

**FORNEY  
INDEPENDENT SCHOOL DISTRICT**

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED JUNE 30, 2013*

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Forney Independent School District  
Annual Financial Report  
For The Year Ended June 30, 2013

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Forney Independent School District  
Annual Financial Report  
For The Year Ended June 30, 2013

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## *Introductory Section*

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, 2013, at a meeting of the board of trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

## *Financial Section*

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forney Independent School District (the "District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); 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 ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with GAAP.

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

As discussed in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* as of June 30, 2013. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

GAAP require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 34 through 36 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, and the TEA required schedules, except for those marked "unaudited" for which we express no opinion or provide any assurance, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the TEA required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

*Whitley Penn LLP*

Houston, Texas  
October 10, 2013

## *Management's Discussion and Analysis*

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## **FORNEY INDEPENDENT SCHOOL DISTRICT**

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

As management of the Forney Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2013.

#### **Financial Highlights**

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by (\$70,856,365) (*deficit net assets*).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,674,272 an increase of \$5,729,520 in comparison with the prior year. The increase in governmental fund balances was primarily due to the increase in the general fund balance of \$4,734,254.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,283,459 or 2.4 percent of total general fund expenditures.
- The District's total bonded debt decreased, net, by \$1,825,186 during the current fiscal year.

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

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

#### **Government-wide financial statements**

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

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets 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 assets 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 Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Services, Co-curricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Acquisition and Construction, and Appraisal District Fees.

The government-wide financial statements can be found on pages 12 through 13 of this report.

## **FORNEY INDEPENDENT SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

#### **Fund financial statements**

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

#### **Governmental funds**

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

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

The District maintains twenty-nine 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, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other twenty-six 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 14 through 19 of this report.

#### **Fiduciary fund**

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

The basic fiduciary fund financial statements can be found on pages 18-19 of this report.

#### **Notes to 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 20 through 33 of this report.

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

**Required supplementary information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The required supplementary information can be found on pages 34 through 36 of this report.

**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 37 through 53 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities exceeded assets by (\$70,856,365) at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., capitalized bond and debt issuance costs, land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets, amounted to (\$73,537,987). 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 themselves cannot be used to liquidate these liabilities.

**Forney Independent School District's Net Assets**

	Governmental Activities	
	2013	2012
Current and other assets	\$ 32,967,360	\$ 29,317,990
Capital and non current assets	227,952,494	232,900,715
<b>Total Assets</b>	<b>260,919,854</b>	<b>262,218,705</b>
Current liabilities	24,439,553	26,641,252
Long term liabilities	307,336,666	307,100,454
<b>Total Liabilities</b>	<b>331,776,219</b>	<b>333,741,706</b>
<b>Net Assets</b>		
Invested in capital assets net of related debt	(73,537,987)	(51,289,957)
Unrestricted	2,681,622	(20,233,044)
<b>Total Net Assets</b>	<b>\$ (70,856,365)</b>	<b>\$ (71,523,001)</b>

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

**Forney Independent School District's Changes in Net Assets**

	Governmental Activities	
	<b>2013</b>	<b>2012</b>
<b>Program Revenues</b>		
Charges for services	\$ 3,011,317	\$ 2,941,754
Operating grants	5,775,074	7,705,419
<b>General Revenues</b>		
Property taxes	35,904,304	34,442,655
State aid grants	28,538,995	29,626,820
Interest earnings	42,898	61,118
Miscellaneous	4,251,887	2,225,281
<b>Total Revenues</b>	<u>77,524,475</u>	<u>77,003,047</u>
<b>Expenses</b>		
Instruction	35,234,117	36,240,760
Instructional resources and media services	732,549	734,816
Curriculum and staff development	1,363,565	1,822,852
Instructional leadership	518,251	632,321
School leadership	3,935,092	4,395,896
Guidance, counseling, and evaluation services	2,214,617	2,264,268
Health services	890,439	1,010,338
Student transportation	2,012,260	2,044,213
Food service	3,910,541	4,029,736
Extracurricular activities	2,350,899	2,407,244
General administration	2,169,683	2,439,215
Facilities maintenance and operations	6,881,067	8,675,669
Security and monitoring services	502,891	430,490
Data processing services	1,366,444	1,453,219
Community services	4,558	6,289
Interest on long-term debt	12,193,389	14,685,126
Bond issuance costs and fees	165,594	233,864
Capital Outlay		9,213
Payments to Shared Services Arrangements	28,814	49,901
Payments to appraisal district	431,669	433,606
<b>Total Expenses</b>	<u>76,906,439</u>	<u>83,999,036</u>
Increase (Decrease) in Net Assets	618,036	(6,995,989)
<b>Beginning net assets</b>	(71,523,001)	(45,771,747)
Prior period adjustment	48,600	(18,755,265)
<b>Ending Net Assets</b>	<u>\$ (70,856,365)</u>	<u>\$(71,523,001)</u>



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

**Governmental activities**

Governmental activities increased the District's net assets by \$618,036. Key elements of this increase are as follows:

Revenues are generated primarily from two sources – state aid grants and operating grants and contributions (\$34,314,069) and property taxes (\$35,904,304). The remaining sources include charges for services, investment earnings, and miscellaneous revenues (\$7,306,102). Slightly higher property tax revenues were the result of the District's net assessed appraisal values increasing by one percent from the previous year.

The primary functional expense of the District is instruction (\$35,234,117), which represents 46 percent of total expenses. Plant maintenance and operations (\$6,881,067) represents nine percent of total expenses. Interest on long-term debt (\$12,193,389) also represents 16 percent of total expenses of the District. The remaining individual functional categories of expenses are each less than 5.2 percent of total expenses.

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

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

**Governmental funds**

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$9,674,272, an increase of \$5,729,520 in comparison with the prior year. The increase in ending governmental fund balances is primarily due to the Board of Trustees and Superintendent leadership in reducing expenses while minimizing any impact on the classroom.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, fund balance of the general fund was \$1,283,459. A balance of \$1,161,918 is classified as unassigned fund balance and a balance of \$121,541 is identified as non-spendable fund balance to reflect the prepaid items balance (see page 14).

The fund balance of the District's general fund increased by \$4,734,254 during the current fiscal year primarily due to the budget reductions made by the Board and management.

The debt service fund has a total fund balance of \$5,328,800 all of which is restricted for the retirement of long-term debt. The net increase in the debt service fund balance during the current year of \$1,974,606 was planned by management to ensure adequate reserves exist to meet August bond obligations.

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

The capital projects fund has a total, restricted fund balance of \$2,560,847. The net decrease in fund balance during the current year of \$1,022,873 was primarily due to the start and completion of the sewer construction project.

**General Fund Budgetary Highlights**

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

	<u>Appropriations</u>
Original	\$ 54,971,061
Final	55,750,000
<b>Total appropriations increase</b>	<u><u>\$ 778,939</u></u>

The review of the final amended budget versus actual for the general fund reflected that revenues were slightly more than budgetary estimates (\$198,350) and expenditures were less than budgetary estimates (\$1,936,784). See pages 34-35 for Exhibit G-1 *Budgetary Comparison Schedule*.

**Capital Assets and Long-term Liabilities**

**Capital assets**

The District's investment in capital assets for its governmental type activities as of June 30, 2013, amounts to \$227,952,492 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The total increase in the District's investment in capital assets for the current fiscal year was less than one percent.

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance June 30, 2013</b>
Land	\$ 4,744,822	\$	\$	\$ 4,744,822
Construction in progress	4,744,822	-	-	4,744,822
Buildings and improvements	276,074,479	1,954,327		278,028,806
Furniture and equipment	2,334,078	160,032	12,460	2,481,650
Capital leases	1,094,200			1,094,200
Vehicles	4,458,738	55,285		4,514,023
	283,961,495	2,169,644	12,460	286,118,679
Less accumulated depreciation for:				
Buildings and improvements	(49,887,479)	(6,567,800)		(56,455,279)
Furniture and equipment	(1,686,301)	(218,248)	(7,476)	(1,897,073)
Capital leases	(271,818)	(109,419)		(381,237)
Vehicles	(3,911,402)	(266,018)		(4,177,420)
	(55,757,000)	(7,161,485)	(7,476)	(62,911,009)
<b>Governmental Capital Assets</b>	<b>\$ 232,949,317</b>	<b>\$ (4,991,841)</b>	<b>\$ 4,984</b>	<b>\$ 227,952,492</b>

Additional information on the District's capital assets can be found in note D on page 26 in the notes to the financial statements.

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

**Long-term liabilities**

At the end of the current fiscal year, the District had \$283,583,304 in bonded debt outstanding, a net decrease of \$1,825,186 over the previous year. The District's bonds are sold with a "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "BBB+ positive outlook" and from Fitch is "BBB stable outlook" for general obligation debt.

Changes to long-term debt, for the year ended June 30, 2013, are as follows:

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2013</b>
General obligation bonds	\$ 285,408,490	\$ 9,344,461	\$ (11,169,647)	\$ 283,583,304
Loans payable	1,300,000		(260,000)	1,040,000
Capital lease payable	794,313	584,658	(794,313)	584,658
For issuance premium/discounts	3,619,271	232,431	(209,587)	3,642,115
Gain or loss on refunding bonds	(716,241)	(3,408,496)	209,072	(3,915,665)
Accreted interest on premium compound interest bonds	16,694,441	6,314,744	(606,930)	22,402,255
	<b>\$ 307,100,274</b>	<b>\$ 13,067,798</b>	<b>\$ (12,831,405)</b>	<b>\$ 307,336,667</b>

Additional information on the District's long-term liabilities can be found in note G, on pages 27 through 29 of the notes to the financial statements.

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

The 2013-2014 general fund budget was largely affected by the 83<sup>rd</sup> Texas Legislative Session. The Legislature convened in its 83<sup>rd</sup> Regular Session (the "Regular Session") on January 8, 2013, and ending the Regular Session May 27, 2013. Three Special Sessions were called as well and ultimately the 2013 Legislative session concluded August 5, 2013. During the 83<sup>rd</sup> Session, the Legislature enacted a budget that added \$3.4 billion to formula funding (keep in mind that the 82<sup>nd</sup> Session reduced public school state funding by approximately \$5.2 billion for the 2011-2013 State fiscal biennium). The additional funding includes an increase in the basic allotment from \$4,765 to \$4,950 in 2013-14 and \$5,040 in 2014-15. More school districts were moved to the formula system and away from the target revenue system. The additional funding was not provided back to the school districts in the manner it was taken away so some school districts received more than what was cut in the previous biennium and some school districts only received a fraction of what was taken from their classrooms.

Other bills of importance can primarily be narrowed down to Senate Bill 1458. This omnibus TRS bill was enacted to make the pension fund "actuarially" sound with a 31-year funding period to ensure the continuation of a defined benefit pension system and provide a Cost of Living Adjustment (COLA) retirees prior to 2004. Unfortunately, this will come at a cost to school districts and public education employees for years to come as the employee contribution rate will steadily increase from 6.4% to 7.7% over the next few years. In addition, a 1.5% penalty (on total salaries) now exists for school districts not contributing to Social Security. While this penalty does not become effective until 2014-15 (and is funded for that year), it is likely this penalty will impact Public Education greatly in the future.

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

As a result of the additional funding, the District made several minor changes to staffing, programs and services for 2013-2014. The most notable changes are listed below:

- State aid was increased by \$2.7 million in 2013-14 and another \$1.1 million in 2014-15
- Prudent and efficient use of funds may result in less K-4 classroom waivers
- General Fund revenues are expected to be \$59.7 million
- General Fund expenditures are expected to be \$56.7 million

The District has seen an increase in enrollment from 8,500 to 8,650 students. The taxable base increased by two percent and that combined tax rate remained constant at \$1.54 (\$1.04 for Maintenance and Operations and \$0.50 for Interest and Sinking). Minor changes were made to the salary scales and a two percent pay raise was provided.

The District has a 5-year equal repayment plan with the Agency for prior overfunding resulting from the 2010-11 fiscal year. The first payment was spread throughout the 2011-12 fiscal year and the final payment will be spread throughout the 2015-16 fiscal year. Please see page 33 for more details.

**Requests for Information**

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

## *Basic Financial Statements*

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

Data Control Codes		1	
		Governmental Activities	
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	22,407,638
1225	Property Taxes Receivable (Net)		962,551
1240	Due from Other Governments		6,322,390
1290	Other Receivables (Net)		3,381
1410	Prepaid Items		121,541
1420	Capitalized Bond and Other Debt Issuance Costs		3,149,859
Capital Assets:			
1510	Land		4,744,822
1520	Buildings and Improvements, Net		221,573,529
1530	Furniture and Equipment, Net		921,180
1550	Capital Lease Assets, Net		712,963
1000	Total Assets		260,919,854
<b>LIABILITIES:</b>			
2110	Accounts Payable		751,490
2140	Interest Payable		5,258,875
2165	Accrued Liabilities		4,268,876
2190	Due to Student Groups		250
2300	Unearned Revenue		14,160,062
Noncurrent Liabilities:			
2501	Due Within One Year		4,347,697
2502	Due in More Than One Year		302,988,969
2000	Total Liabilities		331,776,219
<b>NET POSITION</b>			
3200	Net Investment in Capital Assets		(73,537,987)
3900	Unrestricted		2,681,622
3000	Total Net Position	\$	(70,856,365)

The accompanying notes are an integral part of this statement.

## FORNEY INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

		1	3	4	Net (Expense) Revenue and Changes in Net Position
			Program Revenues		
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 35,234,117	\$ 91,549	\$ 3,111,430	\$ (32,031,138)
12	Instructional Resources and Media Services	732,549	16,372	38,415	(677,762)
13	Curriculum and Staff Development	1,363,565	--	147,432	(1,216,133)
21	Instructional Leadership	518,251	--	30,005	(488,246)
23	School Leadership	3,935,092	13,748	225,490	(3,695,854)
31	Guidance, Counseling, & Evaluation Services	2,214,617	--	305,526	(1,909,091)
33	Health Services	890,439	--	82,942	(807,497)
34	Student Transportation	2,012,260	145	111,314	(1,900,801)
35	Food Service	3,910,541	2,316,018	975,692	(618,831)
36	Cocurricular/Extracurricular Activities	2,350,899	573,458	111,083	(1,666,358)
41	General Administration	2,169,683	--	119,621	(2,050,062)
51	Plant Maintenance and Operations	6,881,067	27	390,168	(6,490,872)
52	Security and Monitoring Services	502,891	--	27,651	(475,240)
53	Data Processing Services	1,366,444	--	69,264	(1,297,180)
61	Community Services	4,558	--	227	(4,331)
72	Interest on Long-term Debt	12,193,389	--	--	(12,193,389)
73	Bond Issuance Costs and Fees	165,594	--	--	(165,594)
93	Payments Related to Shared Services Arrangements	28,814	--	28,814	--
99	Other Intergovernmental Charges	431,669	--	--	(431,669)
TG	Total Governmental Activities	76,906,439	3,011,317	5,775,074	(68,120,048)
TP	Total Primary Government	\$ 76,906,439	\$ 3,011,317	\$ 5,775,074	(68,120,048)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				24,261,789
DT	Property Taxes, Levied for Debt Service				11,642,515
IE	Investment Earnings				42,898
GC	State Aid Formula Grants				28,538,995
MI	Miscellaneous				4,251,887
TR	Total General Revenues				68,738,084
CN	Change in Net Position				618,036
NB	Net Position - Beginning				(71,523,001)
PA	Prior Period Adjustment				48,600
	Net Position - Beginning, as Restated				(71,474,401)
NE	Net Position - Ending				\$ (70,856,365)

The accompanying notes are an integral part of this statement.

**FORNEY INDEPENDENT SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

JUNE 30, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 <i>Cash and Cash Equivalents</i>	\$ 9,636,516	\$ 9,442,658	\$ 3,328,464	\$ 22,407,638
1225 <i>Taxes Receivable, Net</i>	667,438	295,113	--	962,551
1240 <i>Due from Other Governments</i>	5,962,137	--	360,253	6,322,390
1260 <i>Due from Other Funds</i>	1,500	--	--	1,500
1290 <i>Other Receivables</i>	3,381	--	--	3,381
1410 <i>Prepaid Items</i>	121,541	--	--	121,541
1000 <b>Total Assets</b>	<u>16,392,513</u>	<u>9,737,771</u>	<u>3,688,717</u>	<u>29,819,001</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 <i>Accounts Payable</i>	\$ 518,230	\$ --	\$ 233,260	\$ 751,490
2160 <i>Accrued Wages Payable</i>	3,961,585	--	307,291	4,268,876
2170 <i>Due to Other Funds</i>	--	1,500	250	1,750
2300 <i>Deferred Revenue</i>	10,629,239	4,407,471	85,903	15,122,613
2000 <b>Total Liabilities</b>	<u>15,109,054</u>	<u>4,408,971</u>	<u>626,704</u>	<u>20,144,729</u>
<b>FUND BALANCES:</b>				
Nonspendable Fund Balances:				
3430 <i>Prepaid Items</i>	121,541	--	--	121,541
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	10,615	10,615
3470 <i>Capital Acquisitions &amp; Contractual Obligations</i>	--	--	2,560,847	2,560,847
3480 <i>Retirement of Long-Term Debt</i>	--	5,328,800	--	5,328,800
Committed Fund Balances:				
3545 <i>Other Committed Fund Balance</i>	--	--	490,551	490,551
3600 <i>Unassigned</i>	1,161,918	--	--	1,161,918
3000 <b>Total Fund Balances</b>	<u>1,283,459</u>	<u>5,328,800</u>	<u>3,062,013</u>	<u>9,674,272</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ 16,392,513</u>	<u>\$ 9,737,771</u>	<u>\$ 3,688,717</u>	<u>\$ 29,819,001</u>

The accompanying notes 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, 2013*

Total fund balances - governmental funds balance sheet	\$ 9,674,272
--	--------------

Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not reported in the funds.	227,952,494
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	962,551
Payables for bond principal which are not due in the current period are not reported in the funds.	(283,583,304)
Payables for capital leases which are not due in the current period are not reported in the funds.	(584,657)
Payables for bond interest which are not due in the current period are not reported in the funds.	(5,258,875)
Payables for notes which are not due in the current period are not reported in the funds.	(1,040,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(22,128,705)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	<u>3,149,859</u>

Net position of governmental activities - Statement of Net Position	\$ <u>(70,856,365)</u>
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The accompanying notes are an integral part of this statement.

**FORNEY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS****FOR THE YEAR ENDED JUNE 30, 2013**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 27,690,644	\$ 11,588,171	\$ 2,743,129	\$ 42,021,944
5800 <i>State Program Revenues</i>	28,918,531	1,911,825	222,614	31,052,970
5900 <i>Federal Program Revenues</i>	964,175	--	2,296,924	3,261,099
5020 <b>Total Revenues</b>	<b>57,573,350</b>	<b>13,499,996</b>	<b>5,262,667</b>	<b>76,336,013</b>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	30,073,790	--	1,374,226	31,448,016
0012 <i>Instruction Resources and Media Services</i>	632,076	--	21,531	653,607
0013 <i>Curriculum and Staff Development</i>	1,090,324	--	89,828	1,180,152
0021 <i>Instructional Leadership</i>	435,905	--	1,641	437,546
0023 <i>School Leadership</i>	3,623,445	--	68,801	3,692,246
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	1,780,012	--	198,524	1,978,536
0033 <i>Health Services</i>	787,463	--	34,664	822,127
0034 <i>Student Transportation</i>	1,788,724	--	243	1,788,967
0035 <i>Food Service</i>	--	--	3,303,327	3,303,327
0036 <i>Cocurricular/Extracurricular Activities</i>	1,785,021	--	184,100	1,969,121
0041 <i>General Administration</i>	1,922,216	--	6,059	1,928,275
0051 <i>Plant Maintenance and Operations</i>	7,371,842	--	51,379	7,423,221
0052 <i>Security and Monitoring Services</i>	444,349	--	111,327	555,676
0053 <i>Data Processing Services</i>	1,113,018	--	109,206	1,222,224
0061 <i>Community Services</i>	3,649	--	--	3,649
0071 <i>Principal on Long-term Debt</i>	469,656	1,710,000	--	2,179,656
0072 <i>Interest on Long-term Debt</i>	60,057	9,534,430	--	9,594,487
0073 <i>Bond Issuance Costs and Fees</i>	--	954,451	--	954,451
0081 <i>Facilities, Acquisition &amp; Construction</i>	--	--	668,552	668,552
0093 <i>Payments to Shared Service Arrangements</i>	--	--	28,814	28,814
0099 <i>Other Intergovernmental Charges</i>	431,669	--	--	431,669
6030 <b>Total Expenditures</b>	<b>53,813,216</b>	<b>12,198,881</b>	<b>6,252,222</b>	<b>72,264,319</b>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	<b>3,760,134</b>	<b>1,301,115</b>	<b>(989,555)</b>	<b>4,071,694</b>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	9,344,461	--	9,344,461
7912 <i>Sale of Real or Personal Property</i>	994,010	--	10,215	1,004,225
7913 <i>Issuance of Capital Leases</i>	584,658	--	--	584,658
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	4,076,131	--	4,076,131
7949 <i>Other Resources</i>	--	5,851	--	5,851
8949 <i>Other Uses</i>	(604,548)	(12,752,952)	--	(13,357,500)
7080 <b>Total Other Financing Sources and (Uses)</b>	<b>974,120</b>	<b>673,491</b>	<b>10,215</b>	<b>1,657,826</b>
1200 <b>Net Change in Fund Balances</b>	<b>4,734,254</b>	<b>1,974,606</b>	<b>(979,340)</b>	<b>5,729,520</b>
0100 <b>Fund Balances - Beginning</b>	<b>(3,450,795)</b>	<b>3,354,194</b>	<b>4,041,353</b>	<b>3,944,752</b>
3000 <b>Fund Balances - Ending</b>	<b>\$ 1,283,459</b>	<b>\$ 5,328,800</b>	<b>\$ 3,062,013</b>	<b>\$ 9,674,272</b>

The accompanying notes are an integral part of this statement.

**FORNEY INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013*

Net change in fund balances - total governmental funds	\$ 5,729,520
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Amounts reported for governmental activities in the Statement of Activities  
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	2,169,644
The depreciation of capital assets used in governmental activities is not reported in the funds.	(7,161,485)
The gain or loss on the sale of capital assets is not reported in the funds.	(4,984)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	189,218
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,710,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	209,656
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	260,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	3,489,712
The accretion of interest and maturity on capital appreciation bonds is not reported in the funds.	(5,707,814)
(Increase) decrease in accrued interest from beginning of period to end of period.	(265,434)
Rounding difference	3

Change in net position of governmental activities - Statement of Activities	<u>\$ 618,036</u>
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The accompanying notes are an integral part of this statement.

**FORNEY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****JUNE 30, 2013**

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Forney ISD Board of Trustees Scholarship Fund	Student Activity
<b>ASSETS:</b>			
1110	<i>Cash and Cash Equivalents</i>	\$ 8,639	\$ 286,699
1260	<i>Due from Other Funds</i>	--	250
1000	Total Assets	<u>8,639</u>	<u>286,949</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	<i>Accounts Payable</i>	\$ --	\$ 2,800
2190	<i>Due to Student Groups</i>	--	284,149
2000	Total Liabilities	<u>--</u>	<u>286,949</u>
<b>NET POSITION:</b>			
3800	<i>Held in Trust</i>	8,639	--
3000	Total Net Position	<u>\$ 8,639</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

**FORNEY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****FOR THE YEAR ENDED JUNE 30, 2013**

	Forney ISD Board of Trustees Scholarship Fund
<b>Additions:</b>	
Donations	\$ 12,373
Fundraisers	--
Miscellaneous Revenue	--
Total Additions	<u>12,373</u>
<b>Deductions:</b>	
Scholarship Awards	--
Fundraiser Expenses	--
Other Operating Expenses	3,734
Increase in Due to Student Groups	--
Total Deductions	<u>3,734</u>
<b>Change in Net Position</b>	<b>8,639</b>
Net Position-Beginning of the Year	--
Net Position-End of the Year	<u><u>\$ 8,639</u></u>

The accompanying notes are an integral part of this statement.

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**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.61, and there are no component units included within the reporting entity.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

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

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

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

The District reports the following major governmental funds:

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

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

In addition, the District reports the following fund types:

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

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

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

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

**b. Measurement Focus, Basis of Accounting**

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

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**3. Financial Statement Amounts**

**a. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property 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.



# FORNEY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

b. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

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

d. Receivable and Payable Balances

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

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

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control Codes

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

# FORNEY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

### h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation. Campus activity fund balances are included in this category.

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

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

When an expenditure is incurred for a purpose 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.

### i. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

## B. Compliance and Accountability

### 1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

## FORNEY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

#### 2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

#### C. 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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$22,702,978 and the bank balance was \$3,925,236. The District's cash deposits at June 30, 2013 and during the year ended June 30, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

##### 2. Investments:

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

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

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

The District's investments at June 30, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Fair Value</u>	<u>WAM (Days)</u>
LOGIC	\$ 787,883	57
Texas Class	5,789,444	50
Texpool	9,597,153	52
Total Investments	<u>\$ 16,174,480</u>	

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk as balances in Texpool, LOGIC, and MBIA/Texas Class, privately managed public funds investment pools, were rated AAAM by Standard & Poor's

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

# FORNEY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

### Public Funds Investment Pools

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

### D. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 4,744,822	\$ --	\$ --	\$ 4,744,822
Total capital assets not being depreciated	4,744,822	--	--	4,744,822
<i>Capital assets being depreciated:</i>				
Buildings and improvements	276,074,479	1,954,327	--	278,028,806
Equipment	2,334,078	160,032	12,460	2,481,650
Capital leases	1,094,200	--	--	1,094,200
Vehicles	4,458,738 *	55,285	--	4,514,023
Total capital assets being depreciated	283,961,495	2,169,644	12,460	286,118,679
Less accumulated depreciation for:				
Buildings and improvements	(49,887,479)	(6,567,800)	--	(56,455,279)
Equipment	(1,686,301)	(218,248)	(7,476)	(1,897,073)
Capital leases	(271,818)	(109,419)	--	(381,237)
Vehicles	(3,911,402)	(266,018)	--	(4,177,420)
Total accumulated depreciation	(55,757,000)	(7,161,485)	(7,476)	(62,911,009)
Total capital assets being depreciated, net	228,204,495	(4,991,841)	4,984	223,207,670
Governmental activities capital assets, net	\$ 232,949,317	\$ (4,991,841)	\$ 4,984	\$ 227,952,492

\* Includes prior period adjustment

Depreciation was charged to functions as follows:

Instruction	\$ 3,856,749
Instructional Resources and Media Services	78,942
Curriculum and Staff Development	183,413
Instructional Leadership	60,815
School Leadership	242,846
Guidance, Counseling, & Evaluation Services	236,081
Health Services	68,312
Student Transportation	223,293
Food Services	607,214
Extracurricular Activities	395,060
General Administration	241,408
Plant Maintenance and Operations	743,622
Security and Monitoring Services	55,493
Data Processing Services	167,328
Community Services	909
	<u>\$ 7,161,485</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at June 30, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Debt Service Fund	\$ 1,500	Incorrect coding of bond fees
Student Activity Fund	Other Governmental Fund	250	Incorrect transfer of funds

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

There were no transfer to and from other funds during the fiscal year ending June 30, 2013.

**F. Short-Term Debt Activity**

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

During the fiscal year ended June 30, 2013, there were no short-term debt issuances.

**G. Long-Term Obligations**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, 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.

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 285,408,490	\$ 9,344,461	\$ 11,169,647	\$ 283,583,304	\$ 1,976,599
Capital leases	794,313	584,658	794,313	584,658	86,098
Notes	1,300,000	--	260,000	1,040,000	260,000
Less deferred amounts:					
For issuance premiums / discounts	3,619,271	232,431	209,587	3,642,115	--
Gain or loss on refunding bonds	(716,241)	(3,408,496)	(209,072)	(3,915,665)	--
Accreted interest on premium compound interest bonds	16,694,441	6,314,744	606,930	22,402,255	2,025,000
Total governmental activities	\$ 307,100,274	\$ 13,067,798	\$ 12,831,405	\$ 307,336,667	\$ 4,347,697

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**2. Debt Service Requirements**

Debt service requirements on long-term debt at June 30, 2013, are as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 1,976,599	\$ 13,058,290	\$ 15,034,889
2015	5,123,345	12,477,534	17,600,879
2016	5,849,769	13,040,958	18,890,727
2017	6,868,801	12,289,919	19,158,720
2018	7,803,753	12,730,318	20,534,071
2019-2023	46,685,858	63,552,955	110,238,813
2024-2028	46,551,425	61,905,661	108,457,086
2029-2033	65,276,034	39,380,442	104,656,476
2034-2038	83,562,035	26,791,916	110,353,951
2039-2043	13,885,685	21,709,356	35,595,041
Totals	\$ 283,583,304	\$ 276,937,349	\$ 560,520,653

A portion of the bonds sold in schoolhouse building bond 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 significant features of the individual bonds, by issue:

Bond Series	Accreted Value	Principal	Accreted Interest	Maturity Value	Maturity Dates
2000	\$ 8,145,022	\$ 3,289,945	\$ 4,855,077	\$ 14,175,000	2014-2025
2006D	616,961	6,684	610,277	1,490,000	2013
2007A	1,145,644	574,993	570,651	1,260,000	2015
2008	3,943,865	1,394,973	2,548,892	7,650,000	2015-2030
2008A	6,219,542	519,855	5,699,687	10,435,000	2013-2027
2009	331,801	110,000	221,801	345,000	2013
2009-Ref	189,275	115,000	74,275	190,000	2013
2010	4,403,618	2,854,964	1,548,654	6,155,000	2017-2026
2011	17,235,316	15,199,003	2,036,313	18,030,000	2017-2041
2012	8,161,089	3,924,461	4,236,628	28,500,000	2032-2039
Totals	\$ 50,392,133	\$ 27,989,878	\$ 22,402,255	\$ 88,230,000	

**3. Capital Leases**

The District is obligated under two capital leases for the purchase of school buses. The following schedule lists personal property leased:

Capital Lease Details	Interest Rate	Date of Agreement	Original Property Value
City Bank	3.75%	11/28/2012 #	\$ 529,801
American National Bank	3.75%	06/30/2010 *	564,399

# Agreement was the result of refinancing the Capital One agreement originally issued on May 21, 2009

\* Agreement was refinanced on November 28, 2012

The City Bank capital lease requires annual payments on January 15th in the amount of \$52,141.11 and the final installment of \$46,711.30 is on January 15, 2018.

The American National Bank capital lease requires annual payments on July 1st in the amount of \$51,748.79 and the final installment is on July 1, 2020.

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of June 30, 2013, as follows:

Fiscal Year	Principal	Interest
2014	\$ 86,098	\$ 23,307
2015	85,332	18,859
2016	88,240	15,649
2017	91,247	12,343
2018	89,597	8,864
2019	46,268	5,480
2020	48,027	3,721
2021	49,848	1,900
	<u>\$ 584,658</u>	<u>\$ 90,124</u>

4. Loans Payable

As of June 30, 2013, the District's loan payable balance totaled \$1,300,000. Series 2002, Maintenance Tax Notes were executed with City Bank on July 1, 2002 for the construction of a stadium. The following represents the annual payments due:

Fiscal Year	Principal	Interest
2014	\$ 260,000	\$ 15,648
2015	260,000	11,736
2016	260,000	7,824
2017	260,000	3,912
	<u>\$ 1,040,000</u>	<u>\$ 39,120</u>

5. Advance Refunding of Debt

On July 5, 2012, the District issued Unlimited Refunding Bonds, Series 2012 in the amount of \$3,924,461 with interest rates ranging from 4.75% to 5.25%. The bonds were issued as premium capital appreciation bonds. The proceeds were used to refund portions of the outstanding 2004A, 2006A, 2006B, 2006C, 2006D, 2007, 2007A, 2009, 2010, and 2011 series which had interest rates ranging from 2.0% to 4.25%. The net proceeds of \$7,700,247 (including a \$3,843,075 premium and after payment of \$570,915 of underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, these refunded issuances are considered defeased and the liability for those bonds has been removed from the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$3,271,974. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. The refunding was undertaken to restructure the District's existing debt service payments and will not result in a present value savings to the District.

On December 13, 2012, the District issued Unlimited Refunding Bonds, Series 2013 in the amount of \$5,420,000 with interest rates ranging from 3.0% to 3.25%. The bonds were issued to refund portions of the outstanding 2003 and 2004 series which had interest rates ranging from 4.75% to 5.2%. The net proceeds of \$5,789,715 (including a \$232,430 premium and after payment of \$255,477 of underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, these refunded issuances are considered defeased and the liability for those bonds has been removed from the statement of net position. The refunding resulted in an economic gain of \$1,641,965.

H. Commitments Under Noncapitalized Leases

Commitments under operating lease (non-capitalized) 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, 2013. The imputed interest on the leases is not readily determinable.



## **FORNEY INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2013**

#### **I. Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, 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.

#### **J. Pension Plan**

##### **1. Plan Description**

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

##### **2. Funding Policy**

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.0% (7/1/12-8/31/12) and 6.4% (9/1/12-6/30/13) for fiscal year 2013 and 6.0% for fiscal years 2012 and 2011. In certain instances the district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending June 30, 2013, 2012 and 2011 were \$2,001,533, \$2,025,998 and \$2,389,667, respectively. The District paid additional state contributions for the years ending June 30, 2013, 2012 and 2011 in the amount of \$737,689, \$826,124 and \$989,035, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**K. Retiree Health Care Plans**

**1. TRS-Care**

**a. Plan Description**

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

**b. 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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. 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 2013, 2012 and 2011. For the years ended June 30, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$228,332, \$430,937, and \$428,862, respectively, the active member contributions were \$262,216, \$280,109, and \$291,721, respectively, and the District's contributions were \$229,490, \$237,016, and \$266,782, respectively, which equaled the required contributions each year.

**2. Medicare Part D Subsidies**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$153,918, \$94,122, and \$118,686, respectively.

**3. Early Retiree Reinsurance Program (ERRP)**

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

## FORNEY INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended June 30, 2013, the amount received by TRS-Care on behalf of the District was \$0. For fiscal year ended June 30, 2012, the amount was \$109,747.

#### L. Employee Health Care Coverage

During the year ended June 30, 2013, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2013, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for TRS are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

#### M. Commitments and Contingencies

##### 1. Contingencies

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

##### 2. Litigation

No reportable litigation was pending against the District at June 30, 2013.

#### N. Shared Services Arrangements

##### Shared Services Arrangement - Membership

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

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

#### O. Subsequent Events

On August 9, 2013, the District issued Unlimited Tax Refunding Bonds, Series 2013A and 2013B in the amount of \$2,485,901 and \$624,973, respectively. The proceeds from the sale of the bonds will be used refund bonds from several bond series. The 2013A series was tax exempt and the 2013B series was taxable.

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**P. Prior Period Adjustment**

Beginning net assets as of July 1, 2012 have been restated to reflect adjustments made at the government-wide level. A formula error on the fixed asset worksheet excluded \$48,600 of vehicle cost carried on the financial statements.

**Q. Deferred Revenue**

During the 2011-12 fiscal year, the District obtained a 5-year equal repayment plan with the Texas Education Agency for overfunding resulting from the 2010-11 fiscal year. The first payment was spread throughout the 2011-12 fiscal year. The various components of deferred revenues reported in the governmental funds for the 2012-13 year are as follow:

	Unearned		Unavailable
	Prior Year	Current Year	
Delinquent property taxes receivable (General Fund)	\$	\$	\$ 667,438
Delinquent property taxes receivable (Debt Service Fund)			295,113
Prior year overpayments (General Fund)	8,190,816	1,770,985	
Prior year overpayments (Debt Service Fund)	3,343,808	768,550	
Grant funds received prior to meeting all eligibility requirements		85,903	
	<u>\$ 11,534,624</u>	<u>\$ 2,625,438</u>	<u>962,551</u>

**R. Workers' Compensation Insurance**

The District is a member of Workers' Compensation Solutions (the Pool), a public entity risk pool for workers' compensation, which is self-sustained through member premiums. The Pool reinsures to statutory limits through commercial companies for claims in excess of \$2,000,000. The Pool contracts with independent actuaries to determine the adequacy of reserves and fully funds those reserves. Members of the Pool have no known liabilities for workers' compensation coverage in excess of the contracted annual premium. However, if the assets of the Pool were to be exhausted, members would be liable for their portions of the Pool's 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. Independent auditors conduct a financial audit at the close of the plan year and as of the most recent audit, the Pool has adequate assets to cover 100% of all liabilities.

**S. Revenues from Local, Intermediate, and Out-of-State Sources**

Revenues from local, intermediate and out-of-state sources in the governmental fund types are as follow:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Property Taxes	\$ 24,138,124	\$ 11,576,960	\$	\$ 35,715,084
Insurance Proceeds	2,729,895			2,729,895
Investment Income	27,103	11,211	4,585	42,898
Co-curricular Activities	289,249		314,500	603,749
Food Sales			2,316,018	2,316,018
Other	506,273		108,027	614,300
	<u>\$ 27,690,644</u>	<u>\$ 11,588,171</u>	<u>\$ 2,743,129</u>	<u>\$ 42,021,944</u>

**T. Arbitrage**

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five year anniversary date of the bond issue. The District has estimated it does not have an arbitrage liability as of June 30, 2013.

### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

# FORNEY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 24,823,818	\$ 27,225,000	\$ 27,690,644	\$ 465,644
5800	State Program Revenues	29,860,000	29,400,000	28,918,531	(481,469)
5900	Federal Program Revenues	287,243	750,000	964,175	214,175
5020	Total Revenues	54,971,061	57,375,000	57,573,350	198,350
	<b>EXPENDITURES:</b>				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	29,822,239	30,500,000	30,073,790	426,210
0012	Instructional Resources and Media Services	647,732	725,000	632,076	92,924
0013	Curriculum and Staff Development	1,506,345	1,200,000	1,090,324	109,676
	Total Instruction & Instr. Related Services	31,976,316	32,425,000	31,796,190	628,810
	Instructional and School Leadership:				
0021	Instructional Leadership	448,216	425,000	435,905	(10,905)
0023	School Leadership	4,023,322	3,725,000	3,623,445	101,555
	Total Instructional & School Leadership	4,471,538	4,150,000	4,059,350	90,650
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	1,867,742	1,850,000	1,780,012	69,988
0033	Health Services	895,382	850,000	787,463	62,537
0034	Student (Pupil) Transportation	1,938,076	1,900,000	1,788,724	111,276
0036	Cocurricular/Extracurricular Activities	2,018,713	1,925,000	1,785,021	139,979
	Total Support Services - Student (Pupil)	6,719,913	6,525,000	6,141,220	383,780
	Administrative Support Services:				
0041	General Administration	2,666,572	1,900,000	1,922,216	(22,216)
	Total Administrative Support Services	2,666,572	1,900,000	1,922,216	(22,216)
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	6,950,331	8,100,000	7,371,842	728,158
0052	Security and Monitoring Services	408,878	475,000	444,349	30,651
0053	Data Processing Services	1,182,458	1,135,000	1,113,018	21,982
	Total Support Services - Nonstudent Based	8,541,667	9,710,000	8,929,209	780,791
	Ancillary Services:				
0061	Community Services	5,966	4,500	3,649	851
	Total Ancillary Services	5,966	4,500	3,649	851
	Debt Service:				
0071	Principal on Long-Term Debt	589,089	468,798	469,656	(858)
0072	Interest on Long-Term Debt	--	108,086	60,057	48,029
0073	Bond Issuance Costs and Fees	--	3,616	--	3,616
	Total Debt Service	589,089	580,500	529,713	50,787
0099	Other Intergovernmental Charges	--	455,000	431,669	23,331
	Total Intergovernmental Charges	--	455,000	431,669	23,331
6030	Total Expenditures	54,971,061	55,750,000	53,813,216	1,936,784
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	1,625,000	3,760,134	2,135,134

# FORNEY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
Other Financing Sources (Uses):					
7912	Sale of Real or Personal Property	--	994,010	994,010	--
7913	Issuance of Capital Leases	--	584,658	584,658	--
7949	Other Resources	--	25,890	--	(25,890)
8949	Other Uses	--	(604,558)	(604,548)	10
7080	Total Other Financing Sources and (Uses)	--	1,000,000	974,120	(25,880)
1200	Net Change in Fund Balance	--	2,625,000	4,734,254	2,109,254
0100	Fund Balance - Beginning	(3,450,794)	(3,450,795)	(3,450,795)	--
3000	Fund Balance - Ending	\$ (3,450,794)	\$ (825,795)	\$ 1,283,459	\$ 2,109,254

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED JUNE 30, 2013*

**Budgets and Budgetary Accounting**

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

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits Trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended June 30, 2013.

The administrative level at which responsibility for control of budget appropriations begins at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by various organizational heads (principals and department directors) 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, 2013. 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.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

**Expenditures in Excess of Appropriations**

All expenditures in the General Fund were within budgeted appropriations except for the following functional categories:

Instructional Leadership	\$	10,905
General Administration		22,216

These two categories were overexpended due to an inadvertant error by CFO with on-behalf program calculations. The on-behalf program is for reporting purposes only and is not an actual amount that is disbursed from available cash funds.



*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**FORNEY INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS****JUNE 30, 2013**

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
<b>ASSETS:</b>				
1110	<i>Cash and Cash Equivalents</i>	\$ 750,176	\$ 2,578,288	\$ 3,328,464
1240	<i>Due from Other Governments</i>	360,253	--	360,253
1000	<b>Total Assets</b>	<u>1,110,429</u>	<u>2,578,288</u>	<u>3,688,717</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	<i>Accounts Payable</i>	\$ 215,819	\$ 17,441	\$ 233,260
2160	<i>Accrued Wages Payable</i>	307,291	--	307,291
2170	<i>Due to Other Funds</i>	250	--	250
2300	<i>Unearned Revenue</i>	85,903	--	85,903
2000	<b>Total Liabilities</b>	<u>609,263</u>	<u>17,441</u>	<u>626,704</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	<i>Federal/State Funds Grant Restrictions</i>	10,615	--	10,615
3470	<i>Capital Acquisitions &amp; Contractual Obligations</i>	--	2,560,847	2,560,847
Committed Fund Balances:				
3545	<i>Other Committed Fund Balance</i>	490,551	--	490,551
3000	<b>Total Fund Balances</b>	<u>501,166</u>	<u>2,560,847</u>	<u>3,062,013</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,110,429</u>	<u>\$ 2,578,288</u>	<u>\$ 3,688,717</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 2,738,544	\$ 4,585	\$ 2,743,129
5800	State Program Revenues	222,614	--	222,614
5900	Federal Program Revenues	2,296,924	--	2,296,924
5020	Total Revenues	5,258,082	4,585	5,262,667
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	1,265,833	108,393	1,374,226
0012	Instructional Resources and Media Services	21,531	--	21,531
0013	Curriculum and Staff Development	89,828	--	89,828
0021	Instructional Leadership	1,641	--	1,641
0023	School Leadership	68,801	--	68,801
0031	Guidance, Counseling, & Evaluation Services	198,524	--	198,524
0033	Health Services	34,664	--	34,664
0034	Student Transportation	243	--	243
0035	Food Service	3,303,327	--	3,303,327
0036	Cocurricular/Extracurricular Activities	170,818	13,282	184,100
0041	General Administration	6,059	--	6,059
0051	Plant Maintenance and Operations	60	51,319	51,379
0052	Security and Monitoring Services	38	111,289	111,327
0053	Data Processing Services	24,368	84,838	109,206
0081	Capital Outlay	--	668,552	668,552
0093	Payments to Shared Service Arrangements	28,814	--	28,814
6030	Total Expenditures	5,214,549	1,037,673	6,252,222
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	43,533	(1,033,088)	(989,555)
Other Financing Sources and (Uses):				
7912	Sale of Real or Personal Property	--	10,215	10,215
7080	Total Other Financing Sources and (Uses)	--	10,215	10,215
1200	Net Change in Fund Balances	43,533	(1,022,873)	(979,340)
0100	Fund Balances - Beginning	457,633	3,583,720	4,041,353
3000	Fund Balances - Ending	\$ 501,166	\$ 2,560,847	\$ 3,062,013

# FORNEY INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2013

Data Control Codes		204 ESEA Title IV SDFSC	205 Head Start	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ 1,073	\$ --	\$ --	\$ 71,094
1240	Due from Other Governments	--	22,713	219,462	--
1000	Total Assets	1,073	22,713	219,462	71,094
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ 7,721	\$ 164,706	\$ --
2160	Accrued Wages Payable	--	14,992	54,756	70,013
2170	Due to Other Funds	--	--	--	--
2300	Unearned Revenue	--	--	--	1,081
2000	Total Liabilities	--	22,713	219,462	71,094
<b>FUND BALANCES:</b>					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	1,073	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	1,073	--	--	--
4000	Total Liabilities and Fund Balances	\$ 1,073	\$ 22,713	\$ 219,462	\$ 71,094

225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement
\$ --	\$ 147,313	\$ --	\$ --	\$ --
500	20,294	437	19,933	6,059
<u>500</u>	<u>167,607</u>	<u>437</u>	<u>19,933</u>	<u>6,059</u>
\$ 500	\$ 77	\$ 437	\$ 19,933	\$ 6,059
--	167,530	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>500</u>	<u>167,607</u>	<u>437</u>	<u>19,933</u>	<u>6,059</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>500</u>	<u>167,607</u>	<u>437</u>	<u>19,933</u>	<u>6,059</u>

**FORNEY INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****JUNE 30, 2013**

Data Control Codes		289 Summer School LEP	385 Supplemental Visually Impaired	397 Advanced Placement Incentives
<b>ASSETS:</b>				
1110	<i>Cash and Cash Equivalents</i>	\$ 5,490	\$ 74	\$ 2,687
1240	<i>Due from Other Governments</i>	--	--	--
1000	<b>Total Assets</b>	<u>5,490</u>	<u>74</u>	<u>2,687</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	<i>Accounts Payable</i>	\$ --	\$ --	\$ --
2160	<i>Accrued Wages Payable</i>	--	--	--
2170	<i>Due to Other Funds</i>	--	--	--
2300	<i>Unearned Revenue</i>	2,231	--	--
2000	<b>Total Liabilities</b>	<u>2,231</u>	<u>--</u>	<u>--</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	<i>Federal/State Funds Grant Restrictions</i>	3,259	74	2,687
Committed Fund Balances:				
3545	<i>Other Committed Fund Balance</i>	--	--	--
3000	<b>Total Fund Balances</b>	<u>3,259</u>	<u>74</u>	<u>2,687</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 5,490</u>	<u>\$ 74</u>	<u>\$ 2,687</u>

410 Instructional Materials Allotment	411 Technology Allotment	425 Teacher Induction and Mentoring Program	427 Texas Fitness Now	429 Texas Educators' Excellence
\$ 16,171	\$ --	\$ 503	\$ 1,107	\$ 3,019
65,313	--	--	--	--
<u>81,484</u>	<u>--</u>	<u>503</u>	<u>1,107</u>	<u>3,019</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
81,484	--	--	1,107	--
<u>81,484</u>	<u>--</u>	<u>--</u>	<u>1,107</u>	<u>--</u>
--	--	503	--	3,019
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>503</u>	<u>--</u>	<u>3,019</u>
<u>\$ 81,484</u>	<u>\$ --</u>	<u>\$ 503</u>	<u>\$ 1,107</u>	<u>\$ 3,019</u>

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**FORNEY INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****JUNE 30, 2013**

Data Control Codes		461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
<b>ASSETS:</b>			
1110	<i>Cash and Cash Equivalents</i>	\$ 501,645	\$ 750,176
1240	<i>Due from Other Governments</i>	5,542	360,253
1000	<b>Total Assets</b>	<u>507,187</u>	<u>1,110,429</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110	<i>Accounts Payable</i>	\$ 16,386	\$ 215,819
2160	<i>Accrued Wages Payable</i>	--	307,291
2170	<i>Due to Other Funds</i>	250	250
2300	<i>Unearned Revenue</i>	--	85,903
2000	<b>Total Liabilities</b>	<u>16,636</u>	<u>609,263</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450	<i>Federal/State Funds Grant Restrictions</i>	--	10,615
Committed Fund Balances:			
3545	<i>Other Committed Fund Balance</i>	490,551	490,551
3000	<b>Total Fund Balances</b>	<u>490,551</u>	<u>501,166</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 507,187</u>	<u>\$ 1,110,429</u>

# FORNEY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes		204 ESEA Title IV SDFSC	205 Head Start	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	--	--	--
5900	Federal Program Revenues	--	72,050	231,991	944,565
5020	Total Revenues	--	72,050	231,991	944,565
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	--	71,902	228,366	676,424
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	--	148	3,625	9,429
0021	Instructional Leadership	--	--	--	1,206
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	194,754
0033	Health Services	--	--	--	33,938
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	--
0051	Plant Maintenance and Operations	--	--	--	--
0052	Security and Monitoring Services	--	--	--	--
0053	Data Processing Services	--	--	--	--
0093	Payments to Shared Service Arrangements	--	--	--	28,814
6030	Total Expenditures	--	72,050	231,991	944,565
1200	Net Change in Fund Balances	--	--	--	--
0100	Fund Balances - Beginning	1,073	--	--	--
3000	Fund Balances - Ending	\$ 1,073	\$ --	\$ --	\$ --

225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement
\$ --	\$ 2,327,635	\$ --	\$ --	\$ --
--	86,282	--	--	--
1,034	889,410	29,461	77,610	50,803
1,034	3,303,327	29,461	77,610	50,803
1,034	--	26,076	18,471	49,152
--	--	--	--	--
--	--	2,950	59,139	1,651
--	--	435	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	3,303,327	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
1,034	3,303,327	29,461	77,610	50,803
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

# FORNEY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2013

Data Control Codes		289 Summer School LEP	385 Supplemental Visually Impaired	397 Advanced Placement Incentives	410 Instructional Materials Allotment
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ --
5800	State Program Revenues	--	2,969	--	131,971
5900	Federal Program Revenues	--	--	--	--
5020	Total Revenues	--	2,969	--	131,971
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	--	2,924	(250)	137,547
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	--	--	6,299	4,620
0021	Instructional Leadership	--	--	--	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	--
0033	Health Services	--	--	--	--
0034	Student Transportation	--	--	--	--
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	--
0051	Plant Maintenance and Operations	--	--	--	--
0052	Security and Monitoring Services	--	--	--	--
0053	Data Processing Services	--	--	--	--
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	--	2,924	6,049	142,167
1200	Net Change in Fund Balances	--	45	(6,049)	(10,196)
0100	Fund Balances - Beginning	3,259	29	8,736	10,196
3000	Fund Balances - Ending	\$ 3,259	\$ 74	\$ 2,687	\$ --

411 Technology Allotment	425 Teacher Induction and Mentoring Program	429 Texas Educators' Excellence	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ --	\$ 410,909	\$ 2,738,544
--	--	1,392	--	222,614
--	--	--	--	2,296,924
--	--	1,392	410,909	5,258,082
--	--	--	54,187	1,265,833
--	--	--	21,531	21,531
--	--	--	1,967	89,828
--	--	--	--	1,641
--	--	--	68,801	68,801
--	--	--	3,770	198,524
--	--	--	726	34,664
--	--	--	243	243
--	--	--	--	3,303,327
--	--	--	170,818	170,818
--	--	--	6,059	6,059
--	--	--	60	60
--	--	--	38	38
24,368	--	--	--	24,368
--	--	--	--	28,814
24,368	--	--	328,200	5,214,549
(24,368)	--	1,392	82,709	43,533
24,368	503	1,627	407,842	457,633
\$ --	\$ 503	\$ 3,019	\$ 490,551	\$ 501,166

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### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**FORNEY INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED JUNE 30, 2013*

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2004 and Prior Years	\$	Various	\$	Various	\$	Various
2005		1.41		.26		1,337,589,041
2006		1.46		.28		1,665,387,221
2007		1.3346		.28		1,834,704,072
2008		1.04		.38		2,186,360,493
2009		1.04		.42		2,340,032,940
2010		1.04		.46		2,333,464,800
2011		1.04		.46		2,263,120,733
2012		1.04		.46		2,274,351,650
2013 (School Year Under Audit)		1.04		.50		2,307,567,564

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code



10 Beginning Balance 7/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/13
\$ 87,399	\$ --	\$ 1,491	\$ 350	\$ (25,350)	\$ 60,208
26,326	--	1,890	348	--	24,088
29,904	--	1,932	370	(908)	26,694
35,749	--	4,658	977	--	30,113
41,083	--	1,679	614	(399)	38,392
73,787	--	5,467	2,208	(1,866)	64,246
105,921	--	13,423	5,937	(1,694)	84,868
154,739	--	36,277	16,046	(2,863)	99,552
415,200	--	178,616	79,003	(33,573)	124,008
--	35,536,540	23,736,374	11,411,718	--	388,448
<u>\$ 970,108</u>	<u>\$ 35,536,540</u>	<u>\$ 23,981,807</u>	<u>\$ 11,517,571</u>	<u>\$ (66,653)</u>	<u>\$ 940,617</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Add: Penalty and Interest Receivable					\$ 407,590
Less: Allowance for Uncollectible Taxes					(385,656)
Total Net Taxes Receivable Per EXH C-1					<u>\$ 962,551</u>

# FORNEY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED JUNE 30, 2013

### FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 292,697	\$ 1,496,205	\$ --	\$ 984	\$ 1,789,886
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	230,203	--	--	--	230,203
6212	Audit Services	--	--	--	50,954	--	--	50,954
6213	Tax Appraisal and Collection	--	431,669	--	--	--	--	431,669
621X	Other Prof. Services	--	--	--	--	--	11,025	11,025
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	14,584	15,202	--	--	29,786
6240	Contr. Maint. and Repair	--	--	--	--	159,167	--	159,167
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	69	28,186	--	--	28,255
6290	Miscellaneous Contr.	--	--	1,768	40,708	--	7,469	49,945
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	120	297	--	--	417
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	1,624	31,311	--	8,790	41,725
6410	Travel, Subsistence, Stipends	2,212	--	1,374	12,025	--	--	15,611
6420	Ins. and Bonding Costs	--	--	--	--	--	--	--
6430	Election Costs	6,514	--	--	--	--	--	6,514
6490	Miscellaneous Operating	945	--	20,673	14,596	--	918	37,132
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	23,108	23,108

Total \$ 9,671 \$ 431,669 \$ 563,112 \$ 1,689,484 \$ 159,167 \$ 52,294 \$ 2,905,397

Total Expenditures for General and Special Revenue Funds (9) \$ 59,027,765

### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,366,255
Total Debt & Lease (6500)	(11)	\$ 529,713
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 6,054,723
Food (Function 35, 6341 and 6499)	(13)	\$ 1,477,691
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 1,689,484

#### Subtotal

11,117,866

### Net Allowed Direct Cost

\$ 47,909,899

#### CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 278,028,806
Historical Cost of Buildings over 50 years old	(16)	116,023
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	8,102,333
Historical Cost of Furniture & Equipment over 16 years old	(19)	586,585
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$431,669 in Function 99 expenditures are included in this report on administrative costs.

**FORNEY INDEPENDENT SCHOOL DISTRICT****FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)****GENERAL FUND****AS OF JUNE 30, 2013****EXHIBIT J-3**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of June 30, 2013 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,283,459
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	121,541
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of one months' average cash disbursements during the fiscal year	4,725,000
8	Estimate of delayed payments from state sources (58XX)	--
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	4,846,541
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ (3,563,082)

The District's administration will continue to monitor the General Fund Balance in future budgetary cycles to maintain a fund balance level within District policy or State guidelines.

**FORNEY INDEPENDENT SCHOOL DISTRICT**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT J-4

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 2,320,000	\$ 2,327,635	\$ 7,635
5800	State Program Revenues	76,000	86,282	10,282
5900	Federal Program Revenues	1,054,000	889,410	(164,590)
5020	Total Revenues	3,450,000	3,303,327	(146,673)
EXPENDITURES:				
Current:				
	Support Services - Student (Pupil):			
0035	Food Services	3,450,000	3,303,327	146,673
	Total Support Services - Student (Pupil)	3,450,000	3,303,327	146,673
6030	Total Expenditures	3,450,000	3,303,327	146,673
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	--	--
0100	Fund Balance - Beginning	--	--	--
3000	Fund Balance - Ending	\$ --	\$ --	\$ --

# FORNEY INDEPENDENT SCHOOL DISTRICT

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT J-5

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 11,545,000	\$ 11,588,171	\$ 43,171
5800	State Program Revenues	3,000,000	1,911,825	(1,088,175)
5020	Total Revenues	14,545,000	13,499,996	(1,045,004)
	<b>EXPENDITURES:</b>			
	Debt Service:			
0071	Principal on Long-Term Debt	1,825,191	1,710,000	115,191
0072	Interest on Long-Term Debt	9,809,003	9,534,430	274,573
0073	Bond Issuance Costs and Fees	587,264	954,451	(367,187)
	Total Debt Service	12,221,458	12,198,881	22,577
6030	Total Expenditures	12,221,458	12,198,881	22,577
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	2,323,542	1,301,115	(1,022,427)
	Other Financing Sources (Uses):			
7911	Capital-Related Debt Issued (Regular Bonds)	7,767,536	9,344,461	1,576,925
7916	Premium or Discount on Issuance of Bonds	625	4,076,131	4,075,506
7949	Other Resources	5,850	5,851	1
8949	Other Uses	(7,196,621)	(12,752,952)	(5,556,331)
7080	Total Other Financing Sources and (Uses)	577,390	673,491	96,101
1200	Net Change in Fund Balance	2,900,932	1,974,606	(926,326)
0100	Fund Balance - Beginning	3,354,194	3,354,194	--
3000	Fund Balance - Ending	\$ 6,255,126	\$ 5,328,800	\$ (926,326)

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Forney Independent School District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 10, 2013.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

Houston, Texas  
October 10, 2013



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

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

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

We have audited Forney Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

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

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

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

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

*Whitley Penn LLP*

Houston, Texas  
October 10, 2013

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?	<u>      </u> Yes	<u>  X  </u> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Reported
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?	<u>      </u> Yes	<u>  X  </u> No
One or more significant deficiencies identified that are not considered to be material weaknesses?	<u>      </u> Yes	<u>  X  </u> None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010A	ESEA Title I Part A - Improving Basic Programs
10.553 / 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:	<u>\$300,000</u>
--	------------------

Auditee qualified as low-risk auditee?	<u>      </u> Yes	<u>  X  </u> No
--	-------------------	-----------------

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<b>Finding #2012-01</b> All journal entries should be approved by someone other than the person that prepared and entered the journal entry.	Implemented	
<b>Finding #2012-02</b> All requestes for any capital expenditures in excess of \$5,000 must be sent to and approved by Texas Department of Agriculture in advance.	Implemented	
<b>Finding #2012-03</b> All child nutrition cash receipt transactions should be signed by the cashier and management on the count sheets.	Implemented	

**FORNEY INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED JUNE 30, 2013*

None required.

**FORNEY INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through Region X Education Service Center:			
<i>Head Start *</i>	93.600	06CH0391/21	\$ 72,050
Total U. S. Department of Health and Human Services			72,050
U. S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency:			
<i>IDEA-B Formula *</i>	84.027	126600011299026000	22,269
<i>IDEA-B Formula *</i>	84.027	136600011299026600	922,296
Total CFDA Number 84.027			944,565
<i>IDEA-B Preschool *</i>	84.173	136610011299026610	1,034
Total Passed Through Texas Education Agency			945,599
Passed Through Region X Education Service Center:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	116110101057950	231,991
<i>Career and Technical - Basic Grant</i>	84.048	114210006057950	29,461
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	11671001057950	29,420
<i>Title III Part A English Language Acquisition and Language Enhancement</i>	84.365	21671001057950	21,383
Total CFDA Number 84.365			50,803
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367a	11694501057950	22,014
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367a	21694501057950	55,596
Total CFDA Number 84.367a			77,610
Total Passed Through Region X Education Service Center			389,865
Total U. S. Department of Education			1,335,464
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through Texas Education Agency:			
School Breakfast Program *	10.553	71401301	235,828
National School Lunch Program *	10.555	71301301	903,404
National School Lunch Program (Non-cash) *	10.555	71301301 / 71401301	160,518
Total CFDA Number 10.555			1,063,922
Total Passed Through Texas Education Agency			1,299,751
Total U. S. Department of Agriculture			1,299,751
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,707,265</b>

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

General Fund Federal Revenues:	
E-Rate	\$ 66,404
SHARS	428,164
JROTC	59,266
Total Federal Revenues EXH C-2	3,261,099

The accompanying notes are an integral part of this schedule.

# FORNEY INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2013

### Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Forney Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets or cash flows of the District.

### Summary of Significant Accounting

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

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

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. Generally, unused balances are returned to the grantor at the close of specified project periods.

### General Fund Federal Revenue

Federal awards and funds reported in the General Fund are summarized as follows:

Program or Source	CFDA No.	Amount
Indirect Costs:		
School Breakfast Program*	10.553	\$ 84,633
National School Lunch Program*	10.555	325,708
E-Rate	N/A	66,404
SHARS	N/A	428,164
JROTC	N/A	59,266
		<u>\$ 964,175</u>

\* The District charged indirect costs to the Child Nutrition Program using its indirect cost rate as prescribed by the USDA Policy Memorandum impacting the 2012-2013 fiscal year.

**FORNEY INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF JUNE 30, 2013*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 22,402,255