenue in the government-wide financial statements.	764,921
7 Interest on outstanding debt is accrued in the government-wide financial statements, whereas in the fund financial statements interest expenditures are recorded when due.	(3,696,214)
8 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.	15,795,876
9 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 \$14,736,295, Deferred Resource Inflows related to TRS in the amount of \$2,729,988, and Deferred Resource Outflows related to TRS in the amount of \$8,569,553. This results in a decrease in Net Position in the amount of \$8,896,730.	(8,896,730)
19 Net Position of Governmental Activities	\$ (88,719,022)

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, 2016

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 28,405,608	\$ 13,244,535	\$ 3,202,326	\$ 44,852,469
5800 State Program Revenues	38,752,571	3,116,094	1,136,010	43,004,675
5900 Federal Program Revenues	1,015,044	-	2,795,167	3,810,211
5020 Total Revenues	<u>68,173,223</u>	<u>16,360,629</u>	<u>7,133,503</u>	<u>91,667,355</u>
EXPENDITURES:				
Current:				
0011 Instruction	37,029,350	-	2,687,457	39,716,807
0012 Instructional Resources and Media Services	604,971	-	32,461	637,432
0013 Curriculum and Instructional Staff Development	1,226,184	-	119,040	1,345,224
0021 Instructional Leadership	707,989	-	1,349	709,338
0023 School Leadership	4,312,132	-	167,132	4,479,264
0031 Guidance, Counseling and Evaluation Services	2,038,701	-	271,039	2,309,740
0033 Health Services	894,321	-	53,949	948,270
0034 Student (Pupil) Transportation	2,243,265	-	4,030	2,247,295
0035 Food Services	-	-	3,450,493	3,450,493
0036 Extracurricular Activities	2,110,224	-	331,279	2,441,503
0041 General Administration	1,553,204	-	7,081	1,560,285
0051 Facilities Maintenance and Operations	6,361,450	-	4,200	6,365,650
0052 Security and Monitoring Services	527,758	-	79,196	606,954
0053 Data Processing Services	2,192,120	-	-	2,192,120
Debt Service:				
0071 Principal on Long Term Debt	1,163,186	2,165,577	-	3,328,763
0072 Interest on Long Term Debt	120,080	9,450,261	-	9,570,341
0073 Bond Issuance Cost and Fees	45,807	212,830	-	258,637
Capital Outlay:				
0081 Facilities Acquisition and Construction	4,399,871	-	-	4,399,871
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	77,546	77,546
0099 Other Intergovernmental Charges	496,388	-	-	496,388
6030 Total Expenditures	<u>68,027,001</u>	<u>11,828,668</u>	<u>7,286,252</u>	<u>87,141,921</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>146,222</u>	<u>4,531,961</u>	<u>(152,749)</u>	<u>4,525,434</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	14,485,000	-	14,485,000
7913 Capital Leases	1,457,530	-	-	1,457,530
7914 Non-Current Loans	4,836,178	-	-	4,836,178
7916 Premium or Discount on Issuance of Bonds	-	1,959,093	-	1,959,093
8949 Other (Uses)	-	(16,233,290)	-	(16,233,290)
7080 Total Other Financing Sources (Uses)	<u>6,293,708</u>	<u>210,803</u>	<u>-</u>	<u>6,504,511</u>
1200 Net Change in Fund Balances	6,439,930	4,742,764	(152,749)	11,029,945
0100 Fund Balance - July 1 (Beginning)	9,618,429	7,076,313	2,162,176	18,856,918
1300 Prior Period Adjustment(s)	(152,319)	-	-	(152,319)
3000 Fund Balance - June 30 (Ending)	<u>\$ 15,906,040</u>	<u>\$ 11,819,077</u>	<u>\$ 2,009,427</u>	<u>\$ 29,734,544</u>

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, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ 11,029,945
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.	5,097,301
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.	(7,335,314)
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.	3,328,763
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.	(3,843,516)
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.	715,846
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.	(759,150)
Interest is accrued on outstanding debt in the government-wide financial statements, but interest is expended as due in the fund financial statements.	(1,121,682)
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.	(42,559)
The current year issuance of refunding bonds and regular bonds is shown as other resources in the fund financial statements, but is shown as an increase in long-term debt in the government-wide financial statements.	(14,485,000)
The premiums on the current year issuance of refunding bonds and regular 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.	(1,959,093)

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, 2016

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 \$16,233,290 includes the payment to refund bonds of \$16,103,718 plus accrued interest of \$259,329 and a deferred gain on bond refundings of \$129,757.	15,973,961
Current year proceeds from capital leases payable and loans payable are shown as other resources in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(6,293,708)
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 8/31/2015 caused the change in the ending net position to decrease by \$8,592. These contributions were replaced with the District's pension expense for the year of \$1,199,703, 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 \$1,208,295.	(1,208,295)
Change in Net Position of Governmental Activities	\$ (902,501)

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, 2016

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 9,451	\$ 236,591
Total Assets	<u>9,451</u>	<u>236,591</u>
LIABILITIES		
Due to Student Groups	-	\$ 236,591
Total Liabilities	<u>-</u>	<u>236,591</u>
NET POSITION		
Restricted for Other Purposes	<u>9,451</u>	
Total Net Position	<u>\$ 9,451</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, 2016

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 9,140
Total Additions	<u>9,140</u>
DEDUCTIONS:	
Other Operating Costs	<u>6,965</u>
Total Deductions	<u>6,965</u>
Change in Net Position	2,175
Total Net Position - July 1 (Beginning)	<u>7,276</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 9,451</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, 2016

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, 2016

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, 2016

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 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.

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.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ -
Nonappropriated Budget Funds	<u>658,605</u>
All Special Revenue Funds	<u>\$658,605</u>

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, 2016.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

F. IMPLEMENTATION OF NEW STANDARDS

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

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

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

G. 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.

H. INTERFUND RECEIVABLES AND PAYABLES

Short-term amounts owed between funds are classified as "Due to/from other funds". Interfund loans are classified as "Advances to/from other funds" and are offset by a fund balance reserve account.

I. 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, 2016

J. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on 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 a deferred charge on refunding at June 30, 2016 was \$15,795,876.

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 6.9 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, 2016 was \$8,569,553.

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

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at June 30, 2016 was \$764,921.

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 2016, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$2,729,988.

K. 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.

FORNEY INDEPENDENT SCHOOL DISTRICT
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L. 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.

M. 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.

N. 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 2016, 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.

O. 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.

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:

FORNEY INDEPENDENT SCHOOL DISTRICT
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- 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 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. Unspent proceeds from bond issues are restricted for authorized capital acquisition expenditures. 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, 2016 for campus activities.
- 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 not assigned any fund balance of the General Fund as of June 30, 2016.
- 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 \$15,850,870 at June 30, 2016. Prepaid items of \$55,170 are considered nonspendable fund balance.

Debt Service Fund

The Debt Service Fund has restricted funds of \$11,819,077 at June 30, 2016 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt.

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Other Funds

The fund balance of \$633,188 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities. The fund balance of \$1,313,223 in the Capital Projects Fund is shown as restricted for capital acquisitions. There is \$12,119 in the Special Revenue Funds and \$37,599 in the Capital Projects Fund of nonspendable fund balance for prepaid items. The Special Revenue Funds include \$13,298 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, 2016, the carrying amount of the District's deposit checking accounts and interest-bearing demand accounts was \$7,323,807 and the bank balance was \$8,364,498. The District's cash deposits at June 30, 2016 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, 2016, District deposits were fully collateralized throughout the year.

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, 2016, the District's cash deposits (including certificates of deposit) totaled \$8,364,498. 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, 2016.

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- 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, 2016, the District held investments in two 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. Additionally, all investments in bank certificates of deposit are covered by the District's depository pledge. The money market fund is also fully collateralized by pledged securities.
- e. Foreign Currency Risk: This is the risk that exchange rates will adversely affect the fair value of an investment. At June 30, 2016, 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.

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.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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The District's investments at June 30, 2016, are shown below:

	Fair Market Value	Weighted Average Maturity (Days)
Governmental Activities		
Cash and deposits	\$ 7,077,765	N/A
<i>Investments</i>		
Local Government Investments Pools		
LOGIC	4,078,688	38
Texas Class	14,708,429	56
TexPool	1,278,488	46
Total Investments	20,065,605	
Total Governmental Activities	27,143,370	
Fiduciary Funds		
Cash and Deposits	246,042	N/A
Total Fiduciary Funds	246,042	
Total	\$ 27,389,412	

The amount of interest earned on the District's investments for the fiscal year ended June 30, 2016, was \$123,027.

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.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, 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
Total Capital assets not being depreciated	<u>4,752,319</u>	<u>-</u>	<u>-</u>	<u>4,752,319</u>
Capital assets, being depreciated				
Buildings and Improvements	278,097,122	-	-	278,097,122
Assets under capital lease	1,374,231	-	-	1,374,231
Vehicles	4,412,215	285,819	(104,619)	4,593,415
Furniture and Equipment	<u>2,768,019</u>	<u>4,811,482</u>	<u>-</u>	<u>7,579,501</u>
Total capital assets being depreciated	<u>286,651,587</u>	<u>5,097,301</u>	<u>(104,619)</u>	<u>291,644,269</u>
Less accumulated depreciation for:				
Buildings and Improvements	(69,593,394)	(6,569,055)	-	(76,162,449)
Assets under capital lease	(660,544)	(85,563)	-	(746,107)
Vehicles	(4,118,451)	(213,861)	104,619	(4,227,693)
Furniture and Equipment	<u>(2,138,004)</u>	<u>(466,835)</u>	<u>-</u>	<u>(2,604,839)</u>
Total accumulated depreciation	<u>(76,510,393)</u>	<u>(7,335,314)</u>	<u>104,619</u>	<u>(83,741,088)</u>
Total capital assets, being depreciated, net	<u>210,141,194</u>	<u>(2,238,013)</u>	<u>-</u>	<u>207,903,181</u>
Governmental activities capital assets, net	<u>\$214,893,513</u>	<u>\$ (2,238,013)</u>	<u>\$ -</u>	<u>\$212,655,500</u>

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

Governmental activities:	
Instruction	\$4,254,002
Instructional Resources & Media Services	68,485
Curriculum & Staff Development	144,744
Instructional Leadership	76,323
School Leadership	481,961
Guidance, Counseling & Evaluation Services	248,524
Health Services	102,032
Student Transportation	211,183
Food Services	369,964
Cocurricular/Extracurricular Activities	262,448
General Administration	167,884
Plant Maintenance and Operations	680,973
Security & Monitoring Services	56,885
Data Processing Services	<u>209,906</u>
Total depreciation expense-Governmental activities	<u>\$7,335,314</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.

FORNEY INDEPENDENT SCHOOL DISTRICT
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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	3.750%	11/28/2012	529,801	Buses
City Bank	3.250%	4/25/2014	280,032	Buses
Key Government Finance	2.325%	4/17/2015	1,628,972	Technology
Bank of America	1.620%	3/15/2016	1,457,530	Technology
			<u>\$ 4,460,734</u>	

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

2017	\$ 968,622
2018	963,331
2019	365,306
2020	365,347
2021	203,856
Thereafter	<u>222,328</u>
Total future minimum lease payments	3,088,790
Less amount representing interest	<u>(182,564)</u>
Present value of net minimum lease payments	<u>\$2,906,226</u>

LOANS PAYABLE

The District is obligated under three 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, 2016</u>	<u>Purpose</u>
Maintenance Tax Notes, Series 2002	1.520%	7/1/2002	2/15/2017	\$ 3,500,000	\$ 260,000	Stadium Improvements
Skyward Software	0.000%	12/10/2015	7/1/2020	202,178	202,178	Software
Public Property Finance Contract, Series 2015	3.050%	9/9/2015	4/1/2030	4,634,000	4,493,000	Energy Management
				<u>\$ 8,336,178</u>	<u>\$ 4,955,178</u>	

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

Year Ending June 30,	Principal	Interest	Total Requirements
2017	\$ 499,584	\$ 140,948	\$ 640,532
2018	225,184	131,089	356,273
2019	265,009	125,477	390,486
2020	275,811	118,615	394,426
2021	315,590	111,386	426,976
2022-2026	1,708,000	416,782	2,124,782
2027-2030	1,666,000	129,229	1,795,229
	<u>\$4,955,178</u>	<u>\$1,173,526</u>	<u>\$6,128,704</u>

BONDS PAYABLE

The District has the following bonds payable outstanding as of June 30, 2016:

Description	Interest Rate Payable	Original Issuance Amount	Amounts Outstanding 6/30/16
Bonded Indebtedness:			
Unlimited Tax School Building and Refunding Bonds, Series 2000	6.760%	13,329,945	\$3,075,386
Unlimited Tax Refunding Bonds, Series 2005	3.750-4.375%	10,069,996	-
Unlimited Tax School Building and Refunding Bonds, Series 2005A	3.500-5.000%	21,471,684	-
Unlimited Tax School Building Bonds, Series 2006B	4.250-5.125%	10,000,000	70,000
Unlimited Tax Refunding Bonds, Series 2006C	4.250-4.600%	2,560,000	1,045,000
Unlimited Tax Refunding Bonds, Series 2006D	4.000-4.500%	16,194,990	120,000
Unlimited Tax School Building Bonds, Series 2007	4.000-5.000%	9,995,000	2,360,000
Unlimited Tax School Building Bonds, Series 2007A	4.500-5.000%	51,999,993	18,285,000
Unlimited Tax School Building Bonds, Series 2008	5.000-14.829%	39,999,974	24,907,160
Unlimited Tax School Building Bonds, Series 2008A	5.750-48.117%	34,654,859	301,028
Unlimited Tax School Building Bonds, Series 2009	3.000-4.375%	3,000,000	1,725,000
Unlimited Tax Refunding Bonds, Series 2009	3.100-4.450%	2,104,999	1,230,000
Unlimited Tax School Building Bonds, Series 2010	3.000-5.500%	14,999,965	14,999,965
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	16,765,816
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	20,405,000
Unlimited Tax Refunding Bonds, Series 2015	2.000-5.000%	103,095,000	102,900,000
Unlimited Tax Refunding Bonds, Series 2016	2.000-5.000%	14,485,000	14,485,000
Total Bonded Indebtedness			<u>\$273,567,675</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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Bonds payable debt service requirements to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2017	\$ 3,684,869	\$ 10,739,319	\$ 14,424,188
2018	4,728,851	11,488,371	16,217,222
2019	5,273,059	11,464,181	16,737,240
2020	5,119,558	12,062,908	17,182,466
2021	5,361,967	12,364,506	17,726,473
2022-2026	35,119,047	64,865,319	99,984,366
2027-2031	57,595,164	49,329,743	106,924,907
2032-2036	77,772,296	29,963,710	107,736,006
2037-2041	52,219,688	52,274,380	104,494,068
2042-2046	13,580,506	71,659,494	85,240,000
2047-2051	10,708,153	59,141,847	69,850,000
2052-2056	<u>2,404,517</u>	<u>36,290,483</u>	<u>38,695,000</u>
	<u>\$273,567,675</u>	<u>\$421,644,261</u>	<u>\$695,211,936</u>

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:

<u>Series</u>	<u>Par Amount</u>	<u>Accreted Interest at Issue</u>	<u>Accreted Interest Since Issue</u>	<u>Total Accreted Value</u>	<u>Maturity Amount</u>	<u>Maturity Dates</u>
2000	\$ 3,075,385	\$ 208,721	\$ 5,953,191	\$ 9,237,297	\$ 13,545,000	2017-2026
2008	1,297,160	1,593,017	1,502,880	4,393,057	7,450,000	2017-2031
2008A	301,025	3,654,050	2,355,514	6,310,589	9,410,000	2017-2028
2010	2,854,964	1,077,761	999,229	4,931,954	6,155,000	2018-2027
2011	13,970,816	63,488	3,983,717	18,018,021	35,035,000	2018-2042
2012	3,924,461	3,843,075	1,740,470	9,508,006	28,500,000	2033-2040
2013A	2,485,901	1,744,939	805,241	5,036,081	23,235,000	2039-2044
2013B	624,973	87,142	164,566	876,681	4,960,000	2039-2044
2014	15,767,323	2,545,517	4,121,319	22,434,159	160,305,000	2040-2054
2014A	<u>1,545,662</u>	<u>259,073</u>	<u>341,865</u>	<u>2,146,600</u>	<u>19,615,000</u>	<u>2040-2054</u>
Total	<u>\$ 45,847,670</u>	<u>\$ 15,076,783</u>	<u>\$ 21,967,992</u>	<u>\$ 82,892,445</u>	<u>\$308,210,000</u>	

**FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Changes in the long-term liabilities of the District for the year ended June 30, 2016 were as follows:

Description	Balance 7/1/2015	Additions	Retired/ Refunded	Balance 6/30/2016	Due Within One Year
Bonded Indebtedness:					
General obligation bonds	\$ 277,138,251	\$ 14,485,000	\$ 18,055,576	\$ 273,567,675	\$ 3,684,869
Premiums/discounts	15,573,736	1,959,093	929,765	16,603,064	831,172
Accreted Interest -					
Capital Appreciation Bonds	33,201,260	4,292,939	449,423	37,044,776	560,135
Capital Leases	2,210,882	1,457,530	762,186	2,906,226	901,735
Notes	520,000	4,836,178	401,000	4,955,178	499,584
	<u>\$ 328,644,129</u>	<u>\$ 27,030,740</u>	<u>\$ 20,597,950</u>	<u>\$ 335,076,919</u>	<u>\$ 6,477,495</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, 2016.

ADVANCE REFUNDING OF DEBT

On June 9, 2016, the District issued \$14,485,000 Unlimited Tax Refunding Bonds, Series 2016 with interest rates ranging from 2.0 percent to 4.0 percent and final maturity in fiscal year 2032. The bonds were used to provide resources to purchase US Government State and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$15,890,000. The issuance was used to refund either portions of or 100 percent of bond series 2006B, 2006D, and 2007. The reacquisition price was less than the net carrying amount of the old debt by \$105,255. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. In addition, the refunding resulted in an economic gain of \$2,219,115 (the present value of debt service savings).

Bonds refunded with Series 2016 are considered to be defeased and the liability has been removed from the government-wide financial statements.

DEFEASED DEBT

In the current year and in prior years, the District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded debt. Accordingly the trust account assets and liability for the defeased debt are not included in the District's financial statements. At June 30, 2016 \$103,395,000 of refunded debt outstanding was considered defeased.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 6. DEFERRED CHARGES ON BOND REFUNDINGS

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

Balance – June 30, 2015	\$16,684,983
Current year gain on bond refunding	(105,255)
Current period amortization	<u>(783,852)</u>
Balance – June 30, 2016	<u>\$15,795,876</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, 2016. 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 2015-16 fiscal period was based was \$2,619,751,558. 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.

The tax rates assessed for the period ended June 30, 2016, 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, 2016 were 99.0 % of the June 30, 2016 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, 2016, property taxes and penalty and interest receivable, net of estimated uncollectible taxes, totaled \$519,942 and \$244,979 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.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 9. INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2016 represented short-term advances between funds. These amounts are expected to be repaid in less than one year from June 30, 2016.

<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	<u>\$348,682</u>	\$ -
Total Major Governmental Funds	<u>348,682</u>	-
Nonmajor Governmental Funds:		
Special Revenue Funds:		
General Fund	-	348,682
Total Nonmajor Governmental Funds	-	348,682
 Total	 <u>\$348,682</u>	 <u>\$ 348,682</u>

There were not transfers between funds during the year ended June 30, 2016.

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.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$163,887,375,172
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$ 35,348,668,960</u>
 Net Position as percentage of Total Pension Liability	 78.43%

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 2015 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016.

	<u>Contribution Rates</u>	
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Forney ISD 2015 Employer Contributions	\$	1,232,938
Forney ISD 2015 Member Contributions	\$	2,993,148
Forney ISD 2015 NECE On-Behalf Contributions	\$	2,355,814

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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:

- 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.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
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 single 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, 2015 are summarized below.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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 2015 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:	\$23,088,996	\$14,736,295	\$7,779,013

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2016, Forney Independent School District reported a liability of \$14,736,295 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	\$14,736,295
State's proportionate share that is associated with the District	<u>28,115,166</u>
Total	<u>\$42,851,461</u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .0416884%, an increase of 56.4% from its proportionate share of .0266553% at August 31, 2014.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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, 2016, Forney Independent School District recognized pension expense of \$4,005,959 and revenue of \$4,005,959 for support provided by the State.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

At June 30, 2016, 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	\$ 91,577	\$ 566,329
Changes in actuarial assumptions	384,902	525,726
Difference between projected and actual investment earnings	3,629,221	1,632,122
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,435,772	5,811
Contributions paid to TRS subsequent to the measurement date	1,028,081	-
Total	\$ 8,569,553	\$ 2,729,988

\$1,028,081 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, 2017. 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
2017	\$ 855,715
2018	855,715
2019	855,715
2020	1,399,758
2021	486,739
2022	357,842

NOTE 11. 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 2016, 2015 and 2014. 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, 2016, 2015 and 2014, the State's contributions to TRS-Care were \$438,515, \$431,013, and \$371,379, respectively, the active member contributions were \$296,021, \$284,837, and \$228,332, respectively, and the school district's contributions were \$267,425, \$257,031, and \$239,932, respectively, which equaled the required contributions each year.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, the contribution made on behalf of the District was \$134,312.

NOTE 12. HEALTH CARE

During the period ended June 30, 2016, 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 13. 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 \$382,860 for the 15-16 fiscal period. Additionally, the District incurred fixed costs of \$117,250 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 \$7,902,032 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.

The accrued liability for workers compensation self-insurance of \$196,830 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 2016 and 2015 are represented below:

<u>Fiscal Year</u>	<u>Beginning of period Claims Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Period Claims Liability</u>
2016	\$152,319	\$224,288	\$179,777	\$196,830
2015	97,011	194,107	138,799	152,319

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 14. 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 as of June 30, 2016, 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	\$8,793,432	\$ -	\$ 12,721	\$8,806,153
Special Revenue	6,383	477,162	-	483,545
Debt Service	<u>20,872</u>	<u>-</u>	<u>-</u>	<u>20,872</u>
Total	<u>\$8,820,687</u>	<u>\$477,162</u>	<u>\$ 12,721</u>	<u>\$9,310,570</u>

NOTE 15. 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, 2016 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 16. 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, 2016.

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 17. 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	\$27,375,208	\$ -	\$13,155,779	\$ -	\$40,530,987
Food Sales	-	2,314,930	-	-	2,314,930
Investment Income	83,487	1,509	33,267	4,763	123,026
Penalties, interest and other tax related income	119,592	-	55,489	-	175,081
Co-curricular student activities	253,880	851,371	-	-	1,105,251
Other	573,441	26,787	-	2,966	603,194
Total	<u>\$28,405,608</u>	<u>\$ 3,194,597</u>	<u>\$13,244,535</u>	<u>\$ 7,729</u>	<u>\$44,852,469</u>

NOTE 18. 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	\$ 50,111
National School Lunch Program	10.555	204,479
E-Rate	N/A	68,701
SHARS	N/A	623,737
JROTC	N/A	68,016
		<u>\$1,015,044</u>

NOTE 19. UNEARNED REVENUE

Unearned revenue at June 30, 2016 consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Student Fees	\$121,966	\$ -	\$ -	\$121,966
Student Account Balances	-	67,131	-	67,131
Grant Funds	-	1,239	-	1,239
	<u>\$121,966</u>	<u>\$68,370</u>	<u>\$ -</u>	<u>\$190,336</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

NOTE 20. 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 21. PRIOR PERIOD ADJUSTMENT

The government-wide and fund financial statements include a prior period adjustment that reduces beginning net position of the governmental activities and beginning fund balance of the General Fund by \$152,319. The adjustment is related to the District’s Workers Compensation Plan.

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REQUIRED SUPPLEMENTARY INFORMATION

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

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	\$ 28,101,178	\$ 28,290,007	\$ 28,405,608	\$ 115,601
5800	State Program Revenues	36,870,568	38,555,987	38,752,571	196,584
5900	Federal Program Revenues	833,000	894,039	1,015,044	121,005
5020	Total Revenues	65,804,746	67,740,033	68,173,223	433,190
EXPENDITURES:					
Current:					
0011	Instruction	36,543,477	37,886,456	37,029,350	857,106
0012	Instructional Resources and Media Services	656,214	641,442	604,971	36,471
0013	Curriculum and Instructional Staff Development	1,271,243	1,283,261	1,226,184	57,077
0021	Instructional Leadership	773,723	773,135	707,989	65,146
0023	School Leadership	4,340,002	4,473,735	4,312,132	161,603
0031	Guidance, Counseling and Evaluation Services	2,106,794	2,114,040	2,038,701	75,339
0033	Health Services	863,915	925,715	894,321	31,394
0034	Student (Pupil) Transportation	2,297,022	2,301,646	2,243,265	58,381
0036	Extracurricular Activities	2,197,191	2,203,309	2,110,224	93,085
0041	General Administration	1,831,331	1,831,331	1,553,204	278,127
0051	Facilities Maintenance and Operations	6,982,952	7,021,922	6,361,450	660,472
0052	Security and Monitoring Services	583,178	584,153	527,758	56,395
0053	Data Processing Services	1,529,164	2,242,621	2,192,120	50,501
Debt Service:					
0071	Principal on Long Term Debt	1,120,500	1,163,329	1,163,186	143
0072	Interest on Long Term Debt	40,689	120,166	120,080	86
0073	Bond Issuance Cost and Fees	-	45,807	45,807	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	4,598,193	4,399,871	198,322
Intergovernmental:					
0099	Other Intergovernmental Charges	500,000	500,000	496,388	3,612
6030	Total Expenditures	63,637,395	70,710,261	68,027,001	2,683,260
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	2,167,351	(2,970,228)	146,222	3,116,450
OTHER FINANCING SOURCES (USES):					
7913	Capital Leases	-	1,457,530	1,457,530	-
7914	Non-Current Loans	-	4,836,178	4,836,178	-
7080	Total Other Financing Sources (Uses)	-	6,293,708	6,293,708	-
1200	Net Change in Fund Balances	2,167,351	3,323,480	6,439,930	3,116,450
0100	Fund Balance - July 1 (Beginning)	9,618,429	9,618,429	9,618,429	-
1300	Prior Period Adjustment(s)	-	-	(152,319)	(152,319)
3000	Fund Balance - June 30 (Ending)	\$ 11,785,780	\$ 12,941,909	\$ 15,906,040	\$ 2,964,131

FORNEY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGET INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

A. Budgets and Budgetary Accounting

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

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund and Debt Service Fund during the fiscal year ended June 30, 2016. During the year ended June 30, 2016, the Board of Trustees approved budget amendments increasing expenditures as follows:

	<u>General Fund</u>	<u>Child Nutrition</u>	<u>Debt Service</u>
Amendments Approved	\$7,072,866	\$14,420	\$207,885

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, 2015. 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, 2016

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0416884%	0.0266553%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 14,736,295	7,120,000
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	28,115,166	23,658,884
Total	<u>\$ 42,851,461</u>	<u>\$ 30,778,884</u>
District's Covered-Employee Payroll	\$ 44,674,140	42,055,864
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	32.99%	16.93%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two 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
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2016

	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 1,219,018	\$ 1,144,400	\$ 674,285	\$ 584,040	\$ 587,962	\$ 722,254
Contribution in Relation to the Contractually Required Contribution	<u>1,219,018</u>	<u>1,144,400</u>	<u>674,285</u>	<u>584,040</u>	<u>587,962</u>	<u>722,254</u>
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$45,546,050	\$44,390,038	\$41,568,387	\$40,340,180	\$43,093,741	\$44,880,225
Contributions as a Percentage of Covered-Employee Payroll	2.68%	2.58%	1.62%	1.45%	1.36%	1.61%

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 of the Teacher Retirement System of Texas.

Note: In accordance with GASB 68, Paragraph 138, only six 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PENSION INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016

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.

The following are changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

Economic Assumptions

1. The inflation assumption was decreased from 3.00% to 2.50%.
2. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
3. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
4. The payroll growth assumption was lowered from 3.50% to 2.50%.

Mortality Assumptions

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
6. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
7. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

13. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

COMBINING SCHEDULES

FORNEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

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	35,183	157,473	222,424	-
1410	Prepayments	-	-	-	-
1000	Total Assets	<u>\$ 35,183</u>	<u>\$ 157,473</u>	<u>\$ 222,424</u>	<u>\$ -</u>
	LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ 22,914	\$ -
2160	Accrued Wages Payable	10,094	35,447	104,596	-
2170	Due to Other Funds	25,089	122,026	94,914	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>35,183</u>	<u>157,473</u>	<u>222,424</u>	<u>-</u>
	FUND BALANCES				
	Nonspendable Fund Balance:				
3430	Prepaid Items	-	-	-	-
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
	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>\$ 35,183</u>	<u>\$ 157,473</u>	<u>\$ 222,424</u>	<u>\$ -</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
\$ 247,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8,219	-	34,189	19,674	-	-	-	6,383
-	-	-	-	-	-	8,400	-
<u>\$ 255,488</u>	<u>\$ -</u>	<u>\$ 34,189</u>	<u>\$ 19,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,400</u>	<u>\$ 6,383</u>
\$ 2,995	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
185,362	-	-	-	-	-	-	-
-	-	34,189	19,674	-	-	7,296	5,144
67,131	-	-	-	-	-	-	1,239
<u>255,488</u>	<u>-</u>	<u>34,189</u>	<u>19,674</u>	<u>-</u>	<u>-</u>	<u>7,296</u>	<u>6,383</u>
-	-	-	-	-	-	1,104	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,104</u>	<u>-</u>
<u>\$ 255,488</u>	<u>\$ -</u>	<u>\$ 34,189</u>	<u>\$ 19,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,400</u>	<u>\$ 6,383</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

Data Control Codes		414 Accelerated Science Program	425 Teacher Induction and Mentoring	429 Texas Educators Excellence	461 Campus Activity Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 9,680	\$ -	\$ 3,818	\$ 637,618
1240	Receivables from Other Governments	-	-	-	-
1410	Prepayments	-	-	-	11,015
1000	Total Assets	<u>\$ 9,680</u>	<u>\$ -</u>	<u>\$ 3,818</u>	<u>\$ 648,633</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 200	\$ 4,430
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>200</u>	<u>4,430</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	11,015
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	9,680	-	3,618	-
3470	Capital Acquisition and Contractual Obligation	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	633,188
3000	Total Fund Balances	<u>9,680</u>	<u>-</u>	<u>3,618</u>	<u>644,203</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,680</u>	<u>\$ -</u>	<u>\$ 3,818</u>	<u>\$ 648,633</u>

Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 898,385	\$ 1,361,952	\$ 2,260,337
483,545	-	483,545
19,415	37,599	57,014
<u>\$ 1,401,345</u>	<u>\$ 1,399,551</u>	<u>\$ 2,800,896</u>
\$ 30,539	\$ 8,379	\$ 38,918
335,499	-	335,499
308,332	40,350	348,682
68,370	-	68,370
<u>742,740</u>	<u>48,729</u>	<u>791,469</u>
12,119	37,599	49,718
13,298	-	13,298
-	1,313,223	1,313,223
633,188	-	633,188
<u>658,605</u>	<u>1,350,822</u>	<u>2,009,427</u>
<u>\$ 1,401,345</u>	<u>\$ 1,399,551</u>	<u>\$ 2,800,896</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		205	211	224	225
			ESEA I, A	IDEA - Part B	IDEA - Part B
		Head Start	Improving Basic Program	Formula	Preschool
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	73,102	391,245	1,110,146	6,312
5020	Total Revenues	73,102	391,245	1,110,146	6,312
EXPENDITURES:					
Current:					
0011	Instruction	72,129	364,093	786,144	6,312
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	973	23,122	795	-
0021	Instructional Leadership	-	-	1,349	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	190,633	-
0033	Health Services	-	-	53,679	-
0034	Student (Pupil) Transportation	-	4,030	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	77,546	-
6030	Total Expenditures	73,102	391,245	1,110,146	6,312
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
\$ 2,316,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
88,407	-	-	-	-	1,680	5,400	1,039,330
1,045,271	50,744	74,978	40,004	3,365	-	-	-
3,450,289	50,744	74,978	40,004	3,365	1,680	5,400	1,039,330
-	50,744	24,852	23,388	6,624	1,680	-	1,029,480
-	-	-	-	-	-	-	-
-	-	50,126	10,116	-	-	11,685	9,850
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	6,500	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,450,493	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,450,493	50,744	74,978	40,004	6,624	1,680	11,685	1,039,330
(204)	-	-	-	(3,259)	-	(6,285)	-
204	-	-	-	3,259	-	7,389	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,104	\$ -

FORNEY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Data Control Codes		414 Accelerated Science Program	425 Teacher Induction and Mentoring	429 Texas Educators Excellence	461 Campus Activity Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 877,986
5800	State Program Revenues	-	-	1,193	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	-	-	1,193	877,986
EXPENDITURES:					
Current:					
0011	Instruction	-	-	1,107	141,609
0012	Instructional Resources and Media Services	-	-	457	32,004
0013	Curriculum and Instructional Staff Development	-	503	-	11,870
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	167,132
0031	Guidance, Counseling and Evaluation Services	-	-	-	73,906
0033	Health Services	-	-	-	270
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	544	330,735
0041	General Administration	-	-	-	7,081
0051	Facilities Maintenance and Operations	-	-	-	4,200
0052	Security and Monitoring Services	-	-	-	924
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030	Total Expenditures	-	503	2,108	769,731
1200	Net Change in Fund Balance	-	(503)	(915)	108,255
0100	Fund Balance - July 1 (Beginning)	9,680	503	4,533	535,948
3000	Fund Balance - June 30 (Ending)	\$ 9,680	\$ -	\$ 3,618	\$ 644,203

Total Nonmajor Special Revenue Funds	699 Capital Projects Fund	Total Nonmajor Governmental Funds
\$ 3,194,597	\$ 7,729	\$ 3,202,326
1,136,010	-	1,136,010
2,795,167	-	2,795,167
<u>7,125,774</u>	<u>7,729</u>	<u>7,133,503</u>
2,508,162	179,295	2,687,457
32,461	-	32,461
119,040	-	119,040
1,349	-	1,349
167,132	-	167,132
271,039	-	271,039
53,949	-	53,949
4,030	-	4,030
3,450,493	-	3,450,493
331,279	-	331,279
7,081	-	7,081
4,200	-	4,200
924	78,272	79,196
77,546	-	77,546
<u>7,028,685</u>	<u>257,567</u>	<u>7,286,252</u>
97,089	(249,838)	(152,749)
<u>561,516</u>	<u>1,600,660</u>	<u>2,162,176</u>
<u>\$ 658,605</u>	<u>\$ 1,350,822</u>	<u>\$ 2,009,427</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 JUNE 30, 2016

	806 Smith Elementary Scholarship	816 Board of Trustees Scholarship	Total Private Purpose Trust Funds
ASSETS			
Cash and Cash Equivalents	\$ 7,184	\$ 2,267	\$ 9,451
Total Assets	<u>7,184</u>	<u>2,267</u>	<u>9,451</u>
NET POSITION			
Restricted for Other Purposes	<u>7,184</u>	<u>2,267</u>	<u>9,451</u>
Total Net Position	<u>\$ 7,184</u>	<u>\$ 2,267</u>	<u>\$ 9,451</u>

FORNEY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE PURPOSE TRUST FUNDS
 FOR THE YEAR ENDED JUNE 30, 2016

	806 Smith Elementary Scholarship	816 Board of Trustees Scholarship	Total Private Purpose Trust Funds
ADDITIONS:			
Local and Intermediate Sources	\$ 9,140	\$ -	\$ 9,140
Total Additions	<u>9,140</u>	<u>-</u>	<u>9,140</u>
DEDUCTIONS:			
Other Operating Costs	<u>6,965</u>	<u>-</u>	<u>6,965</u>
Total Deductions	<u>6,965</u>	<u>-</u>	<u>6,965</u>
Change in Net Position	2,175	-	2,175
Total Net Position - July 1 (Beginning)	<u>5,009</u>	<u>2,267</u>	<u>7,276</u>
Total Net Position - June 30 (Ending)	<u>\$ 7,184</u>	<u>\$ 2,267</u>	<u>\$ 9,451</u>

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REQUIRED T.E.A. SCHEDULES

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED JUNE 30, 2016

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040000	0.380000	2,186,360,493
2009	1.040000	0.420000	2,340,032,940
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 (School year under audit)	1.040000	0.500000	2,619,751,558
1000 TOTALS			
	Penalty and interest receivable on taxes		
	Total taxes received per Exhibit C-1		

(10) Beginning Balance 7/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2016
\$ 40,391	\$ -	\$ (5,113)	\$ (734)	\$ (9,414)	\$ 36,824
28,069	-	1,365	499	-	26,205
49,624	-	4,375	1,767	(438)	43,044
47,666	-	4,276	1,891	(1,148)	40,351
47,132	-	78,029	34,513	103,581	38,171
50,009	-	75,744	33,502	98,318	39,081
48,868	-	65,502	31,492	77,151	29,025
87,572	-	78,041	37,520	72,133	44,144
388,741	-	228,970	110,082	31,544	81,233
-	40,344,174	26,842,914	12,905,246	(198,302)	397,712
<u>\$ 788,072</u>	<u>\$ 40,344,174</u>	<u>\$ 27,374,103</u>	<u>\$ 13,155,778</u>	<u>\$ 173,425</u>	<u>775,790</u>
					326,520
					<u>\$ 1,102,310</u>

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, 2016

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	\$ 2,504,550	\$ 2,504,550	\$ 2,316,611	\$ (187,939)
5800 State Program Revenues	85,000	85,000	88,407	3,407
5900 Federal Program Revenues	1,156,530	1,170,950	1,045,271	(125,679)
5020 Total Revenues	3,746,080	3,760,500	3,450,289	(310,211)
EXPENDITURES:				
0035 Food Services	3,746,080	3,760,500	3,450,493	310,007
6030 Total Expenditures	3,746,080	3,760,500	3,450,493	310,007
1200 Net Change in Fund Balances	-	-	(204)	(204)
0100 Fund Balance - July 1 (Beginning)	204	204	204	-
3000 Fund Balance - June 30 (Ending)	\$ 204	\$ 204	\$ -	\$ (204)

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, 2016

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	\$ 13,210,756	\$ 13,210,756	\$ 13,244,535	\$ 33,779
5800	State Program Revenues	2,540,005	3,099,362	3,116,094	16,732
5020	Total Revenues	15,750,761	16,310,118	16,360,629	50,511
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	2,165,577	2,165,577	2,165,577	-
0072	Interest on Long Term Debt	9,450,261	9,450,261	9,450,261	-
0073	Bond Issuance Cost and Fees	35,000	242,885	212,830	30,055
6030	Total Expenditures	11,650,838	11,858,723	11,828,668	30,055
1100	Excess of Revenues Over Expenditures	4,099,923	4,451,395	4,531,961	80,566
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	14,485,000	14,485,000	-
7916	Premium or Discount on Issuance of Bonds	-	1,959,093	1,959,093	-
8949	Other (Uses)	-	(16,236,208)	(16,233,290)	2,918
7080	Total Other Financing Sources (Uses)	-	207,885	210,803	2,918
1200	Net Change in Fund Balances	4,099,923	4,659,280	4,742,764	83,484
0100	Fund Balance - July 1 (Beginning)	7,076,313	7,076,313	7,076,313	-
3000	Fund Balance - June 30 (Ending)	\$ 11,176,236	\$ 11,735,593	\$ 11,819,077	\$ 83,484

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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, 2016, 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 23, 2016

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 23, 2016

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

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

Report on Compliance for Each Major Federal Program

We have audited Forney Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Forney Independent School District's major federal programs for the year ended June 30, 2016. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Hankins, Eastup, Deaton, Tonn & Seay

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

September 23, 2016

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

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 under Section .510(a)2-7 of OMB Circular A-133: No
7. Major programs include:

Child Nutrition Cluster:
CFDA 10.553 School Breakfast Program
CFDA 10.555 National School Lunch Program

CFDA 84.010A ESEA, Title I, Part A – Improving Basic Programs
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, 2016

Finding 2015-001: For fiscal year 2015, the District's calculation showed the District underspent its Career and Technology program allotment.

Status: Based on preliminary calculations of allocated expenditures, the District spent the required amount of its fiscal year 2016 Career and Technology program allotment.

FORNEY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016

CORRECTIVE ACTION PLAN

None required.

FORNEY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016

(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	15610101057950	\$ 75,336
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16610101057950	315,909
Total CFDA Number 84.010A			391,245
Career and Technical - Basic Grant	84.048	16420006057950	50,744
Title III, Part A - English Language Acquisition	84.365A	15671001057950	2,705
Title III, Part A - English Language Acquisition	84.365A	16671001057950	37,299
Total CFDA Number 84.365A			40,004
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501057950	20,764
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16694501057950	54,214
Total CFDA Number 84.367A			74,978
Total Passed Through Region 10 Education Service Center			\$ 556,971
<u>Passed Through State Department of Education</u>			
*IDEA - Part B, Formula	84.027	156600011299026000	\$ 19,172
*IDEA - Part B, Formula	84.027	166600011299026000	1,090,974
Total CFDA Number 84.027			1,110,146
*IDEA - Part B, Preschool	84.173	156610011299026610	3,609
*IDEA - Part B, Preschool	84.173	166610011299026610	2,703
Total CFDA Number 84.173			6,312
Total Special Education Cluster (IDEA)			1,116,458
Summer School LEP	84.369A	69551502	3,365
Total Passed Through State Department of Education			\$ 1,119,823
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 1,676,794
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Region 10 Education Service Center</u>			
Head Start	93.600	06CH7092	\$ 73,102
Total Passed Through Region 10 Education Service Center			\$ 73,102
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 73,102
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401601	\$ 221,965
*National School Lunch Program - Cash Assistance	10.555	71301601	905,737
*National School Lunch Prog. - Non-Cash Assistance	10.555	71301601	172,159
Total CFDA Number 10.555			1,077,896
Total Child Nutrition Cluster			1,299,861
Total Passed Through the State Department of Agriculture			\$ 1,299,861
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 1,299,861
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,049,757

*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, 2016

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, 2016, 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 \$623,737 of School Health and Related Services (SHARS) payments, \$68,701 of E-rate reimbursements, and \$68,016 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.