

**WILLS POINT  
INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
For The Year Ended August 31, 2014**



**WILLS POINT INDEPENDENT SCHOOL DISTRICT**  
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**CERTIFICATE OF THE BOARD**

Wills Point Independent School District  
Name of School District

Van Zandt  
County

234-907  
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved/ **disapproved** for the year ended August 31, 2014, at a meeting of the board of trustees of such school district on December 8, 2014.



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



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

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving is/are (attach list if necessary):



## **FINANCIAL SECTION**



## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Wills Point Independent School District  
Wills Point, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wills Point Independent School District (the "District") as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

To the Board of Trustees  
Wills Point Independent School District

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 1 to the financial statements, the District adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of August 31, 2014. Our opinion is not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-13 and 40-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

To the Board of Trustees  
Wills Point Independent School District

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

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

Dallas, Texas  
December 2, 2014

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

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## **WILLS POINT INDEPENDENT SCHOOL DISTRICT**

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

Our discussion and analysis of Wills Point Independent School District's financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2014. Please read it in conjunction with the District's financial statements, which begin on page 17.

#### **Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$26,358,684 (*net position*). Of this amount, \$4,482,911 (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$605,252.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,698,425, a decrease of \$1,797,302 in comparison with the prior year. \$2,891,242 is *available for spending* at the District's discretion (*unassigned fund balance*). Of this amount, \$657,320 has been committed by the Board for specific purposes. In addition, \$500,000 has been assigned for district/campus renovations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,891,242, or 14 percent of total General Fund expenditures.

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

This annual report consists of three *parts*—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

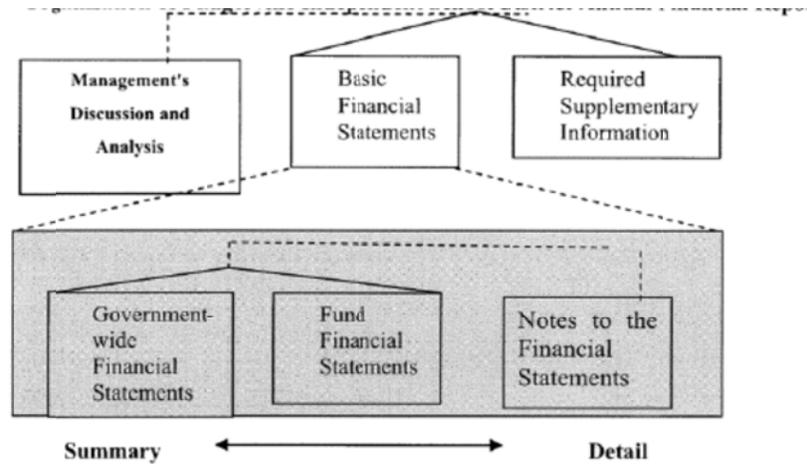
- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as *a trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

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

Figure A-1 shows how the financial statements, management's discussion and analysis and required supplementary information are arranged and related to one another.

**Figure A-1**



**Figure A-2**

<b>Major features of the District's Government-wide and Fund Financial Statements</b>				
<b>Type of Statement</b>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire government (except fiduciary funds) and the District's component	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses i.e. self-insurance	Instances in which the District is the trustee or agent for someone else's resources
<i>Required Financial Statements</i>	Statement of Net Position, Statement of Activities	Balance Sheet, Statement of Revenues, Expenditures and Fund Balances	Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, Statement of Cash	Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Types of accountability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that become due during the year or soon thereafter. No capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities both short-term and long-term; the District's funds do not currently include capital assets, although they can.
<i>Types of Inflow/outflow Information</i>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

## **WILLS POINT INDEPENDENT SCHOOL DISTRICT**

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

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

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

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's tax base

The *government-wide financial statements* of the District include the Governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

The *fund financial statements* provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

*Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

*Fiduciary funds* The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

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

**Financial Analysis of the District as a Whole**

The following analysis focuses on the net position and changes in net position of the District's governmental activities.

Net position of the District's governmental activities decreased from \$26,963,936 to \$26,358,684. 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 \$4,482,911 and \$6,493,797 at August 31, 2014 and 2013, respectively.

This decrease in net position was the net result of several factors. First, the District's expenses increased by \$157,580. Second, total revenues decreased by \$254,971. This resulted in a decrease in net position of \$575,649.

**Wills Point Independent School District's Net Position**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013, Restated</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 5,941,086	\$ 7,050,825
Other assets	924,274	1,121,473
Capital assets less accumulated depreciation	24,411,419	23,816,164
<b>Total Assets</b>	<b>31,276,779</b>	<b>31,988,462</b>
<b>Liabilities</b>		
Current liabilities	1,765,498	1,274,012
Long term liabilities	3,152,597	3,780,117
<b>Total Liabilities</b>	<b>4,918,095</b>	<b>5,054,129</b>
<b>Net Position</b>		
Net investment in capital assets	21,258,822	20,036,047
Restricted	616,951	404,489
Unrestricted	4,482,911	6,493,797
<b>Total Net Position</b>	<b>\$ 26,358,684</b>	<b>\$ 26,934,333</b>

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

**Wills Point Independent School District's Changes in Net Position**

	<b>Governmental Activities</b>	
	<b>2014</b>	<b>2013, Restated</b>
<b>Revenue:</b>		
<b>Program Revenues:</b>		
Charges for services	\$ 393,334	\$ 395,153
Operating grants & contributions	3,297,838	3,766,912
<b>General Revenues:</b>		
Property taxes	5,671,953	5,824,869
State Aid	12,282,338	11,902,564
Investment earnings	39,591	21,819
Grants and contributions not restricted	43,317	41,143
Miscellaneous local and intermediate	83,367	114,249
<b>Total Revenues</b>	<b>21,811,738</b>	<b>22,066,709</b>
<b>Expenses</b>		
Instruction	12,579,933	11,881,390
Instructional resources and media services	297,354	300,339
Curriculum and staff development	112,767	455,204
Instructional leadership	362,658	386,187
School leadership	1,205,007	1,169,256
Guidance, counseling, and evaluation services	591,047	614,796
Social work services	7,637	8,045
Health services	314,612	305,625
Student transportation	1,227,920	1,342,246
Food service	1,296,650	1,168,709
Extracurricular activities	941,858	1,013,505
General administration	726,397	714,361
Facilities maintenance and operations	2,052,688	1,969,524
Security and monitoring services	100,110	66,795
Data processing services	180,072	174,245
Community services	764	5,025
Interest on long-term debt	138,145	196,193
Facility repairs and maintenance	114,351	323,103
Payment to tax appraisal district	137,417	135,259
<b>Total Expenses</b>	<b>22,387,387</b>	<b>22,229,807</b>
Increase (Decrease) in Net Position	(575,649)	(163,098)
<b>Beginning Net Position</b>	<b>26,934,333</b>	<b>27,097,431</b>
<b>Ending Net Position</b>	<b>\$ 26,358,684</b>	<b>\$ 26,934,333</b>

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

**Governmental Activities**

Governmental activities decreased the District's net position by \$575,649. Key elements of this decrease are as follows:

Revenues are generated primarily from two sources. State Aid Formula Grant, operating grants and contributions of \$15,580,176 represent 71 percent of total revenues and property taxes \$5,671,953 represents 26 percent of total revenues. The remaining is generated from charges from services, investment earnings and miscellaneous revenues.

The primary functional expense of the District is instruction (\$12,579,933), which represents 56 percent of total expenses. Plant maintenance and operations (\$2,052,688) represents 9 percent of total expenses. The remaining individual function categories of expenses are each less than 6 percent of total expenses.

The District's M&O and I&S property tax rates were \$1.04 and \$0.08, respectively. The District's tax assessed valuation increased less than 2 percent. Property tax revenue decreased \$152,916 over the prior year due to a decrease in the I&S rate of \$0.025.

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

As the District completed the year, its governmental funds (as presented in the balance sheet on page 19) reported a combined fund balance of \$4,698,425, which decreased from last year's total of \$6,495,727. Included in this year's total change in fund balance is a decrease of \$1,768,757 in the District's General Fund. The primary reason for the decrease in the General Fund is due to an increase in capital outlay in the current year of approximately \$2.5 million.

**General Fund Budgetary Highlights**

Over the course of the year, the Board of Trustees amended the District's budget several times. The major budget amendments for the year were to budget for additional instruction, general administration and facilities acquisition and construction. These amendments came from various functions, additional revenue and available fund balance.

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

**Capital Asset and Debt Administration**

**Capital Assets**

At year end the District had invested in a broad range of capital assets, including land, equipment, buildings and vehicles.

	<u>Balance</u> <u>August 31, 2013</u>	<u>Additions</u>	<u>(Retirements)</u> <u>and Transfers</u>	<u>Balance</u> <u>August 31, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 1,141,684	\$	\$	\$ 1,141,684
Construction in progress		2,429,454		2,429,454
<b>Total Capital assets, not being depreciated</b>	<u>1,141,684</u>	<u>2,429,454</u>		<u>3,571,138</u>
Capital assets, being depreciated:				
Buildings and improvements	35,714,919	17,928		35,732,847
Furniture and equipment	6,277,925	185,092	(2,754,448)	3,708,569
Capital lease assets	66,667			66,667
<b>Total Capital assets, being depreciated</b>	<u>42,059,511</u>	<u>203,020</u>	<u>(2,754,448)</u>	<u>39,508,083</u>
Less accumulated depreciation for:				
Buildings and improvements	(14,820,642)	(889,015)		(15,709,657)
Furniture and Equipment	(4,541,532)	(207,399)	1,826,976	(2,921,955)
Capital lease assets	(22,857)	(13,333)		(36,190)
<b>Total Accumulated depreciation</b>	<u>(19,385,031)</u>	<u>(1,109,747)</u>	<u>1,826,976</u>	<u>(18,667,802)</u>
<b>Governmental Capital Assets</b>	<u>\$ 23,816,164</u>	<u>\$ 1,522,727</u>	<u>\$ (927,472)</u>	<u>\$ 24,411,419</u>

**Debt Administration**

At year-end the District had \$3,152,597 in bonds and capital leases as shown below:

**Wills Point Independent School District's Long-term Liabilities**

	<u>Balance August</u> <u>31, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>August 31,</u> <u>2014</u>
General obligation bonds	\$ 3,715,000	\$	\$ (610,000)	\$ 3,105,000
Plus amounts for issuance premiums	25,116		(4,187)	20,929
Capital lease payable	40,001		(13,333)	26,668
	<u>\$ 3,780,117</u>	<u>\$</u>	<u>\$ (627,520)</u>	<u>\$ 3,152,597</u>

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

The District's elected officials considered several factors when setting fiscal year 2015 budget and tax rates. The combined Maintenance and Operation and Debt Service tax rate remained the same at \$1.12. The district expects a reduction of student growth for fiscal year 2015. Due to a projected slow tax base growth, a reduction of student growth, and a decrease in state funding, the district continues to cut costs where possible and increase expenditures only in mandated areas.

**Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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 Administration office, at 338 W. North Commerce, Wills Point, Texas 75169.

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## **BASIC FINANCIAL STATEMENTS**

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**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*Exhibit A-1*

**STATEMENT OF NET POSITION**

August 31, 2014

<b>Data Control Codes</b>		<b>Governmental Activities</b>
	<b>Assets</b>	
1110	Cash and cash equivalents	\$ 5,941,086
1220	Delinquent property taxes receivables	709,323
1230	Allowance for uncollectable taxes (credit)	(223,131)
1240	Due from other governments	377,803
1300	Inventories	60,279
	<b>Capital Assets, not subject to depreciation:</b>	
1510	Land	1,141,684
1580	Construction in Progress	2,429,454
	<b>Capital Assets, net of accumulated depreciation:</b>	
1520	Buildings and improvements, net	20,023,190
1530	Furniture and equipment, net	786,614
1550	Capital lease asset, net	30,477
<b>1000</b>	<b>Total Assets</b>	<b>31,276,779</b>
	<b>Liabilities</b>	
2110	Accounts payable	238,685
2140	Interest payable	5,113
2160	Accrued wages payable	484,313
2180	Due to other governments	851,133
2200	Accrued expenses	186,254
	<b>Noncurrent Liabilities:</b>	
2501	Due within one year	653,333
2502	Due in more than one year	2,499,264
<b>2000</b>	<b>Total Liabilities</b>	<b>4,918,095</b>
	<b>Net Position</b>	
3200	Net investment in capital assets	21,258,822
	<b>Restricted for:</b>	
3820	Federal and state programs	428,722
3850	Debt service	188,229
3900	<b>Unrestricted</b>	<b>4,482,911</b>
<b>3000</b>	<b>Total net position</b>	<b>\$ 26,358,684</b>

See Notes to the Financial Statements

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*Exhibit B-1*

**STATEMENT OF ACTIVITIES**

*For the Year Ended August 31, 2014*

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
11	Instruction	\$ 12,579,933	\$ 37,239	\$ 1,548,685	\$ (10,994,009)
	Instructional resources and media services	297,354		14,178	(283,176)
13	Curriculum and staff development	112,767		42,040	(70,727)
21	Instructional leadership	362,658		25,518	(337,140)
23	School leadership	1,205,007		61,682	(1,143,325)
	Guidance, counseling, and evaluation services	591,047		54,255	(536,792)
32	Social work services	7,637		589	(7,048)
33	Health services	314,612		377,814	63,202
34	Student transportation	1,227,920		41,904	(1,186,016)
35	Food service	1,296,650	242,252	1,017,319	(37,079)
36	Extracurricular activities	941,858	107,289	24,896	(809,673)
41	General administration	726,397		27,759	(698,638)
51	Facilities maintenance and operations	2,052,688	6,554	48,308	(1,997,826)
52	Security and monitoring services	100,110		441	(99,669)
53	Data processing services	180,072		6,764	(173,308)
61	Community services	764		5,686	4,922
72	Interest on long-term debt	138,145			(138,145)
81	Facility repairs and maintenance	114,351			(114,351)
99	Payments to appraisal districts	137,417			(137,417)
<b>TG</b>	<b>Total governmental activities</b>	<b>22,387,387</b>	<b>393,334</b>	<b>3,297,838</b>	<b>(18,696,215)</b>
<b>TP</b>	<b>Total primary government</b>	<b>\$ 22,387,387</b>	<b>\$ 393,334</b>	<b>\$ 3,297,838</b>	<b>(18,696,215)</b>
<b>General revenues:</b>					
Taxes:					
<b>MT</b>	Property taxes, levied for general purposes				5,262,547
<b>DT</b>	Property taxes, levied for debt service				409,406
<b>SF</b>	State-aid formula grants				12,282,338
<b>GC</b>	Grants and contributions not restricted				43,317
<b>IE</b>	Investment earnings				39,591
<b>MI</b>	Miscellaneous				83,367
<b>TR</b>	<b>Total general revenues, special items, and transfers</b>				<b>18,120,566</b>
<b>CN</b>	Change in net position				(575,649)
<b>NB</b>	<b>Net position - beginning</b>				<b>26,963,936</b>
<b>PA</b>	Prior period adjustments				(29,603)
<b>NE</b>	<b>Net position - ending</b>				<b>\$ 26,358,684</b>

See Notes to the Financial Statements

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*Exhibit C-1*

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

August 31, 2014

<u>Data Control Codes</u>	<u>General Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>			
1110 Cash and cash equivalents	\$ 5,342,491	\$ 598,595	\$ 5,941,086
Receivables:			
1220 Delinquent property taxes receivables	654,972	54,351	709,323
1230 Allowance for uncollectible taxes (credit)	(209,415)	(13,716)	(223,131)
1240 Receivables from other governments	351,095	26,708	377,803
1260 Due from other funds	3,816		3,816
1300 Inventories	60,279		60,279
<b>1000 Total Assets</b>	<u>\$ 6,203,238</u>	<u>\$ 665,938</u>	<u>\$ 6,869,176</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
2110 Accounts payable	\$ 237,140	\$ 1,545	\$ 238,685
2150 Payroll deduction and withholdings payable	1,657		1,657
2160 Accrued wages payable	460,256	24,057	484,313
2170 Due to other funds		3,816	3,816
2180 Payable to other governments	837,287	13,846	851,133
2200 Accrued expenditures	183,987	610	184,597
<b>2000 Total Liabilities</b>	<u>1,720,327</u>	<u>43,874</u>	<u>1,764,201</u>
<b>Deferred Inflows of Resources</b>			
2600 Unavailable revenue - property taxes	374,070	32,480	406,550
<b>Total Deferred Inflows of Resources</b>	<u>374,070</u>	<u>32,480</u>	<u>406,550</u>
<b>Fund Balance:</b>			
<b>Nonspendable</b>			
3410 Inventories	60,279		60,279
<b>Restricted for:</b>			
3450 Grants		428,722	428,722
3480 Debt service		160,862	160,862
<b>Committed for:</b>			
3520 Claims and judgments	150,000		150,000
3530 Capital expenditures for equipment	300,000		300,000
3540 Self insurance	207,320		207,320
3590 <b>Assigned for other purposes</b>	500,000		500,000
3600 <b>Unassigned</b>	2,891,242		2,891,242
<b>3000 Total fund balances</b>	<u>4,108,841</u>	<u>589,584</u>	<u>4,698,425</u>
<b>4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 6,203,238</u>	<u>\$ 665,938</u>	<u>\$ 6,869,176</u>

See Notes to the Financial Statements.

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO**  
**STATEMENT OF NET POSITION**  
*August 31, 2014*

*Exhibit C-2*

<b>Data Control Codes</b>		
	<b>Total fund balance, governmental funds</b>	\$ 4,698,425
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
<b>1</b>	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost (\$43,079,221), net of accumulated depreciation (\$18,667,802), where applicable	24,411,419
<b>2</b>	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes (net of allowance for uncollectible accounts) are deferred in the fund financial statements.	406,550
	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. Long-term liabilities at year end consist of:	
<b>3</b>	General obligation bonds	(3,105,000)
<b>4</b>	Premiums on issuance	(20,929)
<b>5</b>	Capital leases payable	(26,668)
<b>6</b>	Accrued interest payable	<u>(5,113)</u>
<b>19</b>	<b>Total net position - governmental activities</b>	<u><u>\$ 26,358,684</u></u>

See Notes to the Financial Statements.

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - GOVERNMENTAL FUNDS**  
*For the Year Ended August 31, 2014*

*Exhibit C-3*

<b>Data Control Codes</b>		<b>General Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$ 5,536,974	\$ 653,521	\$ 6,190,495
5800	State program revenues	12,826,664	353,643	13,180,307
5900	Federal program revenues	361,237	2,081,949	2,443,186
<b>5020</b>	<b>Total revenues</b>	<u>18,724,875</u>	<u>3,089,113</u>	<u>21,813,988</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	10,199,408	1,023,835	11,223,243
0012	Instructional resources and media services	281,096		281,096
0013	Curriculum and staff development	42,557	68,190	110,747
0021	Instructional leadership	347,878	13,648	361,526
0023	School leadership	1,193,759		1,193,759
0031	Guidance, counseling and evaluation services	563,706	25,505	589,211
0032	Social work services	7,506		7,506
0033	Health services	309,295		309,295
0034	Student transportation	1,124,224		1,124,224
0035	Food services		1,227,334	1,227,334
0036	Extracurricular activities	840,104		840,104
0041	General administration	721,644		721,644
0051	Facilities maintenance and operations	1,887,199		1,887,199
0052	Security and monitoring services	94,289		94,289
0053	Data processing services	168,094		168,094
0061	Community services	390	5,686	6,076
<b>Debt service:</b>				
0071	Principal and interest on long-term debt	13,333	610,000	623,333
0072	Interest on long-term debt		143,460	143,460
<b>Capital outlay:</b>				
0081	Facilities acquisition and construction	2,561,733		2,561,733
<b>Intergovernmental:</b>				
0099	Payments to appraisal districts	137,417		137,417
<b>6030</b>	<b>Total Expenditures</b>	<u>20,493,632</u>	<u>3,117,658</u>	<u>23,611,290</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(1,768,757)</u>	<u>(28,545)</u>	<u>(1,797,302)</u>
1200	Net change in fund balances	(1,768,757)	(28,545)	(1,797,302)
<b>0100</b>	<b>Fund Balance - beginning</b>	<u>5,877,598</u>	<u>618,129</u>	<u>6,495,727</u>
<b>3000</b>	<b>Fund Balance - ending</b>	<u>\$ 4,108,841</u>	<u>\$ 589,584</u>	<u>\$ 4,698,425</u>

See Notes to the Financial Statements.

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*Exhibit C-4*

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

*For the Year Ended August 31, 2014*

<b>Data Control Codes</b>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (1,797,302)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
<b>1</b>	Governmental funds report capital outlays (\$2,632,474) as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation (\$1,109,747) expense. This is the amount by which depreciation exceeded capital outlays.	1,522,727
<b>2</b>	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(2,250)
<b>3</b>	Repayment of bond and capital lease principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	623,333
<b>4</b>	Amortization of premium on bond issuance	4,187
<b>5</b>	Net book value of capital assets disposed of is not recognized as an expenditure in governmental funds since it does not require the use of current financial resources.	(927,472)
<b>6</b>	Decrease in interest payable not recognized in fund statements	<u>1,128</u>
	<b>Change in net position of governmental activities (see B-1)</b>	<u><u>\$ (575,649)</u></u>

See Notes to the Financial Statements.

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*Exhibit E-1*

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

*August 31, 2014*

<b>Data Control</b>		<b>865</b>
<b>Codes</b>		<b>Agency Fund</b>
	<b>Assets</b>	
1110	Cash and cash equivalents	\$ 141,290
1000	<b>Total Assets</b>	<u>\$ 141,290</u>
	<b>Liabilities</b>	
2190	Due to student groups and others	\$ 141,290
2000	<b>Total Liabilities</b>	<u>\$ 141,290</u>

See Notes to the Financial Statements.

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

**Reporting Entity**

The Wills Point Independent School District (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 and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; 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. Because the Board of Trustees (the "Board") is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") 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.

**Implementation of New Standards**

GASB Statement 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"), establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Implementation of GASB 65 is reflected in the financial statements.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 "operating grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. 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 from on the government-wide Statement of Activities.

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, 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 does not have any proprietary funds. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue *as soon as* all eligibility requirements imposed by the provider have been met. An agency fund, a type of fiduciary fund, does not have a measurement focus.

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. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. 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.

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

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 District reports the following major governmental fund:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Additionally, the District reports the following fund types:

- The *special revenue funds* are used to account for resources restricted to, or designated for, specific purposes by a grantor including federally-funded and state-funded grants. These grants are awarded to the District for the purpose of accomplishing specific educational tasks as defined in the grant awards.
- The *agency fund* is used to account for resources held for others in a custodial capacity. The District's Agency Fund is the Activity Account.

**Cash and cash equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Investments for the District are reported at fair value.

**Inventories and Prepaid Items**

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There were no prepaid items as of August 31, 2014.

**Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the governmental column in the government-wide financial statements. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost that equals or exceeds \$5,000 and an estimated useful life in excess of one year. 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.

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 and improvements, and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Vehicles	5
Other Equipment	5-7

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

**Compensated Absences**

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District. All vacation pay is accrued when incurred in the government-wide, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**Deferred outflows/inflows of resources**

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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Fund Equity**

Accounting principles generally accepted in the United States of America (GAAP) provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

**Nonspendable fund balance** – amounts that are not in spendable form or are required to be maintained intact. As such, inventories have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

**Restricted fund balance** – Amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

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

**Committed fund balance** – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund.

The District has committed general fund balance for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Claims and judgments	\$ 150,000
Capital expenditures for equipment	300,000
Self insurance	207,320
	<u>\$ 657,320</u>

**Assigned fund balance** – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority. The Board has delegated authority to the Superintendent or Director of Finance to establish fund balance assignments. The District assigned \$500,000 for future renovations.

**Unassigned fund balance** – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. The District has not adopted a policy stating which fund balance category is spent first when committed, assigned or unassigned fund balances are available. By default, the District will consider amounts to have been spent first out of committed funds, then assigned and finally unassigned funds.

**Data Control Codes**

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

**Net Position**

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

**Note 2 - Deposits and Investments**

**Authorization for Deposits and Investments**

In accordance with applicable statutes, the District has a depository contract with a local bank (depository) providing interest rates to be earned on deposited funds and fixed fees for banking services received. The District may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require full security for all funds in the depository institution through federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The depository must deliver the collateral securities to the District or place them with an independent trustee institution. The depository is required to deliver the safekeeping receipts to the District and send copies of the safekeeping receipts to the Texas Education Agency. In accordance with Texas statutes, the safekeeping receipts are in the name of the depository with proper indication of pledge of the collateral securities by the depository to secure funds of the District. The District must approve all collateral securities pledged and also must approve in writing any changes to the pledged collateral securities

The District has adopted a written investment policy [CDA (LEGAL) and CDA (LOCAL)] regarding the investment of its funds as defined by the PFIA. The PFIA also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District complies with the requirements of the Act and with local policies. The District's investment policy permits investment of District funds in only the following investment types, consistent with the strategies and maturities defined in the policy:

1. Obligations of or guaranteed by, governmental entities as permitted by Government Code 2256.009.
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010.
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011.
4. A securities lending program as permitted by Government Code 2256.0115.
5. Bankers' acceptances as permitted by Government Code 2256.012.
6. Commercial paper as permitted by Government Code 2256.013.
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014.
8. A guaranteed investment contract as an investment vehicle for bond proceeds provided it meets the criteria and eligibility requirements established by Government Code 2256.015.

Public funds investment pools as permitted by Government Code 2256.016. The District's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

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

As of August 31, 2014, the District had the following investments:

	<u>Fair Market Value</u>	<u>Weighted Average Maturity (Days)</u>
<b>Cash and deposits:</b>		
Governmental Activities	\$ 1,072,683	
Fiduciary fund	141,290	
<b>Investments:</b>		
Governmental Activities		
Local Government Investment Pools:		
Lone Star	46,341	49
TexPool	4,822,062	48
<b>Total Investments</b>	<u>4,868,403</u>	<u>48</u>
<b>Total Cash and Investments</b>	<u>\$ 6,082,376</u>	

The District's investments are insured, registered or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk. Custodial credit risk for investments is the risk that, in the event of failure by the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that a third party bank trust department hold all securities owned by the District.

**Interest Rate Risk**

The District measures interest rate risk using the weighted average maturity method based on the fund in which the District makes investments. The District's investment policy specifies limitations for weighted average maturities for investments in all funds and for investments in the general fund.

**Credit risk**

At year-end, balances in TexPool were rated AAAM by Standard & Poor's and balances in Lone Star were rated Aaa by Moody's. Both are privately managed public funds investment pools.

State law and the District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity, scheduling, and financial institutions in order to reduce the risk of loss resulting from over- concentration of assets in a specific class of investments, specific maturity, or specific issuer.

**Note 3 - Receivables**

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 revenue is considered available (1) when it becomes due or past due and receivable within the current period and (2) when it is expected to be collected during a 60-day period after the close of the school fiscal year. Appraised values are established by the Central Appraisal District (CAD) of Van Zandt County and Kaufman County, Texas. Taxes are levied by the District's Board of Trustees based on the appraised values received from the CAD. Billing and collection of tax levies are performed by Van Zandt County and Kaufman County.

**Note 3 - Receivables (continued)**

Net receivables, at August 31, 2014, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 654,972	\$ 54,351	\$ 709,323
Due from other governments	351,095	26,708	377,803
Gross Receivables	1,006,067	81,059	1,087,126
Less allowance for doubtful accounts	<u>(209,415)</u>	<u>(13,716)</u>	<u>(223,131)</u>
<b>Net Total Receivables</b>	<u>\$ 796,652</u>	<u>\$ 67,343</u>	<u>\$ 863,995</u>

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable (General Fund)	\$ 374,070
Delinquent property taxes receivable (Debt Service Fund)	<u>32,480</u>
	<u>\$ 406,550</u>

**Note 4 - Due from other Governments**

Amounts reported as due from other governments consist primarily of receivables due from state agencies for federal grant expenditure reimbursement. As of August 31, 2014, the District's due from other grants are made up of State Foundation Aid and grants.

**Note 5 - Interfund Activities**

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

The composition of interfund balances as of August 31, 2014, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 3,816	\$
Nonmajor Funds	<u></u>	<u>3,816</u>
	<u>\$ 3,816</u>	<u>\$ 3,816</u>

**Note 6 - Capital Assets**

**Changes in Capital Assets**

A summary of changes in capital assets, for the year ended August 31, 2014 follows:

	<b>Balance August 31, 2013</b>	<b>Additions</b>	<b>(Retirements) and Transfers</b>	<b>Balance August 31, 2014</b>
Capital assets, not being depreciated:				
Land	\$ 1,141,684	\$	\$	\$ 1,141,684
Construction in progress		2,429,454		2,429,454
<b>Total Capital assets, not being depreciated</b>	<b>1,141,684</b>	<b>2,429,454</b>		<b>3,571,138</b>
Capital assets, being depreciated:				
Buildings and improvements	35,714,919	17,928		35,732,847
Furniture and equipment	6,277,925	185,092	(2,754,448)	3,708,569
Capital lease assets	66,667			66,667
<b>Total Capital assets, being depreciated</b>	<b>42,059,511</b>	<b>203,020</b>	<b>(2,754,448)</b>	<b>39,508,083</b>
Less accumulated depreciation for:				
Buildings and improvements	(14,820,642)	(889,015)		(15,709,657)
Furniture and Equipment	(4,541,532)	(207,399)	1,826,976	(2,921,955)
Capital lease assets	(22,857)	(13,333)		(36,190)
<b>Total Accumulated depreciation</b>	<b>(19,385,031)</b>	<b>(1,109,747)</b>	<b>1,826,976</b>	<b>(18,667,802)</b>
<b>Governmental Capital Assets</b>	<b>\$ 23,816,164</b>	<b>\$ 1,522,727</b>	<b>\$ (927,472)</b>	<b>\$ 24,411,419</b>

Depreciation expense has been charged to the following functions in the government-wide statements:

<b>Function</b>	<b>Depreciation Expense</b>
Instruction	\$ 505,346
Instructional resources and media services	16,231
Instructional leadership	1,132
School leadership	11,248
Guidance, counseling and evaluation services	1,836
Social work services	131
Health services	5,317
Student transportation	200,895
Food Services	69,316
Extracurricular activities	101,754
General administration	4,753
Facilities maintenance and operations	173,989
Data processing services	17,799
	<b>\$ 1,109,747</b>

**Note 7 - Long-Term Debt and Debt Service Requirements**

The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The District has one outstanding bond issuance as shown below.

<u>Issue</u>	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Unlimited Tax Building Bonds 2004	1.5%-4.0%	2019	\$ 3,105,000

A summary of changes in general obligation bonds payable for the year ended August 31, 2013, is as follows:

	<u>Balance August 31, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2014</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 3,715,000	\$	\$ (610,000)	\$ 3,105,000	\$ 640,000
Less deferred amounts:					
For issuance premiums/discounts	25,116		(4,187)	20,929	
Capital lease payable	40,001		(13,333)	26,668	13,333
	<u>\$ 3,780,117</u>	<u>\$</u>	<u>\$ (627,520)</u>	<u>\$ 3,152,597</u>	<u>\$ 653,333</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2015	\$ 640,000	\$ 117,535	\$ 757,535
2016	665,000	94,495	759,495
2017	695,000	69,890	764,890
2018	720,000	43,480	763,480
2019	385,000	15,400	400,400
	<u>\$ 3,105,000</u>	<u>\$ 340,800</u>	<u>\$ 3,445,800</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. The District is in compliance with all significant limitations and restrictions at August 31, 2014.

**Capital leases**

The District is obligated under one capital lease for the purchase of fire alarm equipment in the original amount of \$66,667. The District will pay this lease in five equal payments of \$13,333 through fiscal year 2016. The District leased the equipment interest free.

**Note 8 - Revenues from Local, Intermediate, and Out-of-State sources**

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

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 5,264,797	\$ 409,406	\$ 5,674,203
Investment Income	37,728	1,717	39,445
Co-curricular student activities	107,289		107,289
Food Sales		242,252	242,252
Other	127,160	146	127,306
	<u>\$ 5,536,974</u>	<u>\$ 653,521</u>	<u>\$ 6,190,495</u>

**Note 9 - Retirement Plan**

***Plan Description***

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

***Funding Policy***

*Funding Policy.* Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) a state statute prohibits benefit improvements or contribution reductions if, as a result of the particular action(s), the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years; or, 3) if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal year 2014, 2013, and 2012. The State contributed at a rate of 6.8 percent for fiscal year 2014, 6.4 percent for fiscal year 2013 and 6.0 percent for fiscal year 2012 of all employees' eligible gross earnings, except for those staff members subject to statutory minimum requirements and those staff members being paid from and participating in federally funded programs. State statutes establish these rates. The statutory minimum requirements are based on the State of Texas teacher schedules adjusted based on local tax rates.

**Note 9 - Retirement Plan (continued)**

Contributions made by the State, District and staff members for the years ended August 31, 2014, 2013, and 2012, are as follows:

<b>Fiscal Year</b>	<b>State TRS Contributions Made on Behalf of the District</b>	<b>District Required Contributions to TRS</b>	<b>Employees Contributions to TRS</b>	<b>District's Annual Covered Payroll</b>
2014	\$ 687,114	\$ 233,302	\$ 854,054	\$ 13,344,604
2013	648,932	191,456	833,229	13,019,081
2012	626,131	171,864	851,230	13,300,563

**Note 10 - Retiree Health Plan**

*Plan Description*

The Wills Point 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). TRS-Care Retire Plan provides health care coverage for certain person (and their dependents) who retired under TRS. 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 insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

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

*Funding Policy*

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 0.5% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2014, 2013, and 2012. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than .25% or greater than .75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 0.5%.

**Note 10 - Retiree Health Plan (continued)**

Contributions made by the State, District and staff members for the years ended August 31, 2014, 2013, and 2012, are as follows:

<b>Fiscal Year</b>	<b>State TRS Care Contributions Made on Behalf of the District</b>	<b>District Required Contributions to TRS</b>	<b>Employees Contributions to TRS Care</b>	<b>District's Annual Covered Payroll</b>
2014	\$ 123,063	\$ 104,612	\$ 86,650	\$ 13,344,604
2013	59,693	86,792	84,625	13,019,081
2012	121,972	84,181	86,454	13,300,563

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

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2014, 2013 and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$35,444, \$48,171, and \$34,416, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

**Note 11 - Health Care**

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$150 per month per covered employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

**Note 12 - Contingent Liabilities**

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

**Note 13 - Risk Management**

*General*

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Such insurance is consistent with the prior year, and no losses were sustained in excess of the coverage over the past three fiscal years.

*Unemployment Compensation Pool*

During the year ended August 31, 2014, Wills Point ISD 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 Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month 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 Unemployment Compensation Pool members.

*Workers' Compensation*

The District established a limited risk management program for workers' compensation in 2006 by participating as a self-funded member of 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 and Chapter 504, Texas Labor Code. As a self-funded member of the Fund, Wills Point ISD is solely responsible for all claims costs, both reported and unreported. The Fund provides administrative service to its self-funded members including claims administration and customer service.

Premiums are paid into the general fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. These premiums are reported as revenues in the general fund. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. An excess coverage insurance policy covers individual claims in excess of \$300,000 up to the statutory limits for any given claim. There were no significant reductions in insurance coverage from the prior period. Settlements have not exceeded coverage's for each of the past three fiscal years.

**Note 13 - Risk Management (continued)**

*Workers' Compensation (continued)*

Changes in the balances of claims liabilities during the past three years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payments</u>	<u>End of Year Accrual</u>
2014	\$ 283,269	\$ 76,840	\$ 184,530	\$ 175,579
2013	125,191	265,129	107,051	283,269
2012	133,060	57,849	65,718	125,191

**Note 14 - Joint Venture-Shared Service Arrangements**

The District participates in shared service arrangements. Although the District is an active participant in the activity of the shared service arrangement (SSA) the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent nor does the District have a net equity interest in the fiscal agents. The fiscal agents are neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Wills Point Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

**Note 15 - Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimates as of August 31, 2014, will change.

**Note 16 – Prior Period Adjustment**

The District implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities* during the fiscal year ended August 31, 2014. In accordance with GASB 65, debt issuance costs should be recognized as expenses in the period incurred. Previously, debt issuance costs were recorded as assets and amortized over the life of the debt. The implementation of GASB 65 resulted in the following prior period adjustment to the net position of governmental activities:

<b>Net position - beginning of year:</b>	
As originally presented	\$ 26,963,936
Effect of change in accounting principle	<u>(29,603)</u>
As restated	<u>\$ 26,934,333</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*BUDGETARY COMPARISON SCHEDULE*

*GENERAL FUND*

*For the Year Ended August 31, 2014*

<b>Data Control Codes</b>	<b>Budgeted Amounts</b>		
	<b>Original</b>	<b>Final</b>	
<b>Revenues</b>			
5700	Local and intermediate sources	\$ 5,547,059	\$ 5,564,897
5800	State program revenues	13,275,688	13,292,035
5900	Federal program revenues	150,000	359,125
<b>5020</b>	<b>Total revenues</b>	<b>18,972,747</b>	<b>19,216,057</b>
<b>Expenditures</b>			
<b>Current:</b>			
0011	Instruction	10,565,732	10,562,942
0012	Instructional resources and media services	299,813	298,913
0013	Curriculum and staff development	53,521	57,121
0021	Instructional leadership	347,191	348,091
0023	School leadership	1,193,349	1,199,849
0031	Guidance, counseling and evaluation services	560,778	560,778
0032	Social work services	14,274	14,274
0033	Health services	319,257	319,257
0034	Student transportation	1,267,659	1,267,659
0036	Extracurricular activities	948,593	948,593
0041	General administration	784,688	784,688
0051	Facilities maintenance and operations	2,133,180	2,119,825
0052	Security and monitoring services	123,626	123,626
0053	Data processing services	165,586	165,586
0061	Community services	500	500
<b>Debt Service:</b>			
0071	Principal on long-term debt		13,355
<b>Capital outlay:</b>			
0081	Facilities acquisition and construction	50,000	2,596,260
<b>Intergovernmental:</b>			
0099	Other intergovernmental charges	145,000	145,000
<b>6030</b>	<b>Total Expenditures</b>	<b>18,972,747</b>	<b>21,526,317</b>
1200	Net change in fund balances		(2,310,260)
0100	<b>Fund balances - beginning</b>	<b>5,877,598</b>	<b>5,877,598</b>
3000	<b>Fund balances - ending</b>	<b>\$ 5,877,598</b>	<b>\$ 3,567,338</b>



**Budgets and Budgetary Accounting**

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

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended August 31, 2014.

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

The official school budget was prepared for adoption for budgeted governmental fund types by August 20, 2013. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

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

**Excess of Expenditures Over Appropriations by Function**

Expenditures exceed appropriations in the General Fund for Guidance, counseling and evaluation services by \$2,928 and Data processing services by \$2,508.

**OTHER SUPPLEMENTARY INFORMATION**

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*COMBINING BALANCE SHEET*

*ALL NONMAJOR GOVERNMENTAL FUNDS*

*August 31, 2014*

	205	211	224
<b>Data Control Codes</b>	<b>Head Start</b>	<b>ESEA Title I, Part A</b>	<b>IDEA-B Formula</b>
<b>Assets</b>			
1110 Cash and temporary investments	\$	\$ 191	\$
Receivables:			
1220 Property taxes - delinquent			
1230 Allowance for uncollectible taxes (credit)			
1240 Receivables from other governments			2,350
<b>1000 Total Assets</b>	<b>\$</b>	<b>\$ 191</b>	<b>\$ 2,350</b>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110 Accounts payable	\$	\$	\$
2160 Accrued wages payable			
2170 Due to other funds			2,350
2180 Due to other governments			
2200 Accrued expenditures		191	
<b>2000 Total Liabilities</b>		<b>191</b>	<b>2,350</b>
<b>Deferred Inflows of Resources</b>			
2600 Deferred inflows - unavailable property taxes			
<b>Deferred Inflows of Resources</b>			
<b>Fund Balance:</b>			
<b>Restricted for:</b>			
3450 Restricted for grants			
3480 Restricted for debt service			
<b>3000 Total Fund Balances</b>			
<b>4000 Total Liabilities and Fund Balance</b>	<b>\$</b>	<b>\$ 191</b>	<b>\$ 2,350</b>

225	240	244	255	263	289
<u>IDEA-B Preschool Grant</u>	<u>Child Nutrition</u>	<u>Vocational Ed -Basic</u>	<u>Title II, Part A, TPTR</u>	<u>Title III, LEP</u>	<u>Summer School LEP</u>
\$	\$ 431,777	\$	\$	\$	\$
	21,421			231	
<u>\$</u>	<u>\$ 453,198</u>	<u>\$</u>	<u>\$</u>	<u>\$ 231</u>	<u>\$</u>
\$	\$ 24,057	\$	\$	\$	\$
	419			231	
	24,476			231	
	428,722				
	428,722				
<u>\$</u>	<u>\$ 453,198</u>	<u>\$</u>	<u>\$</u>	<u>\$ 231</u>	<u>\$</u>

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*COMBINING BALANCE SHEET*

*ALL NONMAJOR GOVERNMENTAL FUNDS*

*August 31, 2014*

<b>Data Control Codes</b>	<b>270 Title VI, Part B, Subpart 2 - Rural and Low-Income Program</b>	<b>410 Instructional Materials Allotment</b>	<b>429 State Funded Special Revenue Fund</b>
<b>Assets</b>			
1110	Cash and temporary investments	\$	\$ 1,545
	Receivables:		
1220	Property taxes - delinquent		
1230	Allowance for uncollectible taxes (credit)		
1240	Receivables from other governments	1,235	
1000	<b>Total Assets</b>	<u>\$ 1,235</u>	<u>\$ 1,545</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
2110	Accounts payable	\$	\$ 1,545
2160	Accrued wages payable		
2170	Due to other funds	1,235	
2180	Due to other governments		
2200	Accrued expenditures		
2000	<b>Total Liabilities</b>	<u>1,235</u>	<u>1,545</u>
<b>Deferred Inflows of Resources</b>			
2600	Deferred inflows - unavailable property taxes		
<b>Deferred Inflows of Resources</b>			
<b>Fund Balance:</b>			
<b>Restricted for:</b>			
3450	Restricted for grants		
3480	Restricted for debt service		
3000	<b>Total Fund Balances</b>		
4000	<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,235</u>	<u>\$ 1,545</u>

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<b>Total Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Funds</b>
\$ 433,513	\$ 165,082	\$ 598,595
	54,351	54,351
	(13,716)	(13,716)
25,237	1,471	26,708
\$ 458,750	\$ 207,188	\$ 665,938
\$ 1,545	\$	\$ 1,545
24,057		24,057
3,816		3,816
	13,846	13,846
610		610
30,028	46,326	43,874
	32,480	32,480
	32,480	32,480
428,722		428,722
	160,862	160,862
428,722	160,862	589,584
\$ 458,750	\$ 207,188	\$ 665,938

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2014**

		205	211	224
<b>Data Control Codes</b>		<b>Head Start</b>	<b>ESEA Title I, Part A</b>	<b>IDEA-B Formula</b>
<b>Revenues</b>				
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues	27,482	424,736	442,492
<b>5020</b>	<b>Total revenues</b>	<u>27,482</u>	<u>424,736</u>	<u>442,492</u>
<b>Expenditures</b>				
<b>Current:</b>				
0011	Instruction	27,482	378,093	442,492
0013	Curriculum and instructional staff development		35,818	
0021	Instructional leadership		7,159	
0031	Guidance, counseling and evaluation services			
0035	Food service			
0061	Community services		3,666	
<b>Debt service:</b>				
0071	Principal on long-term debt			
0072	Interest on long-term debt			
<b>6030</b>	<b>Total Expenditures</b>	<u>27,482</u>	<u>424,736</u>	<u>442,492</u>
1200	Net change in fund balances			
<b>0100</b>	<b>Fund balance - September 1 (beginning)</b>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>3000</b>	<b>Fund balance - August 31 (ending)</b>	<u>\$                    </u>	<u>\$                    </u>	<u>\$                    </u>

225	240	244	255	263	289
IDEA-B Preschool Grant	Child Nutrition	Vocational Ed -Basic	Title II, Part A, TPTR	Title III, LEP	Summer School LEP
\$	\$ 242,398	\$	\$	\$	\$
	42,493				
6,722	974,826	27,601	120,221	13,439	1,113
6,722	1,259,717	27,601	120,221	13,439	1,113
6,722		2,008	113,472	10,610	1,113
			5,554	668	
		88	1,195	141	
	1,227,334	25,505			
				2,020	
6,722	1,227,334	27,601	120,221	13,439	1,113
	32,383				
	396,339				
\$	\$ 428,722	\$	\$	\$	\$

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended August 31, 2014**

Data Control Codes		270	410	429
		Title VI, Part B, Subpart 2 Rural and Low-Income Program	Instructional Materials Allotment	State Funded Special Revenue Fund
	<b>Revenues</b>			
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues		29,678	27
5900	Federal program revenues	43,317		
5020	<b>Total revenues</b>	<u>43,317</u>	<u>29,678</u>	<u>27</u>
	<b>Expenditures</b>			
	<b>Current:</b>			
0011	Instruction	12,102	29,714	27
0013	Curriculum and instructional staff development	26,150		
0021	Instructional leadership	5,065		
0031	Guidance, counseling and evaluation services			
0035	Food service			
0061	Community services			
	<b>Debt service:</b>			
0071	Principal on long-term debt			
0072	Interest on long-term debt			
6030	<b>Total Expenditures</b>	<u>43,317</u>	<u>29,714</u>	<u>27</u>
1200	Net change in fund balances		(36)	
0100	<b>Fund balance - September 1 (beginning)</b>		<u>36</u>	
3000	<b>Fund balance - August 31 (ending)</b>	<u>\$</u>	<u>\$</u>	<u>\$</u>

599

<b>Total Special Revenue Funds</b>	<b>Debt Service Fund</b>	<b>Total Nonmajor Funds</b>
\$ 242,398	\$ 411,123	\$ 653,521
72,198	281,445	353,643
2,081,949		2,081,949
2,396,545	692,568	3,089,113
1,023,835		1,023,835
68,190		68,190
13,648		13,648
25,505		25,505
1,227,334		1,227,334
5,686		5,686
	610,000	610,000
	143,460	143,460
2,364,198	753,460	3,117,658
32,347	(60,892)	(28,545)
396,375	221,754	618,129
\$ 428,722	\$ 160,862	\$ 589,584

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## **TEA REQUIRED INFORMATION**

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**

*For the Year Ended August 31, 2014*

<b>Last Ten Fiscal Years</b>	<b>1</b>		<b>2</b>	<b>3</b>	<b>10</b>
	<b>Tax Rates</b>		<b>Net Assessed/Appraised Value For School Tax Purposes</b>	<b>Beginning Balance 9/1/13</b>	
	<b>Maintenance</b>	<b>Debt Service</b>			
2005 and prior	Various	Various	Various	\$ 58,033	
2006	1.500000	0.090000	406,984,594	25,205	
2007	1.500000	0.090000	449,315,556	33,964	
2008	1.040000	0.070000	460,879,842	29,289	
2009	1.040000	0.070000	493,047,213	44,662	
2010	1.040000	0.080000	496,268,026	59,193	
2011	1.040000	0.105000	497,882,096	82,209	
2012	1.040000	0.105000	505,991,616	130,351	
2013	1.040000	0.105000	496,939,126	252,420	
2014	1.040000	0.080000	498,685,446		
<b>1000 Totals</b>				<u>\$ 715,326</u>	

*Exhibit J-1*

<b>20</b>	<b>31</b>	<b>32</b>	<b>40</b>	<b>50</b>
<b>Current Year's Total Levy</b>	<b>Maintenance Total Collections</b>	<b>Debt Service Total Collections</b>	<b>Entire Year's Adjustments</b>	<b>Ending Balance 8/31/14</b>
\$	\$ 4,479	\$ 293	\$ (12,688)	\$ 40,573
	2,742	164	(3,147)	19,152
	4,256	217	(5,734)	23,757
	4,036	272	(3,196)	21,785
	8,338	561	(4,001)	31,762
	8,589	661	(6,088)	43,855
	18,660	1,884	(1,552)	60,113
	36,145	3,649	97	90,654
	110,197	11,126	(2,729)	128,368
<u>5,585,277</u>	<u>4,941,143</u>	<u>380,088</u>	<u>(14,742)</u>	<u>249,304</u>
<u>\$ 5,585,277</u>	<u>\$ 5,138,585</u>	<u>\$ 398,915</u>	<u>\$ (53,780)</u>	<u>709,323</u>

**Total taxes receivable per Exhibit C-1** \$ 709,323

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*Exhibit J-4*

**BUDGETARY COMPARISON SCHEDULE**

**CHILD NUTRITION FUND**

*For the Year Ended August 31, 2014*

<b>Data Control Codes</b>		<b>Child Nutrition</b>			<b>Variance with Final Budget Positive (Negative)</b>
		<b>Budget</b>		<b>Actual</b>	
		<b>Original</b>	<b>Final</b>		
<b>Revenues</b>					
5700	Local, Intermediate, and Out-of-State	\$ 285,225	\$ 285,225	\$ 242,398	\$ (42,827)
5800	State Program Revenues	44,000	44,000	42,493	(1,507)
5900	Federal Program Revenues	914,220	914,220	974,826	60,606
<b>5020</b>	<b>Total Revenues</b>	<u>1,243,445</u>	<u>1,243,445</u>	<u>1,259,717</u>	<u>16,272</u>
<b>Expenditures</b>					
<b>Current:</b>					
0035	Food Services	1,243,445	1,359,445	1,227,334	132,111
<b>6030</b>	<b>Total Expenditures</b>	<u>1,243,445</u>	<u>1,359,445</u>	<u>1,227,334</u>	<u>132,111</u>
1200	Increase (Decrease) in Fund Balance		(116,000)	32,383	148,383
<b>0100</b>	<b>Fund Balance - beginning</b>	<u>396,339</u>	<u>396,339</u>	<u>396,339</u>	
<b>3000</b>	<b>Fund Balance - ending</b>	<u>\$ 396,339</u>	<u>\$ 280,339</u>	<u>\$ 428,722</u>	<u>\$ 148,383</u>

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*Exhibit J-5*

**BUDGETARY COMPARISON SCHEDULE**

**DEBT SERVICE FUND**

*For the Year Ended August 31, 2014*

<b>Data Control Codes</b>	<b>Debt Service Fund</b>				
	<b>Budget</b>			<b>Final Budget Positive (Negative)</b>	
	<b>Original</b>	<b>Final</b>	<b>Actual</b>		
<b>Revenues</b>					
5700	Local, Intermediate, and Out-of-State	\$ 467,160	\$ 506,160	\$ 411,123	\$ (95,037)
5800	State Program Revenues	286,300	286,300	281,445	(4,855)
<b>5020</b>	<b>Total Revenues</b>	<u>753,460</u>	<u>792,460</u>	<u>692,568</u>	<u>(99,892)</u>
<b>Expenditures</b>					
<b>Current:</b>					
<b>Debt Service:</b>					
0071	Bond Principal	610,000	610,000	610,000	
0072	Interest on Bond	143,460	143,460	143,460	
<b>6030</b>	<b>Total Expenditures</b>	<u>753,460</u>	<u>753,460</u>	<u>753,460</u>	
1200	Increase (Decrease) in Fund Balance		39,000	(60,892)	(99,892)
<b>0100</b>	<b>Fund Balance - beginning</b>	<u>221,754</u>	<u>221,754</u>	<u>221,754</u>	
<b>3000</b>	<b>Fund Balance - ending</b>	<u>\$ 221,754</u>	<u>\$ 260,754</u>	<u>\$ 160,862</u>	<u>\$ (99,892)</u>

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**FEDERAL AWARDS SECTION**

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

To the Board of Trustees  
Wills Point Independent School District  
Wills Point, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wills Point Independent School District (the “District”), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 2, 2014.

**Internal Control Over Financial Reporting**

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

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

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

To the Board of Trustees  
Wills Point Independent School District

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-001.

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

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

### **Purpose of this Report**

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

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

Dallas, Texas  
December 2, 2014

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

To the Board of Trustees  
Wills Point Independent School District  
Wills Points, Texas

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

We have audited Wills Point Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

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

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

To the Board of Trustees  
Wills Point Independent School District

## **Report on Internal Control Over Compliance**

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

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

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

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

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

Dallas, Texas  
December 2, 2014

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
*For The Year Ended August 31, 2014*

**I. Summary of Auditors' Results**

**Financial Statements**

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

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported.
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) 2-7 OMB Circular A-133?	No

Identification of major programs

Name of Federal Program or Cluster	CFDA Numbers
------------------------------------	--------------

**US Department of Education**

ESEA, Title I - School Improvement Program	84.010A
ESEA, Title II, Part A - Teacher and Principal Training and Recruiting	84.367A
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
2. Auditee qualified as low-risk auditee?	Yes

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
*For The Year Ended August 31, 2014*

**II. Financial Statement Findings**

**Finding #2013-001 Child Nutrition Cluster (CFDA # 10.553/10.555) - Excess Fund Balance - Food Service**

<b>Criteria</b>	Per Federal guidelines at 7CFR210 and Section 14.2 of the Texas Department of Agriculture's Administrative Reference Manual Food Service the Child Nutrition Fund's fund balance cannot exceed three months average operating expenditures.
<b>Condition:</b>	During our analysis of the fund's current year balances and activity, we noted the Food Service fund balance exceeded three month's average operations expenditures by \$60,522.
<b>Questioned Cost Effect:</b>	None. The District did not comply with the excess food service fund balance requirements.
<b>Cause:</b>	Current year expenditures were not sufficient to reduce fund balance.
<b>Recommendation:</b>	The District should take the appropriate steps to ensure it is in compliance with the Child Nutrition requirements.

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

None noted.

**IV. Status Of Prior Year Findings**

**Finding #2013-001 – Excessive Fund Balance – Food Service**

**Corrective Action Taken** – Unresolved. Refer to finding 2013-001.

**V. Corrective Action Plan**

**Finding #2013-001**      **Child Nutrition Cluster (CFDA # 10.553/10.555) - Excess Fund Balance - Food Service**

**Description:** The District has developed a plan to reduce its excess fund balance in fiscal year 2015.

**Responsible Party:** Vickie Stogner, Director of Finance, Food Service Department

**Estimated Completion Date:** March 2015

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*Exhibit K-1*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

*For the Year Ended August 31, 2014*

(2A) <b>Pass Through Entity Identifying Number</b>	(1) <b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	(2) <b>Federal CFDA Number</b>	(3) <b>Federal Expenditures</b>
<b>U.S. Department of Education</b>			
<b>Passed Through State Region X Education Service Center:</b>			
14610101234907	<i>ESEA, Title I, Part A - Improving Basic Programs</i>	84.010A	\$ 75,481
14671001234907	<i>Title III, Part A - English Language Acquisition</i>	84.365A	13,439
14694501234907	<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	120,221
			209,141
<b>Passed Through State Department of Education:</b>			
14610101234907	<i>ESEA Title I - School Improvement Program</i>	84.010A	349,255
146600012349076000	<i>IDEA - Part B, Formula*</i>	84.027A	442,492
14420006234907	<i>Career and Technical - Basic Grant</i>	84.048A	27,601
69551302	<i>Summer School LEP</i>	84.369A	1,113
14696001234907	<i>Title VI, Part B - Rural and Low-Income Schools Grant</i>	84.358B	43,317
14661001234907600	<i>IDEA - Part B, Preschool*</i>	84.173A	6,722
	<b>Total U.S. Department of Education</b>		870,500
<b>U.S. Department of Health and Human Services</b>			
<b>Passed Through Region VII Education Service Center:</b>			
06CH6996-13	<i>Head Start</i>	93.600	31,344
	<b>Total U.S. Department of Health and Human Services</b>		31,344
<b>U.S. Department of Agriculture</b>			
<b>Passed Through State Department of Education:</b>			
<b>Cash assistance</b>			
71401401	<i>School Breakfast Program**</i>	10.553	196,220
71301401	<i>National School Lunch Program**</i>	10.555	692,263
<b>Non-cash assistance</b>			
<b>Passed Through Texas Department of Agriculture:</b>			
234907	<i>National School Lunch Program (Commodity Program)**</i>	10.555	82,481
	<b>Total U.S. Department of Agriculture</b>		970,964
	<b>Total Expenditures of Federal Awards</b>		\$ 2,081,949

\* Special Education Cluster

\*\* Child Nutrition Cluster

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

**Note 2 - Summary of Significant Accounting**

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

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

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

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

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

Federal Program Revenues (Per Exhibit C-3)	\$	2,443,186
SHARS		(361,237)
	\$	<u>2,081,949</u>

**WILLS POINT INDEPENDENT SCHOOL DISTRICT**

*Exhibit L-1*

*Required Responses*

*August 31, 2014*

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	<u>None</u>

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