

**WILLS POINT
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL AND
COMPLIANCE REPORT**

For The Year Ended August 31, 2013

WILLS POINT INDEPENDENT SCHOOL DISTRICT
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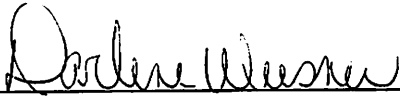
CERTIFICATE OF THE BOARD

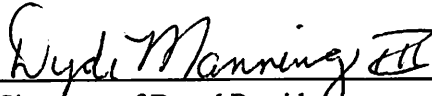
Wills Point Independent School District
Name of School District

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, 2013, at a meeting of the board of trustees of such school district on December 9, 2013.


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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2013, 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* as of August 31, 2013. 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, except for those marked "unaudited" for which we express no opinion or provide any assurance, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the TEA required schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 6, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

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

Houston, Texas
December 6, 2013

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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, 2013. 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 \$26,963,936 (*net position*). Of this amount, \$6,493,797 (*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 \$133,495.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,495,727, a decrease of \$68,347 in comparison with the prior year. \$4,669,574 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 \$4,669,574, or 25 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

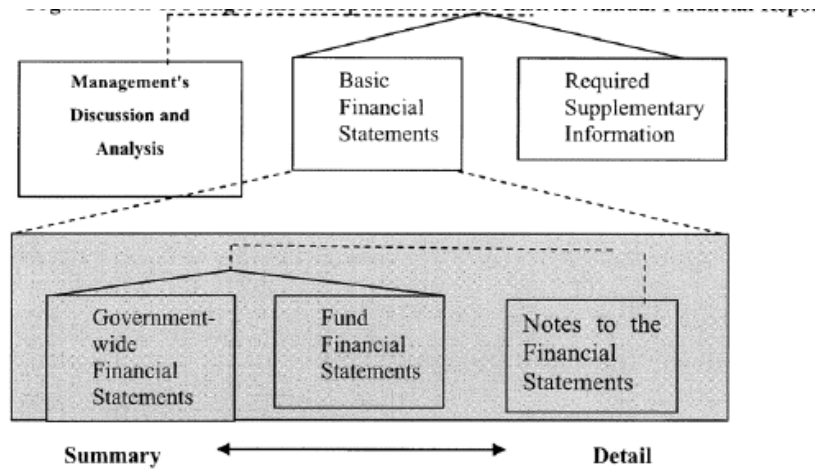


Figure A-2

Major features of the District's Government-wide and Fund Financial Statements				
Type of Statement	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<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 \$27,097,431 to \$26,963,936. 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 \$6,493,797 and \$7,278,050 at August 31, 2013 and 2012, respectively.

This decrease in governmental net position was the net result of several factors. First, the District's expenses exceeded the revenues by \$133,495. Second, total revenues decreased by \$1,146,205, which was primarily due to a decrease in operating grants and contributions.

Wills Point Independent School District's Net Position

	Governmental Activities	
	2013	2012
Assets		
Cash and cash equivalents	\$ 7,050,825	\$ 6,921,242
Other assets	1,151,076	1,093,789
Capital assets less accumulated depreciation	23,816,164	24,489,371
Total Assets	32,018,065	32,504,402
Liabilities		
Current liabilities	1,274,012	1,024,334
Long term liabilities	3,780,117	4,382,637
Total Liabilities	5,054,129	5,406,971
Net Position		
Net investment in capital assets	20,065,650	19,677,768
Restricted	404,489	141,613
Unrestricted	6,493,797	7,278,050
Total Net Position	\$ 26,963,936	\$ 27,097,431

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

Wills Point Independent School District's Changes in Net Position

	Governmental Activities	
	2013	2012
Revenue:		
Program Revenues:		
Charges for services	\$ 395,153	\$ 392,188
Operating grants & contributions	3,766,912	4,894,939
General Revenues:		
Property taxes	5,824,869	5,930,209
State Aid	11,902,564	11,844,183
Investment earnings	21,819	15,373
Grants and contributions not restricted	41,143	13,585
Miscellaneous local and intermediate	114,249	122,437
Total Revenues	22,066,709	23,212,914
Expenses		
Instruction	11,881,390	11,926,076
Instructional resources and media services	300,339	329,218
Curriculum and staff development	455,204	375,757
Instructional leadership	386,187	230,198
School leadership	1,169,256	1,119,119
Guidance, counseling, and evaluation services	614,796	733,770
Social work services	8,045	59,391
Health services	305,625	299,288
Student transportation	1,342,246	1,162,496
Food service	1,168,709	1,197,181
Extracurricular activities	1,013,505	950,076
General administration	714,361	745,492
Facilities maintenance and operations	1,969,524	2,054,466
Security and monitoring services	66,795	57,266
Data processing services	174,245	193,697
Community services	5,025	14,639
Interest on long-term debt	166,590	189,045
Facility repairs and maintenance	323,103	
Payment to Tax Appraisal District	135,259	126,347
Total Expenses	22,200,204	21,763,522
Increase (Decrease) in Net Position	(133,495)	1,449,392
Beginning Net Position	27,097,431	25,648,039
Ending Net Position	\$ 26,963,936	\$ 27,097,431

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

Governmental Activities

Governmental activities decreased the District's net position by \$234,349. Key elements of this decrease are as follows:

Revenues are generated primarily from two sources. State Aid Formula Grant, operating grants and contributions of \$15,669,476 represent 71 percent of total revenues and property taxes \$5,824,869 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 (\$11,881,390), which represents 54 percent of total expenses. Plant maintenance and operations (\$1,969,524) 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 remained the same at \$1.04 and \$0.105, respectively. The District's tax assessed valuation increased less than .01 percent. Property tax revenue decreased \$105,340 over the prior year due to collections.

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 \$6,495,727, which decreased from last year's total of \$6,564,074. Included in this year's total change in fund balance is a decrease of \$281,987 in the District's General Fund. The primary reason for the decrease in the General Fund is due to an increase in capital outlay from the prior year.

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.

	Balance August 31, 2012	Additions	(Retirements) and Transfers	Balance August 31, 2013
Capital assets, not being depreciated:				
Land	\$ 1,141,684	\$	\$	\$ 1,141,684
Total Capital assets, not being depreciated	1,141,684			1,141,684
Capital assets, being depreciated:				
Buildings and improvements	35,425,117	289,802		35,714,919
Furniture and equipment	6,227,994	412,889	(362,958)	6,277,925
Capital lease assets	66,667			66,667
Total Capital assets, being depreciated	41,719,778	702,691	(362,958)	42,059,511
Less accumulated depreciation for:				
Buildings and improvements	(13,955,848)	(864,794)		(14,820,642)
Furniture and Equipment	(4,406,719)	(497,771)	362,958	(4,541,532)
Capital lease assets	(9,524)	(13,333)		(22,857)
Total Accumulated depreciation	(18,372,091)	(1,375,898)	362,958	(19,385,031)
Governmental Capital Assets	\$ 24,489,371	\$ (673,207)	\$	\$ 23,816,164

Debt Administration

At year-end the District had \$3,755,001 in bonds and capital leases as shown below:

Wills Point Independent School District's Long-term Liabilities

	Balance August 31, 2012	Additions	Retirements	Balance August 31, 2013
General obligation bonds	\$ 4,300,000	\$	\$ (585,000)	\$ 3,715,000
Plus amounts for issuance premiums	29,303		(4,187)	25,116
Capital lease payable	53,334		(13,333)	40,001
	\$ 4,382,637	\$	\$ (602,520)	\$ 3,780,117

Economic Factors and Next Year's Budgets and Tax Rates

The District's elected officials considered several factors when setting fiscal year 2014 budget and tax rates. The combined Maintenance and Operation and Debt Service tax rate remained the same at \$1.145. The district expects a reduction of student growth for fiscal year 2014. 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, 2013

Data Control Codes	Governmental Activities
Assets	
1110 Cash and cash equivalents	\$ 7,050,825
1220 Delinquent property taxes receivables	715,326
1230 Allowance for uncollectable taxes (credit)	(229,134)
1240 Due from other governments	545,907
1290 Other receivables (net)	38,670
1300 Inventories	50,704
1420 Capital bond & other debt issuance costs	29,603
Capital Assets, not subject to depreciation:	
1510 Land	1,141,684
Capital Assets, net of accumulated depreciation:	
1520 Buildings and improvements, net	20,894,277
1530 Furniture and equipment, net	1,736,393
1550 Capital lease asset, net	43,810
1000 Total Assets	32,018,065
Liabilities	
2110 Accounts payable	39,013
2140 Interest payable	6,241
2160 Accrued wages payable	542,494
2180 Due to other governments	490,516
2200 Accrued expenses	195,748
Noncurrent Liabilities:	
2501 Due within one year	623,333
2502 Due in more than one year	3,156,784
2000 Total Liabilities	5,054,129
Net Position	
3200 Net investment in capital assets	20,065,650
Restricted for:	
3820 Federal and state programs	248,277
3850 Debt service	156,212
3900 Unrestricted	6,493,797
3000 Total net position	\$ 26,963,936

See Notes to the Financial Statements

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2013

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
	Governmental activities:				
11	Instruction	\$ 11,881,390	\$	\$ 1,809,269	\$ (10,072,121)
	Instructional resources and media services	300,339		12,638	(287,701)
12	Curriculum and staff development	455,204		400,554	(54,650)
13	Instructional leadership	386,187		49,816	(336,371)
21	School leadership	1,169,256		56,379	(1,112,877)
	Guidance, counseling, and evaluation services	614,796		83,769	(531,027)
31	Social work services	8,045		551	(7,494)
32	Health services	305,625		233,801	(71,824)
33	Student transportation	1,342,246		37,010	(1,305,236)
34	Food service	1,168,709	280,793	981,539	93,623
35	Extracurricular activities	1,013,505	101,303	23,168	(889,034)
36	General administration	714,361		24,605	(689,756)
41	Facilities maintenance and operations	1,969,524	13,057	43,034	(1,913,433)
51	Security and monitoring services	66,795		421	(66,374)
52	Data processing services	174,245		5,679	(168,566)
53	Community services	5,025		4,679	(346)
61	Interest on long-term debt	166,590			(166,590)
72	Facility repairs and maintenance	323,103			(323,103)
81	Payments to appraisal districts	135,259			(135,259)
99					
TG	Total governmental activities	<u>22,200,204</u>	<u>395,153</u>	<u>3,766,912</u>	<u>(18,038,139)</u>
TP	Total primary government	<u>\$ 22,200,204</u>	<u>\$ 395,153</u>	<u>\$ 3,766,912</u>	<u>(18,038,139)</u>
	General revenues:				
	Taxes:				
MT	Property taxes, levied for general purposes				5,289,908
DT	Property taxes, levied for debt service				534,961
SF	State-aid formula grants				11,902,564
GC	Grants and contributions not restricted				41,143
IE	Investment earnings				21,819
MI	Miscellaneous				114,249
TR	Total general revenues, special items, and transfers				<u>17,904,644</u>
CN	Change in net position				(133,495)
NB	Net position - beginning				<u>27,097,431</u>
NE	Net position - ending				<u>\$ 26,963,936</u>

See Notes to the Financial Statements

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2013

Data Control Codes	General Fund	Total Nonmajor Funds	Total Governmental Funds
Assets			
1110 Cash and temporary investments	\$ 6,407,823	\$ 643,002	\$ 7,050,825
Receivables:			
1220 Delinquent property taxes receivables	656,146	59,180	715,326
1230 Allowance for uncollectible taxes (credit)	(210,589)	(18,545)	(229,134)
1240 Receivables from other governments	392,506	153,401	545,907
1260 Due from other funds	80,644		80,644
1290 Other receivables	38,670		38,670
1300 Inventories	50,704		50,704
1000 Total Assets	\$ 7,415,904	\$ 837,038	\$ 8,252,942
Liabilities and Fund Balance			
Liabilities:			
2110 Accounts payable	\$ 1,949	\$ 37,064	\$ 39,013
2150 Payroll deduction and withholdings payable	1,061		1,061
2160 Accrued wages payable	482,669	59,825	542,494
2170 Due to other funds		80,644	80,644
2180 Payable to other governments	485,108	5,408	490,516
2200 Accrued expenditures	191,199	3,488	194,687
2300 Deferred revenue	376,320	32,480	408,800
2000 Total Liabilities	1,538,306	218,909	1,757,215
Fund Balance:			
Nonspendable			
3410 Inventories	50,704		50,704
Restricted for:			
3450 Grants		396,375	396,375
3480 Debt service		221,754	221,754
Committed for:			
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 Assigned for other purposes	500,000		500,000
3600 Unassigned	4,669,574		4,669,574
3000 Total fund balances	5,877,598	618,129	6,495,727
4000 Total Liabilities and Fund Balances	\$ 7,415,904	\$ 837,038	\$ 8,252,942

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, 2013

Exhibit C-2

Data Control Codes		
	Total fund balance, governmental funds	\$ 6,495,727
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	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 (\$43,201,195), net of accumulated depreciation (\$19,385,031), where applicable	23,816,164
2	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 and related penalty and interest amounts (net of allowance for uncollectible accounts).	408,800
3	Bond issuance costs are not financial resources and, therefore, are not reported as assets in governmental funds. These costs are to be amortized over the life of the bonds.	29,603
	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:	
4	General obligation bonds	(3,715,000)
5	Premiums on issuance	(25,116)
6	Capital leases payable	(40,001)
7	Accrued interest payable	<u>(6,241)</u>
19	Total net position - governmental activities	<u><u>\$ 26,963,936</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, 2013

Exhibit C-3

Data Control Codes		General Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues				
5700	Local, intermediate, and out-of-state	\$ 5,530,551	\$ 816,083	\$ 6,346,634
5800	State program revenues	12,362,464	586,282	12,948,746
5900	Federal program revenues	257,312	2,504,561	2,761,873
5020	Total revenues	18,150,327	3,906,926	22,057,253
Expenditures				
Current:				
0011	Instruction	9,981,829	1,325,932	11,307,761
0012	Instructional resources and media services	284,108		284,108
0013	Curriculum and staff development	54,720	400,484	455,204
0021	Instructional leadership	347,387	37,668	385,055
0023	School leadership	1,158,008		1,158,008
0031	Guidance, counseling and evaluation services	554,909	58,051	612,960
0032	Social work services	7,914		7,914
0033	Health services	300,308		300,308
0034	Student transportation	1,140,947		1,140,947
0035	Food services		1,114,612	1,114,612
0036	Extracurricular activities	883,831		883,831
0041	General administration	702,902		702,902
0051	Facilities maintenance and operations	1,831,009		1,831,009
0052	Security and monitoring services	60,125		60,125
0053	Data processing services	163,116		163,116
0061	Community services	346	4,679	5,025
Debt service:				
0071	Principal and interest on long-term debt	13,333	585,000	598,333
0072	Interest on long-term debt		166,860	166,860
Capital outlay:				
0081	Facilities acquisition and construction	812,263		812,263
Intergovernmental:				
0099	Payments to appraisal districts	135,259		135,259
6030	Total Expenditures	18,432,314	3,693,286	22,125,600
1200	Net change in fund balances	(281,987)	213,640	(68,347)
0100	Fund Balance - beginning	6,159,585	404,489	6,564,074
3000	Fund Balance - ending	\$ 5,877,598	\$ 618,129	\$ 6,495,727

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, 2013

<u>Data Control Codes</u>		
	Net change in fund balances - total governmental funds (from C-3)	\$ (68,347)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
1	Governmental funds report capital outlays (\$702,691) as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation (\$1,375,898) expense. This is the amount by which depreciation exceeded capital outlays.	(673,207)
2	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	9,456
3	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.	598,333
4	Amortization of premium on bond issuance	4,187
5	Bond issuance costs related to prior bond issuances will be amortized over the life of the bonds and removal of deferred expenses.	(4,934)
6	Decrease in interest payable not recognized in fund statements	<u>1,017</u>
	Change in net position of governmental activities (see B-1)	<u><u>\$ (133,495)</u></u>

See Notes to the Financial Statements.

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION

August 31, 2013

		865
Data Control Codes		Agency Fund
	Assets	
1110	Cash and cash equivalents	\$ 115,808
	Receivables:	
1290	Other receivables	3,552
1000	Total Assets	<u>\$ 119,360</u>
	Liabilities	
2190	Due to student groups and others	\$ 119,360
2000	Total Liabilities	<u>\$ 119,360</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. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

Implementation of New Standards

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* ("GASB 63"), amends the net asset reporting requirements in Statement No. 34 and other pronouncements by incorporating deferred outflows of the resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position rather than net assets. Implementation of GASB 63 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 "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 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.

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, 2013.

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.

Fund Equity

Beginning with fiscal year 2011, Wills Point Independent School District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Purpose	Amount
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, 2013, the District had the following investments:

	<u>Fair Market Value</u>	<u>Weighted Average Maturity (Days)</u>
Cash and deposits:		
Governmental Activities	\$ 253,410	
Fiduciary fund	115,808	
Investments:		
Governmental Activities		
Local Government Investment Pools:		
Lone Star	60,006	57
TexPool	6,737,409	49
Total Investments	<u>6,797,415</u>	<u>49</u>
Total Cash and Investments	<u>\$ 7,166,633</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 and Lone Star, both privately managed public funds investment pools, were rated AAAM by Standard & Poor's.

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, 2013, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 656,146	\$ 59,180	\$ 715,326
Due from other governments	392,506	153,401	545,907
Other	38,670		38,670
Gross Receivables	<u>1,087,322</u>	<u>212,581</u>	<u>1,299,903</u>
Less allowance for doubtful accounts	(210,589)	(18,545)	(229,134)
Net Total Receivables	<u><u>\$ 876,733</u></u>	<u><u>\$ 194,036</u></u>	<u><u>\$ 1,070,769</u></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 unearned revenues reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (General Fund)	\$ 376,320	\$
Delinquent property taxes receivable (Debt Service Fund)	32,480	
	<u><u>\$ 408,800</u></u>	<u><u>\$</u></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, 2013, 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, 2013, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 80,644	\$
Nonmajor Funds		80,644
	<u><u>\$ 80,644</u></u>	<u><u>\$ 80,644</u></u>

Note 6 - Capital Assets

Changes in Capital Assets

A summary of changes in general fixed assets, for the year ended August 31, 2013 follows:

	<u>Balance August 31, 2012</u>	<u>Additions</u>	<u>(Retirements) and Transfers</u>	<u>Balance August 31, 2013</u>
Capital assets, not being depreciated:				
Land	\$ 1,141,684	\$	\$	\$ 1,141,684
Total Capital assets, not being depreciated	<u>1,141,684</u>			<u>1,141,684</u>
Capital assets, being depreciated:				
Buildings and improvements	35,425,117	289,802		35,714,919
Furniture and equipment	6,227,994	412,889	(362,958)	6,277,925
Capital lease assets	66,667			66,667
Total Capital assets, being depreciated	<u>41,719,778</u>	<u>702,691</u>	<u>(362,958)</u>	<u>42,059,511</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,955,848)	(864,794)		(14,820,642)
Furniture and Equipment	(4,406,719)	(497,771)	362,958	(4,541,532)
Capital lease assets	(9,524)	(13,333)		(22,857)
Total Accumulated depreciation	<u>(18,372,091)</u>	<u>(1,375,898)</u>	<u>362,958</u>	<u>(19,385,031)</u>
Governmental Capital Assets	<u>\$ 24,489,371</u>	<u>\$ (673,207)</u>	<u>\$</u>	<u>\$ 23,816,164</u>

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

<u>Function</u>	<u>Depreciation Expense</u>
Instruction	\$ 749,214
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	201,299
Food Services	66,970
Extracurricular activities	129,674
General administration	11,459
Facilities maintenance and operations	163,588
Data processing services	17,799
	<u>\$ 1,375,898</u>

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	\$ 3,715,000

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

	<u>Balance August 31, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2013</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 4,300,000	\$	\$ (585,000)	\$ 3,715,000	\$ 610,000
Less deferred amounts:					
For issuance premiums/discounts	29,303		(4,187)	25,116	
Capital lease payable	53,334		(13,333)	40,001	13,333
	<u>\$ 4,382,637</u>	<u>\$</u>	<u>\$ (602,520)</u>	<u>\$ 3,780,117</u>	<u>\$ 623,333</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>
2014	\$ 610,000	\$ 143,460	\$ 753,460
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>\$ 3,715,000</u>	<u>\$ 484,260</u>	<u>\$ 4,199,260</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2013.

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	\$ 5,282,318	\$ 533,095	\$ 5,815,413
Investment Income	19,624	1,853	21,477
Co-curricular student activities	101,303		101,303
Food Sales		280,793	280,793
Other	127,306	342	127,648
	<u>\$ 5,530,551</u>	<u>\$ 816,083</u>	<u>\$ 6,346,634</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, 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 2013, 2012, and 2011. The State contributed at a rate of 6.4 percent for fiscal year 2013, 6.0 percent for fiscal year 2012 and 6.644 percent for fiscal year 2011 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, 2013, 2012, and 2011, are as follows:

Fiscal Year	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS	Employees Contributions to TRS	District's Annual Covered Payroll
2013	\$ 648,932	\$ 191,456	\$ 833,229	\$ 13,019,081
2012	626,131	171,864	851,230	13,300,563
2011	716,786	214,795	897,421	14,021,407

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, 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 2013, 2012, and 2011. 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, 2013, 2012, and 2011, are as follows:

Fiscal Year	State TRS Care Contributions Made on Behalf of the District	District Required Contributions to TRS	Employees Contributions to TRS Care	District's Annual Covered Payroll
2013	\$ 59,693	\$ 86,792	\$ 84,625	\$ 13,019,081
2012	121,972	84,181	86,454	13,300,563
2011	126,841	90,522	91,145	14,021,407

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, 2013, 2012 and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$48,171, \$34,416, and \$32,319, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

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

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. These funds must be allocated to reporting agencies using the same basis as the Medicare Part D. For the fiscal years ended August 31, 2013 and August 31, 2012, the contribution made on behalf of the District was \$-0- and \$32,547, respectively.

Note 11 - Health Care

During the year ended August 31, 2013, 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, 2013, 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

Note 13 - Risk Management (continued)

Workers' Compensation (continued)

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.

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>
2013	\$ 125,191	\$ 265,129	\$ 107,051	\$ 283,269
2012	133,060	57,849	65,718	125,191
2011	207,320	131,152	205,412	133,060

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, 2013, will change.

REQUIRED SUPPLEMENTARY INFORMATION

WILLS POINT INDEPENDENT SCHOOL DISTRICT

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

For the Year Ended August 31, 2013

Data Control Codes	Budgeted Amounts		
	Original	Final	
Revenues			
5700	Local and intermediate sources	\$ 5,468,733	\$ 5,578,733
5800	State program revenues	12,822,303	12,937,303
5900	Federal program revenues	100,000	225,000
5020	Total revenues	18,391,036	18,741,036
Expenditures			
Current:			
0011	Instruction	10,089,234	10,145,408
0012	Instructional resources and media services	294,192	296,642
0013	Curriculum and staff development	96,902	81,912
0021	Instructional leadership	334,955	369,655
0023	School leadership	1,145,295	1,193,695
0031	Guidance, counseling and evaluation services	416,398	602,248
0032	Social work services	5,973	11,973
0033	Health services	311,672	311,672
0034	Student transportation	1,199,169	1,244,614
0036	Extracurricular activities	936,675	947,187
0041	General administration	716,671	716,671
0051	Facilities maintenance and operations	2,112,895	2,112,895
0052	Security and monitoring services	54,500	61,500
0053	Data processing services	190,277	224,389
0061	Community services	700	5,700
Debt Service:			
0071	Principal on long-term debt		
Capital outlay:			
0081	Facilities acquisition and construction	130,000	840,000
Intergovernmental:			
0099	Other intergovernmental charges	139,950	139,950
6030	Total Expenditures	18,209,358	19,340,011
1200	Net change in fund balances	181,678	(598,975)
0100	Fund balances - beginning	6,159,585	6,159,585
3000	Fund balances - ending	\$ 6,341,263	\$ 5,560,610

Exhibit G-1

Actual Amounts (Budgetary Basis)	Variance with Final Budget - Positive (Negative)
\$ 5,530,551	\$ (48,182)
12,362,464	(574,839)
257,312	32,312
<u>18,150,327</u>	<u>(590,709)</u>
9,981,829	163,579
284,108	12,534
54,720	27,192
347,387	22,268
1,158,008	35,687
554,909	47,339
7,914	4,059
300,308	11,364
1,140,947	103,667
883,831	63,356
702,902	13,769
1,831,009	281,886
60,125	1,375
163,116	61,273
346	5,354
13,333	(13,333)
812,263	27,737
135,259	4,691
<u>18,432,314</u>	<u>907,697</u>
(281,987)	316,988
6,159,585	
<u>\$ 5,877,598</u>	<u>\$ 316,988</u>

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, 2013.

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 31, 2012. 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.

The District entered into a capital lease in fiscal year 2012 that was treated like an operating lease instead. Although the payment was not budgeted in this specific function, the expenditure was budgeted for in another function.

OTHER SUPPLEMENTARY INFORMATION

WILLS POINT INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2013

	205	211	224
Data Control Codes	Head Start	ESEA Title I, Part A	IDEA-B Formula
Assets			
1110 Cash and temporary investments	\$	\$	\$
Receivables:			
1220 Property taxes - delinquent			
1230 Allowance for uncollectible taxes (credit)			
1240 Receivables from other governments		86,167	20,103
1000 Total Assets	<u>\$</u>	<u>\$ 86,167</u>	<u>\$ 20,103</u>
Liabilities and Fund Balance			
Liabilities:			
Current Liabilities:			
2110 Accounts payable	\$	\$	\$
2160 Accrued wages payable		14,551	15,741
2170 Due to other funds		70,224	2,846
2180 Due to other governments			
2200 Accrued expenditures		1,392	1,516
2300 Deferred revenues			
2000 Total Liabilities		<u>86,167</u>	<u>20,103</u>
Fund Balance:			
Restricted for:			
3450 Restricted for Grants			
3480 Restricted for debt service			
3000 Total Fund Balances			
4000 Total Liabilities and Fund Balance	<u>\$</u>	<u>\$ 86,167</u>	<u>\$ 20,103</u>

225	240	244	255	263	404	410
IDEA-B Preschool Grant	Child Nutrition	Vocational Ed - Basic	Title II, Part A, TPTR	Title III, LEP	Student Succ. Init- Acc REA	Instructional Materials Allotment
\$	\$ 428,445	\$	\$	\$	\$	\$
	22,885	1,751	6,450	458	1,137	10,000
<u>\$</u>	<u>\$ 451,330</u>	<u>\$ 1,751</u>	<u>\$ 6,450</u>	<u>\$ 458</u>	<u>\$ 1,137</u>	<u>\$ 10,000</u>
\$	\$ 31,011	\$	\$	\$	\$ 1,137	\$ 4,916
	23,572		5,961			
		1,751	317	458		5,048
	408		172			
	<u>54,991</u>	<u>1,751</u>	<u>6,450</u>	<u>458</u>	<u>1,137</u>	<u>9,964</u>
	396,339					36
	<u>396,339</u>					<u>36</u>
<u>\$</u>	<u>\$ 451,330</u>	<u>\$ 1,751</u>	<u>\$ 6,450</u>	<u>\$ 458</u>	<u>\$ 1,137</u>	<u>\$ 10,000</u>

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WILLS POINT INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2013

Exhibit H-1
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Data Control Codes	Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Funds
Assets			
1110	\$ 428,445	\$ 214,557	\$ 643,002
Receivables:			
1220		59,180	59,180
1230		(18,545)	(18,545)
1240	148,951	4,450	153,401
1000	Total Assets	Total	Total
	<u>\$ 577,396</u>	<u>\$ 259,642</u>	<u>\$ 837,038</u>
Liabilities and Fund Balance			
Liabilities:			
Current Liabilities:			
2110	\$ 37,064	\$	\$ 37,064
2160	59,825		59,825
2170	80,644		80,644
2180		5,408	5,408
2200	3,488		3,488
2300		32,480	32,480
2000	Total Liabilities	Total	Total
	<u>181,021</u>	<u>37,888</u>	<u>218,909</u>
Fund Balance:			
Restricted for:			
3450	396,375		396,375
3480		221,754	221,754
3000	Total Fund Balances	Total	Total
4000	Total Liabilities and Fund Balance	Total	Total
	<u>\$ 577,396</u>	<u>\$ 259,642</u>	<u>\$ 837,038</u>

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, 2013

	205	211	224
<u>Data Control Codes</u>	<u>Head Start</u>	<u>ESEA Title I, Part A</u>	<u>IDEA-B Formula</u>
Revenues			
5700 Local, intermediate, and out-of-state	\$	\$	\$
5800 State program revenues			
5900 Federal program revenues	26,261	800,457	555,650
5020 Total revenues	<u>26,261</u>	<u>800,457</u>	<u>555,650</u>
Expenditures			
Current:			
0011 Instruction	26,261	365,684	520,098
0013 Curriculum and instructional staff development		397,557	2,427
0021 Instructional leadership		32,537	1,028
0031 Guidance, counseling and evaluation services			32,097
0035 Food service			
0061 Community services		4,679	
Debt service:			
0071 Principal on long-term debt			
0072 Interest on long-term debt			
6030 Total Expenditures	<u>26,261</u>	<u>800,457</u>	<u>555,650</u>
1200 Net change in fund balances			
0100 Fund balance - September 1 (beginning)	<u> </u>	<u> </u>	<u> </u>
3000 Fund balance - August 31 (ending)	<u>\$ </u>	<u>\$ </u>	<u>\$ </u>

225	240	244	255	263	404	410
IDEA-B Preschool Grant	Child Nutrition	Vocational Ed -Basic	Title II, Part A, TPTR	Title III, LEP	Student Succ. Init-Acc REA	Instructional Materials Allotment
\$	\$ 281,135	\$	\$	\$	\$	\$
	41,295				11,366	251,167
7,828	940,244	26,972	135,046	12,103		
<u>7,828</u>	<u>1,262,674</u>	<u>26,972</u>	<u>135,046</u>	<u>12,103</u>	<u>11,366</u>	<u>251,167</u>
7,828			132,282	11,282	11,366	251,131
		1,018		500		
		25,954	2,764	321		
	1,114,612					
<u>7,828</u>	<u>1,114,612</u>	<u>26,972</u>	<u>135,046</u>	<u>12,103</u>	<u>11,366</u>	<u>251,131</u>
	148,062					36
	248,277					
<u>\$</u>	<u>\$ 396,339</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 36</u>

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, 2013

Exhibit H-2
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<u>Data Control Codes</u>		<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>
Revenues				
5700	Local, intermediate, and out-of-state	\$ 281,135	\$ 534,948	\$ 816,083
5800	State program revenues	303,828	282,454	586,282
5900	Federal program revenues	2,504,561		2,504,561
5020	Total revenues	<u>3,089,524</u>	<u>817,402</u>	<u>3,906,926</u>
Expenditures				
Current:				
0011	Instruction	1,325,932		1,325,932
0013	Curriculum and instructional staff development	400,484		400,484
0021	Instructional leadership	37,668		37,668
0031	Guidance, counseling and evaluation services	58,051		58,051
0035	Food service	1,114,612		1,114,612
0061	Community services	4,679		4,679
Debt service:				
0071	Principal on long-term debt		585,000	585,000
0072	Interest on long-term debt		166,860	166,860
6030	Total Expenditures	<u>2,941,426</u>	<u>751,860</u>	<u>3,693,286</u>
1200	Net change in fund balances	148,098	65,542	213,640
0100	Fund balance - September 1 (beginning)	<u>248,277</u>	<u>156,212</u>	<u>404,489</u>
3000	Fund balance - August 31 (ending)	<u>\$ 396,375</u>	<u>\$ 221,754</u>	<u>\$ 618,129</u>

TEA REQUIRED INFORMATION

WILLS POINT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended August 31, 2013

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 9/1/12</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
	<u>1</u>	<u>2</u>		
2004 and prior	Various	Various	Various	\$ 51,247
2005	1.500000	0.090000	381,996,931	23,600
2006	1.500000	0.090000	406,984,594	31,138
2007	1.500000	0.070000	449,315,556	41,351
2008	1.040000	0.070000	460,879,842	37,885
2009	1.040000	0.070000	493,047,213	58,357
2010	1.040000	0.080000	496,268,026	81,989
2011	1.040000	0.105000	497,882,096	118,184
2012	1.040000	0.105000	505,991,616	266,473
2013	1.040000	0.105000	496,939,126	
1000 Totals				<u>\$ 710,224</u>

9000 Portion of Row 1000 for Taxes Paid into Tax
Increment Zone Under Chapter 311, Tax Code (Function 97)

20	31	32	40	50
<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 8/31/13</u>
\$	\$ 12,113	\$ 1,622	\$ (887)	\$ 36,625
	1,837	104	(251)	21,408
	5,330	313	(290)	25,205
	6,616	330	(441)	33,964
	5,704	382	(2,510)	29,289
	12,426	836	(433)	44,662
	17,877	1,475	(3,444)	59,193
	31,564	3,187	(1,224)	82,209
	120,800	12,196	(3,126)	130,351
<u>5,689,953</u>	<u>4,921,358</u>	<u>496,869</u>	<u>(19,306)</u>	<u>252,420</u>
<u>\$ 5,689,953</u>	<u>\$ 5,135,625</u>	<u>\$ 517,314</u>	<u>\$ (31,912)</u>	<u>715,326</u>
				<u>Total taxes receivable per Exhibit C-1</u>
				<u>\$ 715,326</u>

WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF
INDIRECT COSTS FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended August 31, 2013

Exhibit J-2

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION AND FUNCTION 99 (APPRAISAL DISTRICT COSTS)

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 147,168	\$ 440,000	\$ -	\$ -	\$ 587,168
6149	Fringe Benefits (Terminal Leave Only for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Terminal Leave Only for Separating Employees in all Functions except Function 41 and Related 53)							-
6211	Legal Services			6,466				6,466
6212	Audit Services				28,018			28,018
6213	Tax Appraisal and Collection (Appraisal district costs only from function 99)		135,259					135,259
6214	Lobbying							-
621X	Other Prof. Services							-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers			8,814	2,706			11,520
6240	Contr. Maint. and Repair					4,179		4,179
6250	Utilities							-
6260	Rentals							-
6290	Miscellaneous Contr.				10,765			10,765
6310	Operational Supplies, Materials							
6320	Textbooks and Reading							
6330	Testing Materials							
63XX	Other Supplies Materials	460		1,680	11,779			13,919
6410	Travel, Subsistence, Stipends	1,359		1,147	943			3,449
6420	Ins. and Bonding Costs				4,986			4,986
6430	Election Costs	3,318						3,318
6490	Miscellaneous Operating	604		5,537	19,634			25,775
6500	Debt Service							
6600	Capital Outlay						3,339	3,339
6000	TOTAL	\$ 5,741	\$ 135,259	\$ 170,812	\$ 518,831	\$ 4,179	\$ 3,339	\$ 838,161

Total expenditures/expenses for General and Special Revenue Funds
 (plus Food Service Enterprise Fund if present) 9 \$ 2,137,740

Less: Deductions of Unallowable Costs

Fiscal Year	
Total Capital Outlay (6600)	10 \$ 971,055
Total Debt & Lease (6500)	11 13,333
Plant Maintenance (Function 51, 6100-6400)	12 1,788,822
Food (Function 35, 6341 and 6499)	13 422,549
Stipends (6413)	14
Column 4 (above) - Total Indirect Cost	518,831
Subtotal:	3,714,590
Net Allowed Direct Cost	\$ 17,659,150

Cumulative

Total Cost of Buildings before Depreciation (1520)	15 35,714,919
Historical Cost of Buildings over 50 years old	16 149,500
Amount of Federal Money in building Cost (Net of #16)	17
Total Cost of Furniture & Equipment before Depreciation (1530&1540)	18 6,344,592
Historical Cost of Furniture & Equipment over 16 years old	19 913,600
Amount of Federal Money in Furniture & Equipment (Net of #19)	20 563,235

(8) Note A -

\$135,259

in Function 53 expenditures directly related to Function 41 only are included in this report on administrative costs.
 in Function 99 expenditures directly related to appraisal district costs are included in this report.

WILLS POINT INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION SCHEDULE (UNAUDITED)
GENERAL FUND
August 31, 2013

Exhibit J-3

Data Control Code	Explanation	Amount
1.	Total General Fund Balance 8-31-13 (Exhibit C-1 object 3000 for the General Fund only)	\$ 5,877,598
2.	Total Nonspendable and Restricted Fund Balance 8-31-13 (from Exhibit C-1 - total of object 3400s for the General Fund only)	50,704
3.	Total Committed and Assigned Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	1,157,320
4.	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	
5.	Estimate of two months average cash disbursements during fiscal year	4,096,070
6.	Estimate of delayed payments from state sources (58xx) including August payment delays	
7.	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	
8.	Estimate of delayed payments from federal sources (59xx)	
9.	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds).	
10.	Adjustment to meet Board Policy	
11.	General Fund Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9+10)	<u>5,304,094</u>
12.	Excess or Deficit Undesignated Unreserved General Fund Fund Balance (1-11)	<u>\$ 573,504</u>

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

WILLS POINT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
For the Year Ended August 31, 2013

Exhibit J-4

Data Control Codes		Child Nutrition			Variance with Final Budget Positive (Negative)
		Budget			
		Original	Final	Actual	
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 285,225	\$ 285,225	\$ 281,135	\$ (4,090)
5800	State Program Revenues	39,000	39,000	41,295	2,295
5900	Federal Program Revenues	908,500	908,500	940,244	31,744
5020	Total Revenues	<u>1,232,725</u>	<u>1,232,725</u>	<u>1,262,674</u>	<u>29,949</u>
Expenditures					
Current:					
0035	Food Services	1,232,725	1,232,725	1,114,612	118,113
6030	Total Expenditures	<u>1,232,725</u>	<u>1,232,725</u>	<u>1,114,612</u>	<u>118,113</u>
1200	Increase (Decrease) in Fund Balance			148,062	148,062
0100	Fund Balance - beginning	<u>248,277</u>	<u>248,277</u>	<u>248,277</u>	
3000	Fund Balance - ending	<u>\$ 248,277</u>	<u>\$ 248,277</u>	<u>\$ 396,339</u>	<u>\$ 148,062</u>

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit J-5

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2013

Data Control Codes	Debt Service Fund				
	Budget			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 453,549	\$ 533,549	\$ 534,948	\$ 1,399
5800	State Program Revenues	298,311	298,311	282,454	(15,857)
5020	Total Revenues	751,860	831,860	817,402	(14,458)
Expenditures					
Current:					
Debt Service:					
0071	Bond Principal	585,000	585,000	585,000	
0072	Interest on Bond	166,860	166,860	166,860	
6030	Total Expenditures	751,860	751,860	751,860	
1200	Increase (Decrease) in Fund Balance		80,000	65,542	(14,458)
0100	Fund Balance - beginning	156,212	156,212	156,212	
3000	Fund Balance - ending	\$ 156,212	\$ 236,212	\$ 221,754	\$ (14,458)

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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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

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

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

Houston, Texas
December 6, 2013

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

To the Board of Trustees
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, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

To the Board of Trustees
Wills Point Independent School District

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item #2013-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance 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.

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.



Houston, Texas
December 6, 2013

WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended August 31, 2013

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

Special Education Cluster:	
IDEA – Part B, Formula	84.027A
IDEA – Part B, Preschool	84.173A

US Department of Agriculture

Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
National School Lunch Program (Commodities)	10.555
1. Dollar Threshold Considered Between Type A and Type B Federal Programs	\$300,000
2. Auditee qualified as low-risk auditee?	No

WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For The Year Ended August 31, 2013

II. Financial Statement Findings

None noted

III. Federal Awards Findings and Questioned Costs

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

Criteria: 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.

Condition: 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 \$61,955.

Questioned Cost Effect: None.
The District did not comply with the excess food service fund balance requirements.

Cause: Current year expenditures were not sufficient to reduce fund balance.

Recommendation: The District should take the appropriate steps to ensure it is in compliance with the Child Nutrition requirements.

IV. Status Of Prior Year Findings

None prior year findings.

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 2014.

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

Estimated Completion Date: March 2014

WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2013

Exhibit K-1

(2A) Pass Through Entity Identifying Number	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(3) Federal Expenditures
U.S. Department of Education			
Passed Through State Region X Education Service Center:			
136110101234907	<i>ESEA, Title I, Part A - Improving Basic Programs</i>	84.010A	\$ 444,777
13671001237907	<i>Title III, Part A - English Language Acquisition</i>	84.365A	12,413
13694501234907	<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	138,342
			595,532
Passed Through State Department of Education:			
1361011023497000	<i>ESEA Title I - School Improvement Program</i>	84.010A	376,196
136600012349076600	<i>IDEA - Part B, Formula*</i>	84.027A	569,386
13420006234907	<i>Career and Technical - Basic Grant</i>	84.048A	27,193
69551202	<i>Summer School LEP</i>	84.369A	1,115
13661001234907600	<i>IDEA - Part B, Preschool*</i>	84.173A	7,828
Total U.S. Department of Education			981,718
U.S. Department of Health and Human Services			
Passed Through Region VII Education Service Center:			
06CH6996-12	<i>Head Start</i>	93.600	30,155
Total U.S. Department of Health and Human Services			30,155
U.S. Department of Agriculture			
Passed Through State Department of Education:			
Cash assistance			
71401301	<i>National School Breakfast Program**</i>	10.553	199,291
71301301	<i>National School Lunch Program**</i>	10.555	676,567
Non-cash assistance			
Passed Through Texas Department of Agriculture:			
234907	<i>National School Lunch Program (Commodity Program)**</i>	10.555	60,492
Total U.S. Department of Agriculture			936,350
Total Expenditures of Federal Awards			\$ 2,543,755

* 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, 2013. 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)	\$ 2,761,873
SHARS	(218,118)
	<u>\$ 2,543,755</u>

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit L-1

Required Responses

August 31, 2013

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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