

FORSAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2017

FORSAN INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
for the Year Ended August 31, 2017

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CERTIFICATE OF BOARD

FORSAN INDEPENDENT SCHOOL DISTRICT
Name of School District

HOWARD
County

114904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 22nd day of January, 2017.

Chris Olson
Signature of Board Secretary

Lewis Boeker
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)

**Unmodified Opinions on Basic Financial Statements
Accompanied by Required Supplementary Information and
Other Supplementary Information**

Independent Auditor's Report

Board of Trustees
Forsan Independent School District
P. O. Drawer A
Forsan, Texas 79733

Members of the Board:

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 the Forsan Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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 Forsan Independent School District as of August 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule – General Fund, schedule of the District's proportionate share of net pension liability (TRS) and schedule of District's contributions to TRS, on pages 6 through 12 and 54 through 56 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 Standard Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Forsan Independent School District's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2017 on our consideration of the 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 Forsan Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Stallings & Herm, P. C.

Stallings and Herm, P. C.
Certified Public Accountants

January 22, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS FORSAN INDEPENDENT SCHOOL DISTRICT

In this section of the Annual Financial and Compliance Report, we, the managers of Forsan Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with the Independent Auditor's Report on page 3, and the District's Basic Financial Statements which begin on page 13.

FINANCIAL HIGHLIGHTS

- The District achieved a "Superior" rating on the Texas Education Agency Schools FIRST (Financial Integrity Rating System of Texas) financial accountability rating for the fiscal year ending August 31, 2016, which is the most recent report.
- The assets of the District exceeded its liabilities at the end of the current year by \$20,820,476 (net position). This is an increase of \$1,857,862 over net position the previous year.
- The Fund Balance in the General Fund increased by \$1,0812,060.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 13 and 14). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 15) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of student groups and those outside of the District.

The notes to the financial statements (starting on page 20) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The section labeled TEA Required Schedules contains data used by TEA for monitoring and assessment of the District's financial condition.

MANAGEMENT'S DISCUSSION AND ANALYSIS FORSAN INDEPENDENT SCHOOL DISTRICT

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 13. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as revenue from cafeteria sales and athletic events, grants provided by the U.S. Department of Education and Agriculture (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into one kind of activity:

- Governmental activities - Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, cafeteria sales, athletic gate receipts, investment earnings, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements begin on page 15 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District has only governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS FORSAN INDEPENDENT SCHOOL DISTRICT

- Governmental funds - Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, of money raised by student activities. All of the District's fiduciary activities are reported in the separate Statement of Fiduciary Net Position on page 19. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental type activities.

Net position of the District's governmental activities increased from \$18,962,614 to \$21,866,278. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - was \$9,918,749 at August 31, 2017. This increase in governmental net position was the result of the District's revenues exceeding expenses by \$1,766,774 and a prior period adjustment increase of \$1,136,891.

**MANAGEMENT'S DISCUSSION AND ANALYSIS
 FORSAN INDEPENDENT SCHOOL DISTRICT**

Table I

**FORSAN INDEPENDENT SCHOOL DISTRICT
 NET POSITION**

	<u>Governmental Activities</u>	
	2017	2016
Current and Other Assets	\$9,856,101	\$9,896,121
Capital Assets	32,013,426	32,797,415
Deferred Outflows of Resources	1,235,468	1,106,580
Total Assets and Deferred Outflows	<u>\$43,104,995</u>	<u>\$43,800,116</u>
Other Liabilities	\$935,969	\$1,445,278
Long Term Liabilities	21,225,274	23,288,158
Deferred Inflows of Resources	123,276	104,066
Total Liabilities and Deferred Inflows	<u>\$22,284,519</u>	<u>\$24,837,502</u>
Net Position:		
Net Investments in Capital Assets	\$11,114,452	\$11,364,864
Restricted	833,078	843,916
Unrestricted	8,872,946	6,753,834
Total Net Position	<u>\$20,820,476</u>	<u>\$18,962,614</u>

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FORSAN INDEPENDENT SCHOOL DISTRICT**

Table II

**FORSAN INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION**

	<u>Governmental Activities</u>	
	2017	2016
Revenues:		
Program Revenues:		
Charges for Services	\$296,513	\$294,366
Operating Grants and Contributions	958,598	792,042
General Revenues:		
Maintenance and Operations Taxes	3,496,117	5,447,303
Debt Service Taxes	1,648,432	2,303,972
State Aid - Formula Grants	3,982,638	2,879,466
Investment Earnings	38,679	23,869
Miscellaneous	30,845	474,790
Total Revenue and Transfers	<u>\$10,451,822</u>	<u>\$12,215,808</u>
Expenses:		
Instruction, Resources and Media Services	\$4,251,733	\$4,572,910
Curriculum and School Leadership	502,528	461,639
Student Support Services	617,742	525,254
Child Nutrition	505,411	520,662
Cocurricular Activities	733,655	755,257
General Administration	475,608	465,686
Facilities Maintenance, Security & Data Processing	1,252,924	1,359,432
Community Services	20,675	15,072
Debt Service - Interest & Fees on Long Term Debt	872,632	818,467
Facilities Acquisition & Construction		
Contracted Instructional Services	350,117	1,661,106
Fiscal Agent Payments	86,847	102,571
Appraisal Fees	99,277	150,775
Total Expenses	<u>\$9,769,149</u>	<u>\$11,408,831</u>
Increase (Decrease) in Net Position Before		
Transfers	\$682,673	\$806,977
Prior Period Adjustments	1,136,891	2,408
Net Position at 9/1/16 and 9/1/15	<u>18,962,614</u>	<u>18,153,229</u>
Net Position at 8/31/17 and 8/31/16	<u>\$20,782,178</u>	<u>\$18,962,614</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS FORSAN INDEPENDENT SCHOOL DISTRICT

The District's total revenues decreased by \$1,763,986 from \$12,215,808 to \$10,451,822. Property tax revenue decreased by \$2,606,726. Taxable value of District property decreased by \$203,019,921. The total tax rate was \$1.41858 in 2017 and \$1.38928 in 2016. Property taxes accounted for 49% of total revenues in 2017 and 63% in 2016. State Foundation revenue increased by \$1,103,172. This was attributable to the decrease in District wealth for the year. Student enrollment was comparable between years. Program revenue increased by \$168,703 and other general revenue increased by \$487,387.

The cost of all governmental activities this year was \$9,769,149 compared to \$11,408,831 last year. The \$1,639,682 decrease in cost was attributable to decreases in Contracted Instructional Services (WADA) of \$1,310,989 and normal increases and decreases in all expense categories. However, as shown in the Statement of Activities on page 14, the amount that our taxpayers ultimately financed for these activities through District taxes was \$5,144,549 and other general revenue received amounted to \$6,391,374 of which \$3,982,638 was attributable to State Aid – Formula Grants.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$9,283,260, which is higher than last year's total of \$8,296,040. Included in this year's total change in fund balance is an increase of \$1,096,537 in the District's General Fund. Fund balance in the Debt Service Fund decreased by \$63,356 as tax collections were less than debt service payments.

Over the course of the year, the Board of Trustees revised the District's budget several times. The budget amendments involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$8,049,683 reported on page 17 differs from the General Fund's budgetary fund balance of \$6,960,060 reported in the budgetary comparison schedule on page 54. This is due to actual revenues being more than budgeted and expenditures and other uses being less than budgeted and a prior period adjustment increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had \$46,730,646 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$52,368 from last year.

MANAGEMENT'S DISCUSSION AND ANALYSIS FORSAN INDEPENDENT SCHOOL DISTRICT

The District's fiscal year 2018 capital budget consists of projects associated with a bond passed in May of 2013. The large scale bond related projects have been completed (new elementary school, waste water treatment plant and lift stations, and new classroom space at the secondary school). However, there are several smaller scale items to be completed off of a lengthy need list. The District's Board of Trustees will narrow the list based on available funds, priorities and current pricing and then move forward with construction and/or remodeling.

Debt

The District passed a \$24,945,000 Unlimited Tax School Building and Refunding Bonds, Series 2013 issue in May 2013. The debt balance at August 31, 2016 is \$21,049,729. See Note G on page 34 for additional information. The District issued \$8,480,000 Unlimited Tax Refunding Bonds, Series 2016 in July 2016.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District continues to see a slow, steady growth in the student population. With the decline in the oil field drilling, that growth has also slowed. Mineral values, and thus overall taxable values, have decreased dramatically as compared to the "boom" years. The District has adopted a budget that shows operating in the red for this fiscal year, however adjustments are being made in order to stay on solid financial ground. The District's Fund Balance is approximately \$9.1 million which is very healthy. It represents approximately 80% of our annual operating budget being in reserves and surpasses the Texas Education Agency recommendations of 30% of the operating budget. Good planning over the years allows the District to weather the ups and downs of the oil field in a healthy, consistent manner.

The Board of Trustees chose to hold the Maintenance and Operations (M&O) tax rate at a consistent \$1.04 per \$100 of valuation. The M&O rate has remained the same since dropping from \$1.37 in 2007. The Interest and Sinking (I&S) tax rate was slightly increased to 0.037858 in order to combat the drastic drop in mineral values in order to cover the payments on the voter approved bond of \$23,840,000.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Forsan Independent School District, P. O. Drawer A, Forsan, Texas 79733.

FORSAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 8,457,373
1220 Property Taxes Receivable (Delinquent)	448,404
1230 Allowance for Uncollectible Taxes	(235,667)
1240 Due from Other Governments	1,163,990
1260 Internal Balances	(19,141)
1290 Other Receivables, net	7,236
1410 Prepayments	14,765
Capital Assets:	
1510 Land	2,153,493
1520 Buildings, Net	28,952,914
1530 Furniture and Equipment, Net	907,019
1000 Total Assets	41,850,386
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	681,408
1705 Deferred Outflow Related to TRS	554,060
1700 Total Deferred Outflows of Resources	1,235,468
LIABILITIES	
2110 Accounts Payable	108,726
2140 Interest Payable	34,781
2150 Payroll Deductions & Withholdings	6,100
2160 Accrued Wages Payable	257,895
2300 Unearned Revenue	44,723
Noncurrent Liabilities	
2501 Due Within One Year	615,000
2502 Due in More Than One Year	19,858,669
2540 Net Pension Liability (District's Share)	1,366,605
2000 Total Liabilities	22,292,499
DEFERRED INFLOWS OF RESOURCES	
2601 Unavailable Revenue - Property Taxes	(150,397)
2605 Deferred Inflow Related to TRS	123,276
2600 Total Deferred Inflows of Resources	(27,121)
NET POSITION	
3200 Net Investment in Capital Assets	11,114,452
3850 Restricted for Debt Service	749,710
3860 Restricted for Capital Projects	67,043
3880 Restricted for Scholarships	16,325
3900 Unrestricted	8,872,947
3000 Total Net Position	\$ 20,820,477

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

FORSAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT B-1

Data	Program Revenues			Net (Expense) Revenue and Changes in Net Position
Control	1	3	4	6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 4,179,664	\$ -	\$ 335,120	\$ (3,844,544)
12 Instructional Resources and Media Services	72,069	-	3,643	(68,426)
13 Curriculum and Staff Development	30,961	-	186	(30,775)
23 School Leadership	471,567	-	26,729	(444,838)
31 Guidance, Counseling and Evaluation Services	163,846	-	9,749	(154,097)
33 Health Services	50,363	-	4,179	(46,184)
34 Student (Pupil) Transportation	403,533	-	9,703	(393,830)
35 Food Services	505,411	256,189	485,285	236,063
36 Extracurricular Activities	733,655	13,620	11,053	(708,982)
41 General Administration	475,608	-	18,346	(457,262)
51 Facilities Maintenance and Operations	926,680	26,704	18,838	(881,138)
52 Security and Monitoring Services	42,022	-	-	(42,022)
53 Data Processing Services	284,222	-	15,092	(269,130)
61 Community Services	20,675	-	20,675	-
72 Debt Service - Interest on Long Term Debt	681,876	-	-	(681,876)
73 Debt Service - Bond Issuance Cost and Fees	190,756	-	-	(190,756)
91 Contracted Instructional Services Between Schools	350,117	-	-	(350,117)
93 Payments related to Shared Services Arrangements	80,847	-	-	(80,847)
95 Payments to Juvenile Justice Alternative Ed. Prg.	6,000	-	-	(6,000)
99 Other Intergovernmental Charges	99,277	-	-	(99,277)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 9,769,149	\$ 296,513	958,598	(8,514,038)

General Revenues:

Taxes:	
Property Taxes, Levied for General Purposes	3,496,117
Property Taxes, Levied for Debt Service	1,648,432
State Aid - Formula Grants	3,982,638
Investment Earnings	38,679
Other Revenue	30,845
Total General Revenues and Special Items	9,196,711
Change in Net Position	682,673
Net Position - Beginning	18,962,614
Prior Period Adjustments	1,136,891
Net Position - Ending	20,782,178

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

FORSAN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 7,236,235	\$ 748,182	\$ 472,956	\$ 8,457,373
1220 Property Taxes - Delinquent	366,429	81,975	-	448,404
1230 Allowance for Uncollectible Taxes (Credit)	(198,415)	(37,252)	-	(235,667)
1240 Receivables from Other Governments	1,163,990	-	-	1,163,990
1260 Due from Other Funds	-	-	22,698	22,698
1290 Other Receivables	5,708	1,528	-	7,236
1410 Prepayments	14,765	-	-	14,765
1000 Total Assets	<u>\$ 8,588,712</u>	<u>\$ 794,433</u>	<u>\$ 495,654</u>	<u>\$ 9,878,799</u>
LIABILITIES				
2110 Accounts Payable	\$ 108,613	\$ -	\$ 113	\$ 108,726
2150 Payroll Deductions and Withholdings Payable	6,100	-	-	6,100
2160 Accrued Wages Payable	246,223	-	11,672	257,895
2170 Due to Other Funds	41,839	-	-	41,839
2300 Unearned Revenues	-	44,723	-	44,723
2000 Total Liabilities	<u>402,775</u>	<u>44,723</u>	<u>11,785</u>	<u>459,283</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	130,816	-	-	130,816
2600 Total Deferred Inflows of Resources	<u>130,816</u>	<u>-</u>	<u>-</u>	<u>130,816</u>
FUND BALANCES				
Restricted Fund Balance:				
3470 Capital Acquisition and Contractual Obligation	-	-	508,034	508,034
3480 Retirement of Long-Term Debt	-	749,710	-	749,710
3490 Other Restricted Fund Balance	-	-	16,325	16,325
Committed Fund Balance:				
3510 Construction	5,000,000	-	-	5,000,000
3530 Capital Expenditures for Equipment	350,000	-	-	350,000
3600 Unassigned Fund Balance	2,705,122	-	(40,490)	2,664,632
3000 Total Fund Balances	<u>8,055,122</u>	<u>749,710</u>	<u>483,869</u>	<u>9,288,701</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,588,713</u>	<u>\$ 794,433</u>	<u>\$ 495,654</u>	<u>\$ 9,878,800</u>

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

FORSAN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

Total Fund Balances - Governmental Funds	\$	9,288,701
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. See Section II, Note A to the Financial Statements for Details. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		10,908,106
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. See Section II, Note B in Notes to Financial Statements for details. The net effect of including the 2017 capital outlays and debt principal payments is to decrease net position.		892,368
Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resources outflow in the amount of \$554,060, a deferred resource inflow of \$123,276 and a net pension liability in the amount of \$1,366,605. This resulted in a decrease in net position.		(935,821)
The 2017 depreciation expense increases accumulated depreciation. See Section IV, Note E in Notes to the Financial Statements for details. The net effect of the current year's depreciation is to decrease net position.		(836,357)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, eliminating interfund transactions and adjusting debt expenditures. See Section II, Note B in Notes to Financial Statements for details. The net effect of these reclassifications and recognitions is to increase net position.		409,658
Net Position of Governmental Activities	\$	19,726,655

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

FORSAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,510,605	\$ 1,609,733	\$ 278,819	\$ 5,399,157
5800 State Program Revenues	3,913,919	12,282	23,017	3,949,218
5900 Federal Program Revenues	3,040	-	274,154	277,194
5020 Total Revenues	<u>7,427,564</u>	<u>1,622,015</u>	<u>575,990</u>	<u>9,625,569</u>
EXPENDITURES:				
Current:				
0011 Instruction	3,721,139	-	94,863	3,816,002
0012 Instructional Resources and Media Services	58,510	-	-	58,510
0013 Curriculum and Instructional Staff Development	28,292	-	-	28,292
0023 School Leadership	446,418	-	-	446,418
0031 Guidance, Counseling and Evaluation Services	157,186	-	-	157,186
0033 Health Services	46,982	-	-	46,982
0034 Student (Pupil) Transportation	321,164	-	-	321,164
0035 Food Services	-	-	471,268	471,268
0036 Extracurricular Activities	423,712	-	-	423,712
0041 General Administration	462,402	-	-	462,402
0051 Facilities Maintenance and Operations	775,204	-	-	775,204
0052 Security and Monitoring Services	42,022	-	-	42,022
0053 Data Processing Services	278,057	-	-	278,057
0061 Community Services	-	-	20,675	20,675
Debt Service:				
0071 Principal on Long Term Debt	-	840,000	-	840,000
0072 Interest on Long Term Debt	-	851,550	-	851,550
0073 Bond Issuance Cost and Fees	-	190,756	-	190,756
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	52,368	52,368
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	350,117	-	-	350,117
0093 Payments to Fiscal Agent/Member Districts of SSA	80,847	-	-	80,847
0095 Payments to Juvenile Justice Alternative Ed. Prg.	6,000	-	-	6,000
0099 Other Intergovernmental Charges	99,277	-	-	99,277
6030 Total Expenditures	<u>7,297,329</u>	<u>1,882,306</u>	<u>639,174</u>	<u>9,818,809</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>130,235</u>	<u>(260,291)</u>	<u>(63,184)</u>	<u>(193,240)</u>
OTHER FINANCING SOURCES (USES):				
7901 Refunding Bonds Issued	-	8,995,000	-	8,995,000
7915 Transfers In	-	-	22,693	22,693
7916 Premium or Discount on Issuance of Bonds	-	470,101	-	470,101
8911 Transfers Out (Use)	(22,693)	-	-	(22,693)
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(9,278,695)	-	(9,278,695)
7080 Total Other Financing Sources (Uses)	<u>(22,693)</u>	<u>186,406</u>	<u>22,693</u>	<u>186,406</u>
SPECIAL ITEMS:				
7918 Special Item - Resource	670,173	-	-	670,173
1200 Net Change in Fund Balances	777,715	(73,885)	(40,491)	663,339
0100 Fund Balance - September 1 (Beginning)	<u>7,271,968</u>	<u>823,594</u>	<u>524,359</u>	<u>8,619,921</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,049,683</u>	<u>\$ 749,709</u>	<u>\$ 483,868</u>	<u>\$ 9,283,260</u>

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

FORSAN INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	663,339
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. See Section II, Note B in Notes to Financial Statements for details. The net effect of removing the 2017 capital outlays and debt principal payments is to decrease net position.		892,368
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. See Section IV, Note E in Notes to Financial Statements for details. The net effect of the current year's depreciation is to decrease net position.		(836,357)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy and adjusting debt expenditures. See Section II, Note B in Notes to Financial Statements for details. The net effect of these reclassifications and recognitions is to decrease net position.		240,995
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan cause the change in ending net position to increase by \$108,176. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$115,202. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$97,280. The net result is a decrease in the change in net position.		(104,306)
Change in Net Position of Governmental Activities	<u>\$</u>	<u>856,039</u>

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

FORSAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 47,152
Total Assets	<u>\$ 47,152</u>
LIABILITIES	
Due to Student Groups	\$ 47,152
Total Liabilities	<u>\$ 47,152</u>

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

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Forsan Independent School District (the “District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 56, and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States.

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

A. REPORTING ENTITY

The Board of Trustees (the “Board”) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”), in its Statement No. 14, *The Financial Reporting Entity*, and in its Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Forsan Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The “grants and contributions” column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Debt Service Funds** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a Special Revenue Fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Capital Projects Fund** - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a Capital Projects Fund.

Fiduciary Funds:

3. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the Student Activity Fund which accounts for the activities of student groups. The student activity organizations exist with the explicit approval of, and are subject to revocation by the District's Board of Trustees.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

E. BUDGETARY DATA

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in the Required Supplementary Information and the other reports appear in Exhibits J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days’ public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The budget was properly amended throughout the year.
4. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

F. FUND BALANCES/EQUITY

The District implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, in fiscal year ending August 31, 2011. In the fund financial statements, governmental funds report the following classifications of fund balance:

1. Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.
2. Committed - Amounts that can be used only for the specific purposes determined by a formal action of the District’s Board of Directors (the District’s highest level of decision-making authority). A commitment can only be modified or removed by the same formal action.
3. Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

F. FUND BALANCES/EQUITY (continued)

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

The fund balance policy states that the District's fund balance may be committed for a specific source only by formal action of the Board of Trustees. The policy also states that any modifications of the commitment must also be approved by formal action of the Board.

G. NET POSITION ON THE STATEMENT OF NET POSITION

Net position on the statement of net position includes the following:

1. Net Investment in Capital Assets - This component of net position represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding any unspent bond proceeds, that is directly attributable to the acquisition, construction or improvement of those assets.
2. Restricted for Debt Service - This component of net position represents the difference between assets and liabilities of the Debt Service Fund that consists of assets with constraints placed on their use by creditors.
3. Restricted for Capital Projects - This component of net position represents the difference between assets and liabilities of the Capital Projects Fund that consist of assets available for capital project expenditures.
4. Restricted for Scholarships - This component of net position represents the difference between assets and liabilities of some Special Revenue Funds that consist of assets that can be spent only for scholarships as stipulated by the donors.
5. Unrestricted - The difference between assets and liabilities that is not reported in net investment in capital assets or restricted for other purposes.

H. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District does not accumulate unpaid vacation or sick leave benefits and there is no liability.
3. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

FORSAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2017

H. OTHER ACCOUNTING POLICIES (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40/75
Building Improvements	20-40
Buses	15
Vehicles	10
Equipment	10
Computer Equipment	5

4. During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$614 per month per employee to the Plan (and employees, at their option, authorized payroll withholdings to pay premiums for dependents and plan coverage options).

5. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premium or discount. Bond issuance costs are reported as debt service expenses.

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

6. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

7. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has two types of this item. One arises due to the implementation of GASB 63 and 65 during the fiscal year ending August 31, 2013. This is related to the accounting loss from the refunding of bonds. This item will be recognized in interest expenses in future periods. See Footnote Y. The other item arises due to

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

H. OTHER ACCOUNTING POLICIES (continued)

the implementation of GASB 68 during the fiscal year ending August 31, 2015. Under GASB 68, the District reported its proportionate share of the TRS's deferred outflows of resources as of August 31, 2016, along with some 2017 adjustments. This item will be recognized in pension expense in future periods. See Footnote M. Both of these items are reported in this category, deferred outflows of resources, on the government wide statement of net position.

8. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of this item. One arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. It is not reported in this category on the government wide statement of net position. The other item arises due to the implementation of GASB 68 during the fiscal year ending August 31, 2015. Under GASB 68, the District reported its proportionate share of the TRS's deferred inflows of resources as of August 31, 2016, along with some 2017 adjustments. This item will be recognized in pension expense, along with the deferred outflows of resources, in future periods. See Footnote M. This item is reported in this category, deferred inflows of resources, on the government wide statement of net position.
9. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets and deferred charges are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets, deferred charges and long-term debt at the beginning of the year were as follows:

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION
(continued)

Capital Assets	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
at the Beginning of the Year				
Land	\$2,153,492	\$	\$2,153,492	
Buildings & Improvements	41,559,578	11,977,730	29,581,848	
Furniture & Equipment	2,965,208	1,903,134	1,062,073	
Change in Net Position				\$32,797,414
Deferred Charges	Historic Cost	Accumulated Amortization	Net Value at the Beginning of the Year	Change in Net Position
at the Beginning of the Year				
Deferred Charge on Bond Refunding	\$94,010	\$43,992	\$50,018	
Change in Net Position				\$50,018
Long-Term Liabilities			Payable at the Beginning of the Year	
at the Beginning of the Year				
Bonds Payable			\$21,889,729	
Interest Payable			49,597	
Change in Net Position				(\$21,939,326)
Net Adjustment to Net Position				\$10,908,106

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

FORSAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2017

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Furniture & Equipment	\$52,368		
Construction in Progress	0		
Total Capital Outlay	<u>\$52,368</u>	<u>\$52,368</u>	<u>\$52,368</u>
<u>Debt Payments</u>			
Bond Principal	\$840,000		
Total Debt Payments	<u>\$840,000</u>	<u>\$840,000</u>	<u>\$840,000</u>
Total Adjustments to Net Position		<u><u>\$892,368</u></u>	<u><u>\$892,368</u></u>

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items and affects both the net position balance and the change in net position. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>			
Taxes Collected from Prior Year Levies Uncollected Taxes (assumed collectible) from	\$62,440	(\$62,440)	\$
Current Year Levy Uncollected Taxes (assumed collectible) from	88,989	88,989	88,989
Prior Year Levy	96,112		96,112
Adjust 8/31/16 Estimate of Taxes Assumed Collectible to 8/31/17 Estimates & Collections	10,111	(10,111)	

FORSAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2017

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (continued)

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Expenditures, Bond Payables and Deferred Charge</u>			
Bond Premium Amortization	193,853	193,853	193,853
Change in Bond Interest Payable	48,096	48,096	48,096
Refunding Deferred Charge Amortization	17,392	<u>(17,392)</u>	<u>(17,392)</u>
Total Adjustments to Net Position		<u>\$240,995</u>	<u>\$409,658</u>

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. CASH, CASH EQUIVALENTS AND INVESTMENTS

District Policies, Legal Contractual Provisions Governing Deposits and Investments

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

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) no-load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Forsan Independent School District is in substantial compliance with the requirements of the Act and with local policies.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Additional policies and contractual provisions governing cash, cash equivalents and investments for the District are specified below:

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

As of August 31, 2017, the carrying amount (fair value) of the District's cash and cash equivalent deposits was \$8,457,373 for the Governmental Funds and \$47,152 for the Agency Fund. In addition to the cash on hand and cash deposits with State National Bank, their depository bank, which totaled \$2,976,256, the District had cash deposits of \$408,547 in the external investment pool, Tex Pool Investment Pool and cash deposits of \$2,501,941 in the external investment pool, Texas Term Investment Pool for the Governmental Funds. In addition to the cash deposits of \$8,628 with State National Bank, their depository bank, the District had cash deposits of \$38,524 in the Tex Pool Investment Pool for the Agency Fund. These deposits obviously have daily access. The District has chosen to have cash deposits totally in these investment pools or interest and non-interest bearing checking accounts, which will all be reported as cash and cash equivalents. The District's cash and cash equivalent deposits, with their depository bank, during the year ended August 31, 2017 were entirely covered by FDIC insurance or by pledged securities, which are pledged in the District's name and held by the safekeeping bank of the District's depository bank.

Foreign Currency Risk - Deposits and Investments: The District limits the risk that comes from changes in exchange rates that would adversely affect the fair value of an investment or a deposit by not investing in any foreign investments.

Interest Rate Risk - Investments: This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages this risk by investing in Tex Pool and Texas Term Investment Pools and non-interest and interest bearing checking accounts which have a daily access. These type of accounts are all reported as cash and cash equivalent deposits

Credit Risk - Investments: This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The District manages this risk by investing only in Tex Pool and Texas Term Investment Pools and interest and non-interest bearing checking accounts, which are reported as cash and cash equivalent deposits, and not in debt securities directly.

Concentration of Credit Risk - Investments: This risk is defined as positions of 5% or more in the securities of a single issuer. This is the issuer of the underlying investment, not a pool or mutual fund. The District limits this risk by not investing more than 5% in any single issuer except for its investments in Tex Pool and Texas Term Investment Pools and interest and non-interest bearing checking accounts, which are all reported as cash and cash equivalent deposits.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

A. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Custodial Credit Risk for Investments: To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

The District has chosen to invest only in the Tex Pool and Texas Term Investment Pools and interest and non-interest bearing checking accounts. These type of accounts are reported as cash and cash equivalent deposits.

Whenever the District has an investment which will require applying Governmental Accounting Standards Board (GASB) – Number 72, Fair Value Measurement and Application, it will categorize its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

B. 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 located in the District 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 31 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. The District has contracted with a third party, Howard County, for their property tax collections.

C. DELINQUENT TAXES RECEIVABLE

Beginning with the 2005 tax levy, delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Delinquent taxes prior to 2005 are prorated totally to maintenance based on the tax rate adopted for the year of the levy. This is because of the new bond issue on November 15, 2004. Allowances for uncollectibles 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.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2017 consisted of the following individual fund balances:

	Due from Other Funds	Due to Other Funds
<u>General Fund:</u>		
Special Revenue - Food Service	\$	\$19,141
<u>Special Revenue - Food Service:</u>		
General Fund	19,141	
Total	\$19,141	\$19,141

The balances between the General Fund and Special Revenue - Food Service represent funds needed to cover the differences between the August 2017 accruals for revenue and expenditures.

Interfund transfers for the year ended August 31, 2017, consisted of the following individual accounts:

	Transfer In	Transfer Out
<u>General Fund:</u>		
Transfer Out - Special Revenue - Food Service	\$	\$22,693
<u>Special Revenue – Food Service:</u>		
Transfer In - General Fund	22,693	
Total	\$22,693	\$22,693

The transfer from the General Fund to the Special Revenue Fund was necessary because the General Fund had to supplement the deficit in the Food Service Fund.

E. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land and Improvements	\$2,153,493	\$0	\$	\$2,153,493
Total capital assets, not being depreciated:	2,153,493	0	0	2,153,493
Capital assets, being depreciated:				
Buildings and improvements	41,559,578	52,368		41,611,946
Furniture and equipment	2,965,208			2,965,208
Total capital assets, being depreciated:	44,524,786	52,368		44,577,154

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

E. CAPITAL ASSETS (continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,977,730)	(681,302)		(12,659,032)
Furniture and equipment	<u>(1,903,134)</u>	<u>(155,054)</u>		<u>(2,058,189)</u>
Total accumulated depreciation	<u>(13,880,864)</u>	<u>(836,357)</u>		<u>(14,717,221)</u>
 Total capital assets, being depreciated, net	 <u>30,643,922</u>	 <u>(783,989)</u>		 <u>29,859,933</u>
 Governmental activities capital assets, net	 <u>\$32,797,415</u>	 <u>(\$783,989)</u>	 <u>\$0</u>	 <u>\$32,013,426</u>

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

Instruction	\$250,594
Instructional resource and media services	12,314
Curriculum and staff development	2,560
School leadership	11,294
Guidance, Counseling and evaluation services	1,642
Health Services	1,978
Student transportation	79,025
Food services	26,089
Extracurricular activities	304,488
General administration	2,842
Plant maintenance and operations	142,572
Data Processing Services	<u>959</u>

 Total depreciation expense - governmental activities \$836,357

The District adopted a policy during the fiscal year ended August 31, 2001 to capitalize only those items which meet the guidelines for the maximum capitalization limits prescribed by TEA in their Financial Accountability System Resource Guide. These guidelines are a unit cost of \$5,000 or more and a useful life of more than two years. The District plans to maintain a complete property listing for proper safeguarding and maintenance.

F. HEALTH CARE COVERAGE

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$614 per month per employee to the Plan (and employees, at their option, authorized payroll withholdings to pay premiums for dependents and plan coverage options). The District has coverage under TRS - Active Care through Teacher Retirement System of Texas.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

G. LONG-TERM DEBT - BONDS

In August 2013, the District issued \$24,945,000 Forsan Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2013. The bonds consist of serial bonds with rates ranging from 2.0% to 5.0% with annual maturities from February 2014 through February 2033. The \$24,945,000 bonds were issued at a premium of \$1,656,181 to help cover issue costs of the bonds, to refund a portion of the District's 2004 Series bonds and to pay costs of acquiring, renovating, constructing and equipping school buildings and acquiring school sites and school buses.

From the proceeds of the 2013 Series bond issue, \$2,484,010 was transferred to the Bond Refunding Escrow Agent to advance refund \$2,390,000 of the outstanding 2004 Series bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds have been removed from the District's government-wide financial statements. This advance refunding was undertaken to reduce the remaining debt service payments by \$133,918 (cash flow gain) and resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$170,404. A deferred charge on refunding of \$94,010 was realized by the District and will be amortized over the remaining life of the refunded debt which is through February 2020. The amount of defeased debt, on the 2004 Series, as of August 31, 2013 was \$2,390,000. These defeased bonds were redeemed on February 15, 2014.

In July 2016, the District issued \$8,480,000 Forsan Independent School District Unlimited Tax Refunding Bonds, Series 2016. The bonds consist of serial bonds with a 4.0% rate with annual maturities from February 2028 through February 2033. The \$8,480,000 bonds were issued at a premium of \$1,460,894 and the total proceeds were used to refund a portion of the District's Unlimited Tax School Building and Refunding Bonds, Series 2013.

From the proceeds of the 2016 Series bond issue and some funds from the District's Debt Service Fund, \$9,949,108 was transferred to the Bond Refunding Escrow Agent to advance refund \$9,150,000 of the outstanding 2013 Series bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds have been removed from the District's government-wide financial statements. This advance refunding was undertaken to reduce the remaining debt service payments by \$1,963,250 (cash flow gain) and resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$1,884,549. A deferred charge on refunding of \$388,511 was realized by the District, which consisted of funds transferred to the escrow agent in excess of the carrying amount of the bonds refunded. It will be amortized over the remaining life of the refunded debt which is through February 2033. The amount of defeased debt, on the 2013 Series, as of August 31, 2017 was \$9,150,000 with \$200,000 of these defeased bonds to be redeemed on February 15, 2017 and the remaining \$8,950,000 will be redeemed on February 15, 2018. The balance in the Series 2016 Refunding Escrow account at August 31, 2017 was \$9,824,749.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

G. LONG-TERM DEBT - BONDS (continued)

Outstanding Long-Term Debt - Bonds

The bonds payable at August 31, 2017 consisted of the following:

<u>Description</u>	<u>Current Interest Rates</u>	<u>Original Issue</u>	<u>Current Final Maturity</u>	<u>Current Outstanding Balance</u>
Series 2013 - Unlimited Tax School Building and Refunding Bonds	4.0% and 5.0%	\$24,945,000	2028	\$10,530,000
Series 2016 - Unlimited Tax Refunding Bonds	4.0%	\$8,480,000	2033	<u>\$8,480,000</u>
Total Bonds Payable				<u><u>\$19,010,000</u></u>

Changes in Long-Term Debt - Bonds

Long-term debt activity for the year ending August 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable:					
Unlimited Tax School Building and Refunding Bonds - 2013 Series	\$11,370,000	\$	(\$840,000)	\$10,530,000	\$615,000
Net Premium on 2013 Series	591,740		(2,929)	\$588,811	
Total - 2013 Series	<u>11,961,740</u>		<u>(842,929)</u>	<u>11,118,811</u>	<u>615,000</u>
Unlimited Tax Refunding Bonds 2016 Series	\$8,480,000		\$	\$8,480,000	\$
Net Premium on 2016 Series	1,447,989		(103,240)	\$1,344,749	
Total - 2016 Series	<u>9,927,989</u>		<u>(103,240)</u>	<u>9,824,749</u>	<u>\$</u>
Total Bonds Payable	<u><u>\$21,889,729</u></u>	<u><u>0</u></u>	<u><u>(\$946,169)</u></u>	<u><u>\$20,943,560</u></u>	<u><u>\$615,000</u></u>

FORSAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2017

G. LONG-TERM DEBT - BONDS (continued)

Debt Service Requirements - Bonds

The debt service requirements for the 2013 Series bonds are as follows:

Year Ended <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	615,000	483,250	1,098,250
2019	635,000	458,250	1,093,250
2020	895,000	427,650	1,322,650
2021	950,000	390,750	1,340,750
2022-2026	5,510,000	1,197,500	6,707,500
2027-2031	<u>1,925,000</u>	<u>80,375</u>	<u>2,005,375</u>
	<u>\$10,530,000</u>	<u>\$3,037,775</u>	<u>\$13,567,775</u>

The debt service requirements for the 2016 Series bonds are as follows:

Year Ended <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018		339,200	339,200
2019		339,200	339,200
2020		339,200	339,200
2021		339,200	339,200
2022-2026		1,696,000	1,696,000
2027-2031	5,190,000	1,331,600	6,521,600
2032-2033	<u>3,290,000</u>	<u>133,000</u>	<u>3,423,000</u>
	<u>\$8,480,000</u>	<u>\$4,517,400</u>	<u>\$12,997,400</u>

The combined debt service requirements for the 2013 and 2016 Series bonds are as follows:

Year Ended <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	615,000	822,450	1,437,450
2019	635,000	797,450	1,432,450
2020	895,000	766,850	1,661,850
2021	950,000	729,950	1,679,950
2022-2026	5,510,000	2,893,500	8,403,500
2027-2031	7,115,000	1,411,975	8,526,975
2032-2033	<u>3,290,000</u>	<u>133,000</u>	<u>3,423,000</u>
	<u>\$19,010,000</u>	<u>\$7,555,175</u>	<u>\$26,565,175</u>

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

H. SPECIAL ITEMS

The District has entered into several Chapter 313 agreements under Chapter 313 of on the Texas Tax Code with several wind energy companies. The transactions relating to the agreements are being reported as Special Items on Exhibit C-3 and also Exhibit B-1.

In accordance with the agreements, the District received Chapter 313 revenue payments from the companies for \$670,173 during the current fiscal year. However, beginning in fiscal year ending August 31, 2012, the District had to begin to pay back to the companies some of the tax credit due to some law changes affecting these credits. During the current fiscal year, the District paid \$364,068 back to the companies. However, the District was reimbursed this \$364,068 from the Texas Education Agency as it was added to their foundation entitlement allotment and was paid to the District in the current fiscal year. This \$364,068 payment from TEA has been reported as State Foundation Revenue.

I. TAX COLLECTION ANALYSIS

An analysis of the District's tax collection ratio to the total tax levy for the year ended August 31, 2016 is as follows:

	Adjusted Tax Levy	Tax Collection	Collection Ratio
Current Year Taxes	\$5,077,527	\$4,959,448	97.67%
Delinquent Taxes		62,440	1.23%
Penalty and Interest		39,767	0.78%
Total	\$5,077,527	\$5,061,655	99.69%

The adjusted tax levy consists of original levy of \$5,132,073 less net supplements and adjustments of \$54,546.

J. UNAVAILABLE REVENUE

Unavailable revenue at August 31, 2017 consisted of the following:

	General Fund	Debt Service Fund	Total
Net Tax Revenue	\$140,378	\$44,723	\$185,101
Total Unavailable Revenue	\$140,378	\$44,723	\$185,101

K. TRS ON-BEHALF PAYMENTS

State Contributions

Contributions made by the State of Texas to the Teacher Retirement System (TRS) of Texas on behalf of a reporting entity's employees must be recognized as equal revenues and expenditures/expenses by each district. State contributions to TRS made on behalf of the Forsan Independent School District's employees for the years ended August 31, 2017, 2016 and 2015 were \$249,531, \$247,963, and \$240,033, respectively. These amounts are net of the amounts the State pays for TRS care coverage.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

K. TRS ON-BEHALF PAYMENTS (continued)

Medicare Part D

Federal Government Retiree Drug Subsidy - The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. Any questions about payroll amounts should be directed to a reporting entity's payroll contact. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$22,958, \$13,028, and \$17,688, respectively.

L. WORKERS' COMPENSATION PUBLIC ENTITY RISK POOL

The District entered into a self-funded Workers' Compensation Program for the first time for the 1992-93 school year. The plan is the West Texas Educational Insurance Association which has Claims Administrative Services, Inc. as the Plan Supervisor. This self-funded program is a public entity risk pool. It is the responsibility of the District (Plan Sponsor) to report and pay claims. It is the responsibility of the Plan Supervisor for administration of claims, loss control and record keeping.

This plan was terminated effective August 31, 2002, but the District reentered the Plan effective September 1, 2007. When the District reentered the Plan, they reentered as a Guaranteed Cost client. As a guaranteed cost client, the District met all liabilities of the Plan by payment of the incurred premium. The District entered into a plan under TASB-Risk Management Fund effective September 1, 2002 that was terminated August 31, 2007.

Below is a reconciliation of changes in the claims liabilities for the prior fiscal years.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

L. WORKERS' COMPENSATION PUBLIC ENTITY RISK POOL (continued)

West Texas Educational Insurance Association
 Forsan ISD Workers Compensation Fund
 Statement of Change in Claims Liability
 From 9/1/15 Thru 8/31/17

	1993/ 1998	1998/ 1999	1999/ 2000	2000/ 2001	2001/ 2002	Total
Total Unpaid Claims at 9/01/16	\$	\$	\$626	\$	\$1	\$627
Add Incurred Claims:						
Increases in provision for insured events of the prior years			(1)		(1)	(2)
Total Incurred Claims			(1)		(1)	(2)
Less Payments:						
Claims attributable to insured events of the prior years			49			49
Total Payments			49			49
Total Unpaid Claims at 8/31/17*	\$	\$	\$576	\$	\$	\$576
* Minimum amount to be incumbered. Claims of this amount allows for estimated claims Incurred but not Reported (I B N R) of:	\$	\$	\$	\$	\$	\$

M. DEFINED BENEFIT PENSION PLAN

Plan Description

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

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

M. DEFINED BENEFIT PENSION PLAN (continued)

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

Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System’s fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2016.

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

Benefits Provided

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

M. DEFINED BENEFIT PENSION PLAN (continued)

Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

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

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Forsan ISD 2016 Employer Contributions		\$108,176
Forsan ISD 2016 Member Contributions		\$321,420
Forsan ISD 2015 NECE On-Behalf Contributions		\$249,531

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

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

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

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

M. DEFINED BENEFIT PENSION PLAN (continued)

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2015 and adopted on September 24, 2016.

Discount Rate

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

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

M. DEFINED BENEFIT PENSION PLAN (continued)

of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2016

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

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

FORSAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2017

M. DEFINED BENEFIT PENSION PLAN (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Forsan ISD's proportionate share of the net pension liability:	\$2,115,045	\$1,366,605	\$731,777

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

At August 31, 2017, the District reported a liability of \$1,366,605 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$1,366,605
State's proportionate share that is associated with the District	<u>2,961,894</u>
Total	<u><u>\$4,328,499</u></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0036165% which was a decrease of 0.0003396% from its proportion measured as of August 31, 2015.

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

Economic Assumptions:

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

Mortality Assumptions:

5. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

M. DEFINED BENEFIT PENSION PLAN (continued)

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

Other Demographic Assumptions:

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

Actuarial Methods and Policies:

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$307,374 and revenue of \$307,374 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

M. DEFINED BENEFIT PENSION PLAN (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$21,428	\$40,806
Changes in actuarial assumptions	41,652	37,880
Difference between projected and actual investment earnings	115,722	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	267,082	44,590
Total as of August 31, 2015 measurement date	\$445,884	\$123,276
Contributions paid to TRS subsequent to the measurement date	108,176	
Total as of fiscal year-end	\$554,060	\$123,276

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

Year Ended August 31:	Pension Expense Amount
2018	\$57,472
2019	57,472
2020	131,285
2021	51,801
2022	28,982
Thereafter	(4,404)

The change in the Net Pension Liability is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$1,398,429	\$83,080	\$114,904	\$1,366,605

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

N. DUE FROM STATE AND LOCAL AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal, state and local governments as of August 31, 2017, are summarized below. All federal funds shown below are passed through TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Foundation & WADA	State Grants	Federal Grants	Other	Total
General Fund					
2016-2017 WADA Overpayment	\$77,620	\$	\$	\$	\$77,620
2016-2017 Foundation Receivable	738,391				738,391
2017-2018 Foundation Accrual	<u>173,990</u>				<u>173,990</u>
Total General Fund	<u>\$990,001</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$999,001</u>
Special Revenue					
Food Service (240)	\$	\$	\$5,530	\$	\$5,530
Title II, Part A (255)					
Total Special Revenue	<u>\$</u>	<u>\$</u>	<u>\$5,530</u>	<u>\$</u>	<u>\$5,530</u>
Total All Funds	<u>\$990,001</u>	<u>\$</u>	<u>\$5,530</u>	<u>\$</u>	<u>\$ 995,531</u>

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

O. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Property Taxes	\$3,419,305	\$1,602,583	\$	\$	\$5,021,888
Penalties, Interest and Other					
Tax-Related Income	28,765	6,734			35,499
Investment Income	17,607	3,833	3,180		24,620
Food Sales				256,189	256,189
Co-curricular Student Activities	26,856				26,856
Gifts and Bequests	4,600			19,450	24,050
Rent	22,920				22,920
Other	3,988				3,988
	<u>\$3,524,041</u>				
Total	<u>1</u>	<u>\$1,613,150</u>	<u>\$3,180</u>	<u>\$275,639</u>	<u>\$5,416,010</u>

P. LITIGATION

At August 31, 2017, Forsan Independent School District had no lawsuits or legal activity pending.

Q. JOINT VENTURES

87-20 Special Education Cooperative

The District participates in a special education cooperative program for the education of handicapped children under IDEA-B Formula, IDEA-B Preschool and Vocational Education programs funded by P.L. 94-142 with five other member school districts. The six member school districts support the local operation of the special education cooperative and their share of this cost is based on the number of students served in their district in proportion to the total number of students served for all six districts. The District's share of this cost, which is 9.687 percent, was \$70,147 for the year ended August 31, 2017. Although 9.687 percent of the activity of the cooperative in the IDEA-B Formula and IDEA-B Preschool program areas and 13.195 percent in the Vocational Education program area is attributable to Forsan ISD's participation, the District does not account for revenues or expenditures in this program and does not disclose them in the financial statements. Coahoma ISD is the fiscal agent manager and is responsible for all financial activities of the cooperative. The following table presents the revenues and expenditures attributable to the District's participation in the federal programs:

FORSAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2017

R. JOINT VENTURES (continued)

Appraisal Districts

The District has joined other governmental agencies and several Appraisal Districts to handle appraisal of property within the District. The Appraisal Districts are responsible for valuing the District's property which is within each of the applicable counties.

The participants and their percentage shares in the Howard County Appraisal District appraisal fees are as follows:

Big Spring Independent School District	32.12%
County of Howard	15.58
Howard College	9.14
City of Big Spring	8.03
Coahoma Independent School District	8.40
City of Coahoma	0.18
Forsan Independent School District	14.33
City of Forsan	0.04
Permian Basin Underground Water Conservation District	0.22
Borden Independent School District	0.25
Sands Consolidated Independent School District	9.97
Stanton Independent School District	<u>1.74</u>
	<u>100.00%</u>

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

R. JOINT VENTURES (continued)

The participants and their percentage shares in the Mitchell County Appraisal District appraisal fees are as follows:

Colorado Independent School District	26.36%
County of Mitchell	27.32
Mitchell County Hospital District	13.77
City of Colorado City	3.59
Loraine Independent School District	7.90
City of Loraine	0.51
Westbrook Independent School District	19.11
City of Westbrook	0.06
Lone Wolf Groundwater Conservation District	1.06
Forsan Independent School District	0.08
Ira Independent School District	0.15
Roscoe Independent School District	<u>0.09</u>
	<u>100.00%</u>

S. COMMITTED FUND BALANCE - GENERAL FUND

Fund Balance is committed in account #3510 for future construction and renovations of \$5,000,000 and in account #3530 for equipment purchases of \$350,000.

T. COMMITMENTS UNDER NONCAPITALIZED LEASES

Commitments under operating lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2017, as follows:

Year Ending August 31:

2018	9,447
2019	8,172
2020	8,172
2021	<u>2,043</u>
Total Minimum Rentals	<u>\$27,834</u>

Rental expenditures during the year ending August 31, 2017 were \$23,470. Equipment rental is under a State of Texas rental contract in which there is no imputed interest.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

U. TASB RISK MANAGEMENT FUND

Unemployment Compensation Coverage

During the year ended August 31, 2017, the District (member) provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The agreement expires October 1, 2016 and shall automatically renew upon anniversary date unless terminated; however, it may be terminated by either party on any successive renewal date by giving notice no later than 30 days prior to the anniversary date.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2016, the Fund anticipates that Forsan ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

V. GENERAL FUND FEDERAL SOURCE REVENUES

<u>Program or Source</u>	<u>Amount</u>
E-Rate Funds	<u>\$18,729</u>

During the current fiscal year, the District made application with Universal Service Administrative Company, Schools & Libraries Division for E-rate funds. The organization provides discounts to eligible schools and libraries for telecommunications services, internet access and internal connections. The District received \$18,729 in E-rate funds for reimbursement of the above mentioned expenditures.

W. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description

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

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

W. SCHOOL DISTRICT RETIREE HEALTH PLAN (continued)

financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site 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.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Section 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 contribution rates were 1.00% for fiscal years 2017, 2016 and 2015 of public school payroll. The active public school employee and school district contribution rates were 0.65% and 0.55% of public school payroll, respectively. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$40,040, \$43,858, and \$41,678 respectively, the active member contributions were \$27,133, \$28,507, and \$28,198 respectively, and the school district's contributions were \$22,958, \$24,122, and \$23,868 respectively, which equaled the required contributions each year.

X. TEXAS ASSOCIATION OF PUBLIC SCHOOLS PROPERTY AND LIABILITY FUND

Property, Liability and Professional Liability Coverage

The District has entered into an Interlocal Cooperation Contract with Texas Association of Public Schools Property and Liability Fund. The purpose of this contract is to establish a self-insurance fund to provide property and liability risk management, loss control and claims administration services. This contract is allowed under the Interlocal Cooperation Act, Chapter 791 of Texas Government Code and Chapter 2259 of Texas Government Code.

The Fund is administered by a Board and all program participants must be a public school district. The District pays contributions based upon rating methodology approved by the Board. The Fund reserves the right to collect all initial, estimated and adjusted contributions that are due the Fund in the event of termination by the program participant. The Fund may purchase excess insurance and aggregate excess insurance, or reinsurance as determined by the Board. The term of this agreement is one year (expires August 31) with automatic renewal on September 1 of each subsequent year unless terminated according to the termination provisions. The agreement may be terminated by the program participant at any time by giving sixty days' notice and contributions will be prorated and returned where applicable. The Fund may terminate a program participant under certain provisions in the agreement.

FORSAN INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2017

Y. GASB STATEMENTS NUMBER 63 AND 65

During the fiscal year ended August 31, 2013, Forsan ISD implemented two statements of the Governmental Accounting Standard Board (GASB) - Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Number 65, *Items Previously Reported as Assets and Liabilities*. These two statements:

- Classified items that are a consumption of net assets applicable to a future reporting period as deferred outflows of resources,
- Classified items that are an acquisition of net assets applicable to a future reporting period as deferred inflows of resources,
- Renamed all “Statements of Net Assets” to “Statements of Net Position,”
- Required all bond issuance costs to be recorded as expenses in the year the bonds were issued,
- Reclassified the effect of accounting changes adopted to conform to the provisions of Statement Number 63 retroactively in statements of net position and balance sheets, if practical, for all prior periods presented. In the period Statement Number 63 is first applied, the financial statements should disclose the nature of any reclassifications and its effect,
- Required reasons for not reclassifying statements of net position and balance sheet information for prior periods presented to be explained.

The effect of these two statements on Forsan ISD’s 2017 annual financial statements was:

- To record uncollected property taxes as deferred inflows of resources on Exhibit C-1.

Deferred Inflows of Resources	
“Unavailable revenues - property taxes” -	<u>\$130,816</u>

- For refunded debt to record the difference between the reacquisition price and the net carrying amount of the old debt as a deferred outflow of resources and recognize this as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter. See Exhibit A-1.

Deferred Outflows of Resources	
“Deferred charge from refunding bonds” -	<u>\$681,408</u>

FORSAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 3,471,972	\$ 3,471,972	\$ 3,510,605	\$ 38,633
5800	State Program Revenues	3,590,878	3,597,173	3,913,919	316,746
5900	Federal Program Revenues	3,500	3,500	3,040	(460)
5020	Total Revenues	7,066,350	7,072,645	7,427,564	354,919
EXPENDITURES:					
Current:					
0011	Instruction	3,733,415	3,770,285	3,721,139	49,146
0012	Instructional Resources and Media Services	64,028	64,028	58,510	5,518
0013	Curriculum and Instructional Staff Development	39,946	39,946	28,292	11,654
0023	School Leadership	455,057	455,057	446,418	8,639
0031	Guidance, Counseling and Evaluation Services	171,380	171,380	157,186	14,194
0033	Health Services	58,328	58,328	46,982	11,346
0034	Student (Pupil) Transportation	276,737	372,032	321,164	50,868
0036	Extracurricular Activities	462,046	462,046	423,712	38,334
0041	General Administration	483,265	483,265	462,402	20,863
0051	Facilities Maintenance and Operations	804,681	804,681	775,204	29,477
0052	Security and Monitoring Services	68,500	68,500	42,022	26,478
0053	Data Processing Services	343,156	343,156	278,057	65,099
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	350,149	350,149	350,117	32
0093	Payments to Fiscal Agent/Member Districts of SSA	83,700	83,700	80,847	2,853
0095	Payments to Juvenile Justice Alternative Ed. Prg.	10,000	10,000	6,000	4,000
0099	Other Intergovernmental Charges	108,000	108,000	99,277	8,723
6030	Total Expenditures	7,512,388	7,644,553	7,297,329	347,224
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(446,038)	(571,908)	130,235	702,143
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(140,000)	(140,000)	(22,693)	117,307
SPECIAL ITEMS:					
7918	Special Item - Resource	400,000	400,000	670,173	270,173
1200	Net Change in Fund Balances	(186,038)	(311,908)	777,715	1,089,623
0100	Fund Balance - September 1 (Beginning)	-	7,271,968	7,271,968	-
3000	Fund Balance - August 31 (Ending)	\$ (186,038)	\$ 6,960,060	\$ 8,049,683	\$ 1,089,623

FORSAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2017

	Measurement Year Ended August 31,		
	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0036165%	0.0039561%	0.0025479%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,366,605	\$ 1,398,429	\$ 680,580
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,961,894	2,860,496	2,397,776
Total	<u>\$ 4,328,499</u>	<u>\$ 4,258,925</u>	<u>\$ 3,078,356</u>
District's Covered Employee Payroll	\$ 4,385,861	\$ 4,338,142	\$ 4,167,845
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	31.16%	32.24%	16.33%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.00%	78.43%	83.25%

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

FORSAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2017

	Fiscal Year Ended August 31,		
	2017	2016	2015
Contractually Required Contribution	\$ 108,176	\$ 115,202	\$ 117,275
Contribution in Relation to the Contractually Required Contribution	<u>(108,176)</u>	<u>(115,202)</u>	<u>(117,275)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Employee Payroll	\$ 4,169,379	\$ 4,385,861	\$ 4,338,142
Contributions as a percentage of Covered Employee Payroll	2.59%	2.63%	2.70%

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

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Changes of benefit terms.

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

Changes of assumptions.

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

Economic Assumptions

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

Mortality Assumptions

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

Other Demographic Assumptions

8. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
9. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.

FORSAN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

10. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
11. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
12. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

Actuarial Methods and Policies

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

FORSAN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	410 State Textbook Fund
ASSETS				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ (990)
1260 Due from Other Funds	-	22,698	-	-
1000 Total Assets	<u>\$ -</u>	<u>\$ 22,698</u>	<u>\$ -</u>	<u>\$ (990)</u>
LIABILITIES				
2110 Accounts Payable	\$ -	\$ 113	\$ -	\$ -
2160 Accrued Wages Payable	-	11,672	-	-
2000 Total Liabilities	<u>-</u>	<u>11,785</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted Fund Balance:				
3470 Capital Acquisition and Contractual Obligation	-	-	-	-
3490 Other Restricted Fund Balance	-	-	-	-
3600 Unassigned Fund Balance	-	10,913	-	(990)
3000 Total Fund Balances	<u>-</u>	<u>10,913</u>	<u>-</u>	<u>(990)</u>
4000 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 22,698</u>	<u>\$ -</u>	<u>\$ (990)</u>

497	498	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	699	Total Nonmajor Governmental Funds
\$ 2,509	\$ 4,031	\$ 8,560	\$ 14,110	\$ 458,846	\$ 472,956
-	-	-	22,698	-	22,698
<u>\$ 2,509</u>	<u>\$ 4,031</u>	<u>\$ 8,560</u>	<u>\$ 36,808</u>	<u>\$ 458,846</u>	<u>\$ 495,654</u>
\$ -	\$ -	\$ -	\$ 113	\$ -	\$ 113
-	-	-	11,672	-	11,672
<u>-</u>	<u>-</u>	<u>-</u>	<u>11,785</u>	<u>-</u>	<u>11,785</u>
-	-	-	-	508,034	508,034
3,429	4,281	8,615	16,325	-	16,325
(920)	(250)	(55)	8,698	(49,188)	(40,490)
<u>2,509</u>	<u>4,031</u>	<u>8,560</u>	<u>25,023</u>	<u>458,846</u>	<u>483,869</u>
<u>\$ 2,509</u>	<u>\$ 4,031</u>	<u>\$ 8,560</u>	<u>\$ 36,808</u>	<u>\$ 458,846</u>	<u>\$ 495,654</u>

FORSAN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	410 State Textbook Fund
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ 256,189	\$ -	\$ -
5800 State Program Revenues	-	13,356	-	9,661
5900 Federal Program Revenues	57,508	189,942	26,704	-
5020 Total Revenues	57,508	459,487	26,704	9,661
EXPENDITURES:				
Current:				
0011 Instruction	57,508	-	26,704	10,651
0035 Food Services	-	471,268	-	-
0061 Community Services	-	-	-	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	-	-	-
6030 Total Expenditures	57,508	471,268	26,704	10,651
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(11,781)	-	(990)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	22,693	-	-
1200 Net Change in Fund Balance	-	10,912	-	(990)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 10,912	\$ -	\$ (990)

497	498	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds	699	Total Nonmajor Governmental Funds
\$ 2,080	\$ 3,750	\$ 13,620	\$ 275,639	\$ 3,180	\$ 278,819
-	-	-	23,017	-	23,017
-	-	-	274,154	-	274,154
2,080	3,750	13,620	572,810	3,180	575,990
-	-	-	94,863	-	94,863
-	-	-	471,268	-	471,268
3,000	4,000	13,675	20,675	-	20,675
-	-	-	-	52,368	52,368
3,000	4,000	13,675	586,806	52,368	639,174
(920)	(250)	(55)	(13,996)	(49,188)	(63,184)
-	-	-	22,693	-	22,693
(920)	(250)	(55)	8,697	(49,188)	(40,491)
3,429	4,281	8,615	16,325	508,034	524,359
\$ 2,509	\$ 4,031	\$ 8,560	\$ 25,022	\$ 458,846	\$ 483,868

FORSAN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2017

	BALANCE SEPTEMBER 1 2016	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2017
UNIDENTIFIED FUND FROM TRIAL BALANCE				
Assets:				
Cash and Temporary Investments	\$ 42,350	\$ 143,455	\$ 138,654	\$ 47,151
Liabilities:				
Due to Student Groups	\$ 42,350	\$ 143,455	\$ 138,654	\$ 47,151
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 42,350	\$ 143,455	\$ 138,654	\$ 47,151
Liabilities:				
Due to Student Groups	\$ 42,350	\$ 143,455	\$ 138,654	\$ 47,151

FORSAN INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040000	0.089750	504,850,170
2010	1.040000	0.059300	743,132,539
2011	1.040000	0.065700	584,242,256
2012	1.040000	0.056800	622,937,454
2013	1.040000	0.040900	905,191,600
2014	1.040000	0.349280	756,673,241
2015	1.040000	0.349280	824,002,308
2016	1.040000	0.349280	506,950,167
2017 (School year under audit)	1.040000	0.378580	357,930,246
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 91,067	\$ -	\$ 88	\$ 9	\$ (1,113)	\$ 89,857
19,149	-	42	4	-	19,103
15,751	-	911	52	-	14,788
13,812	-	221	13	-	13,578
9,088	-	329	18	(69)	8,672
26,839	-	577	23	(204)	26,035
40,814	-	2,751	924	(32)	37,107
67,062	-	1,760	591	(10,523)	54,188
134,670	-	40,520	13,608	(13,545)	66,997
-	5,077,527	3,372,099	1,587,349	-	118,079
<u>\$ 418,252</u>	<u>\$ 5,077,527</u>	<u>\$ 3,419,298</u>	<u>\$ 1,602,591</u>	<u>\$ (25,487)</u>	<u>\$ 448,403</u>

FORSAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 250,000	\$ 250,000	\$ 256,189	\$ 6,189
5800	State Program Revenues	2,000	13,900	13,356	(544)
5900	Federal Program Revenues	141,000	145,311	189,942	44,631
5020	Total Revenues	393,000	409,211	459,487	50,276
EXPENDITURES:					
0035	Food Services	481,715	486,026	471,268	14,758
6030	Total Expenditures	481,715	486,026	471,268	14,758
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(88,715)	(76,815)	(11,781)	65,034
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	140,000	140,000	22,693	(117,307)
1200	Net Change in Fund Balances	51,285	63,185	10,912	(52,273)
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 51,285	\$ 63,185	\$ 10,912	\$ (52,273)

FORSAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,707,059	\$ 1,707,059	\$ 1,609,733	\$ (97,326)
5800	State Program Revenues	-	-	12,282	12,282
5020	Total Revenues	1,707,059	1,707,059	1,622,015	(85,044)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,696,550	840,000	840,000	-
0072	Interest on Long Term Debt	-	851,550	851,550	-
0073	Bond Issuance Cost and Fees	-	191,406	190,756	650
6030	Total Expenditures	1,696,550	1,882,956	1,882,306	650
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	10,509	(175,897)	(260,291)	(84,394)
OTHER FINANCING SOURCES (USES):					
7901	Refunding Bonds Issued	-	8,995,000	8,995,000	-
7916	Premium or Discount on Issuance of Bonds	-	470,102	470,101	(1)
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(9,278,696)	(9,278,695)	1
7080	Total Other Financing Sources (Uses)	-	186,406	186,406	-
1200	Net Change in Fund Balances	10,509	10,509	(73,885)	(84,394)
0100	Fund Balance - September 1 (Beginning)	-	823,594	823,594	-
3000	Fund Balance - August 31 (Ending)	\$ 10,509	\$ 834,103	\$ 749,709	\$ (84,394)

Stallings and Herm, P.C.

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**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***

Independent Auditor's Report

Board of Trustees
Forsan Independent School District
P.O. Drawer A
Forsan, Texas 79733

Members of the Board:

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 Forsan Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Forsan Independent School District's basic financial statements and have issued our report thereon dated January 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Forsan Independent School 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 Forsan Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Forsan Independent School 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 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 Forsan Independent School 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.

Respectfully submitted,

Stallings & Herm, P. C.

Stallings and Herm, P.C.
Certified Public Accountants

January 22, 2017

FORSAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

<u>PROGRAM</u>	<u>DESCRIPTION</u>
Type of Auditor's Report on Financial Statements	Unqualified
Significant Deficiencies	None
Material Weaknesses Involving Significant Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unqualified
Findings and Questioned Costs for Federal Awards as Defined in Section &.510(a), OMB Circular A-133	None
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
Low Risk Auditee Statements	The District did not qualify as a low-risk auditee in the context of OMB Circular A-133.
Major Federal Programs	Title XIV, State Fiscal Stabilization Fund- ARRA CFDA 84.394 Education Jobs Fund - CFDA 84.410
Pass-through Entity	Texas Education Agency

FORSAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2017

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Forsan Independent School District.
2. No deficiencies, significant deficiencies or material weaknesses relating to the audit of the basic financial statements are reported in the 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*.
3. No state compliance findings or other matters relating to the audit of the basic financial statements are reported in the 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*.

FORSAN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

(PREPARED BY DISTRICT'S ADMINISTRATION)

<u>FINDING</u>	<u>STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE</u>
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There were no prior year findings or noncompliance issues.

FORSAN INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED AUGUST 31, 2017

(PREPARED BY DISTRICT'S ADMINISTRATION)

There are no current year findings and there is no corrective action plan required for the year ended August 31, 2017.

Contact Person

Jason Mims - Business Manager
432-457-2223

SCHOOLS FIRST QUESTIONNAIRE

FORSAN INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2017

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	1,398,429
SF13	Pension Expense (6147) at fiscal year-end.	114,782