

**WILLS POINT
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For The Year Ended August 31, 2015**

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, 2015, at a meeting of the board of trustees of such school district on December 9, 2015.

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, 2015, 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, 2015, 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 and Note 16 to the financial statements, the District adopted the provisions of Government Accounting Standards Board (“GASB”) States No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, as of August 31, 2015. 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 on pages 7-13, budgetary comparison information on pages 46-47, and pension information on pages 48-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

To the Board of Trustees
Wills Point Independent School District

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2015, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

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

Dallas, Texas
December 1, 2015

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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, 2015. Please read it in conjunction with the District's financial statements, which begin on page 17.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$24,446,196 (net position). Of this amount, \$2,269,118 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position increased by \$872,596, excluding a prior period adjustment in the amount of (\$2,785,084).
- The implementation of GASB 68, *Accounting and Financial Reporting for Pensions*, increased the District's non-current liabilities by \$2,458,143, which represents the District's portion of the Teachers Retirement System ("TRS") net pension liability.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$5,410,538, an increase of \$712,113 in comparison with the prior year. \$3,673,739 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 \$3,673,739, or 19 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

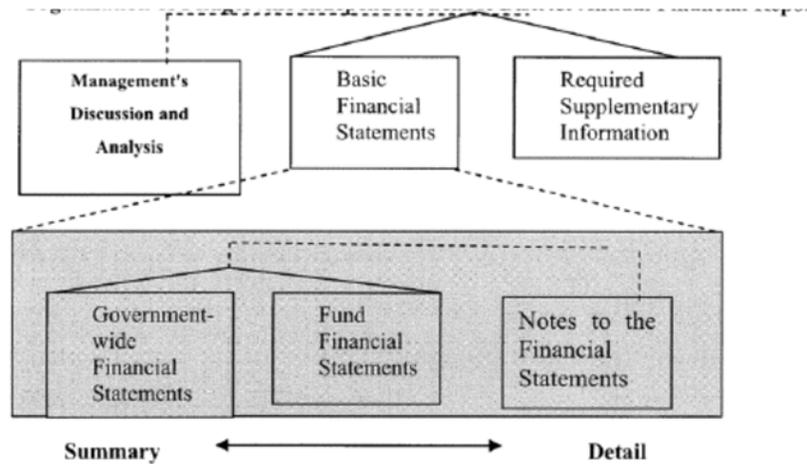


Figure A-2

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, deferred outflows of resources, liabilities and deferred inflows of resources. 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, deferred outflows of resources, liabilities and deferred inflows of resources - is one way to measure the District's financial health or position.

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

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

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

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

The District has two kinds of funds:

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

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

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

Financial Analysis of the District as a Whole

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

Net position of the District's governmental activities decreased from \$26,358,684 to \$24,446,196. 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 \$2,269,118 and \$4,482,911 at August 31, 2015 and 2014, respectively.

This overall decrease in net position was primarily the result of a prior period adjustment in the amount of (\$2,785,084) as a result of the implementation of GASB Statements No. 68 and No. 71. Excluding the prior period adjustment, the District's net position increased by \$872,596 as a result of the District's operations.

	Governmental Activities	
	2015	2014
Assets		
Cash and cash equivalents	\$ 6,261,552	\$ 5,941,086
Other assets	1,262,747	924,274
Capital assets less accumulated depreciation	24,027,011	24,411,419
Total Assets	31,551,310	31,276,779
Deferred Outflows of Resources		
Deferred outflows	610,771	
Total Deferred Outflows of Resources	610,771	
Liabilities		
Current liabilities	1,422,338	1,765,498
Long term liabilities	5,521,190	3,152,597
Total Liabilities	6,943,528	4,918,095
Deferred Inflows of Resources		
Deferred inflows	772,357	
Total Deferred Inflows of Resources	772,357	
Net Position		
Net investment in capital assets	20,943,559	21,258,822
Restricted	1,233,519	616,951
Unrestricted	2,269,118	4,482,911
Total Net Position	\$ 24,446,196	\$ 26,358,684

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

	Governmental Activities	
	2015	2014
Revenue:		
Program Revenues:		
Charges for services	\$ 405,968	\$ 393,334
Operating grants & contributions	3,549,670	3,297,838
General Revenues:		
Property taxes	6,166,399	5,671,953
State Aid	12,802,073	12,282,338
Investment earnings	18,800	39,591
Grants and contributions not restricted		43,317
Miscellaneous local and intermediate	141,843	83,367
Total Revenues	<u>23,084,753</u>	<u>21,811,738</u>
Expenses		
Instruction	11,669,028	12,579,933
Instructional resources and media services	315,527	297,354
Curriculum and staff development	110,680	112,767
Instructional leadership	458,989	362,658
School leadership	1,250,765	1,205,007
Guidance, counseling, and evaluation services	631,843	591,047
Social work services	8,627	7,637
Health services	347,283	314,612
Student transportation	1,260,065	1,227,920
Food service	1,286,254	1,296,650
Extracurricular activities	992,774	941,858
General administration	891,719	726,397
Facilities maintenance and operations	2,204,760	2,052,688
Security and monitoring services	125,367	100,110
Data processing services	205,130	180,072
Community services		764
Interest on long-term debt	115,862	138,145
Debt issuance costs and fees	49,362	
Facility repairs and maintenance	146,252	114,351
Payment to tax appraisal district	141,870	137,417
Total Expenses	<u>22,212,157</u>	<u>22,387,387</u>
Increase (Decrease) in Net Position	872,596	(575,649)
Beginning Net Position	26,358,684	26,934,333
Prior Period Adjustment	(2,785,084)	
Ending Net Position	<u>\$ 24,446,196</u>	<u>\$ 26,358,684</u>

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

Governmental Activities

Governmental activities increased the District's net position by \$872,596, excluding the prior period adjustment. Key elements of this increase are as follows:

Revenues are generated primarily from three sources, State aid formula grants, operating grants and contributions, and ad valorem property taxes. State aid formula grants and operating grants and contributions in the amount of \$16,351,743 represents 71 percent of total revenues, and property taxes in the amount of \$6,166,399 represents 27 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 (\$11,669,028), which represents 53 percent of total expenses. Facilities repairs and maintenance (\$2,204,760) represents 10 percent of total expenses. The remaining individual function categories of expenses are each less than 5 percent of total expenses.

The District's M&O and I&S property tax rates were \$1.04 and \$0.104, respectively. The District's tax assessed valuation increased approximately 2.4 percent. Property tax revenue increased \$206,574 over the prior year due to an increase in the I&S rate of \$0.024 combined with increased in appraised property values.

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 \$5,410,538, which increased from last year's total of \$4,698,425. Included in this year's total change in fund balance is an increase of \$748,248 in the District's General Fund. The increase in the General Fund is primarily related to an increase in state revenue in addition to an increase in local property tax revenue.

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 and general administration. 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, 2014	Additions	(Retirements) and Transfers	Balance August 31, 2015
Capital assets, not being depreciated:				
Land	\$ 1,141,684	\$	\$	\$ 1,141,684
Construction in progress	2,429,454		(2,429,454)	
Total Capital assets, not being depreciated	3,571,138		(2,429,454)	1,141,684
Capital assets, being depreciated:				
Buildings and improvements	35,732,847		2,429,454	38,162,301
Furniture and equipment	3,708,569	187,292	(417,970)	3,477,891
Capital lease assets	66,667	640,368		707,035
Total Capital assets, being depreciated	39,508,083	827,660	2,011,484	42,347,227
Less accumulated depreciation for:				
Buildings and improvements	(15,709,657)	(948,423)		(16,658,080)
Furniture and Equipment	(2,921,955)	(186,355)	417,970	(2,690,340)
Capital lease assets	(36,190)	(77,290)		(113,480)
Total Accumulated depreciation	(18,667,802)	(1,212,068)	417,970	(19,461,900)
Governmental Capital Assets	\$ 24,411,419	\$ (384,408)	\$	\$ 24,027,011

Debt Administration

At year-end the District had \$3,063,047 in bonds and capital leases as shown below:

	Balance September 1, 2014	Additions	Retirements	Balance August 31, 2015
General obligation bonds	\$ 3,105,000	\$ 2,465,000	\$ (3,105,000)	\$ 2,465,000
Issuance of bond premiums/discounts	20,929		(20,929)	
Capital leases payable	26,668	757,722	(186,343)	598,047
	\$ 3,152,597	\$ 3,222,722	\$ (3,312,272)	\$ 3,063,047

Economic Factors and Next Year's Budgets and Tax Rates

The district's elected officials considered several factors when setting fiscal year 2016 budget and tax rate. The district expects a slight gain in student growth, but continues to cut cost where possible and increase expenditures only for mandated areas. The Maintenance and Operation tax rate remained the same at \$1.40000 and Debt service rate was set as \$0.09706 slightly less than previous year.

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, 2015

Data Control Codes	Governmental Activities
Assets	
1110 Cash and cash equivalents	\$ 6,261,552
1220 Delinquent property taxes receivables	1,020,140
1230 Allowance for uncollectable taxes (credit)	(326,444)
1240 Due from other governments	543,021
1300 Inventories	26,030
Capital Assets, not subject to depreciation:	
1510 Land	1,141,684
Capital Assets, net of accumulated depreciation:	
1520 Buildings and improvements, net	21,504,221
1530 Furniture and equipment, net	787,551
1550 Capital lease asset, net	593,555
1000 Total Assets	31,551,310
Deferred Outflows of Resources	
1700 Deferred outflows - pension	610,771
Total Deferred Outflows of Resources	610,771
Liabilities	
2110 Accounts payable	5,076
2140 Interest payable	2,273
2160 Accrued wages payable	695,666
2180 Due to other governments	539,259
2200 Accrued expenses	180,064
Noncurrent Liabilities:	
2501 Due within one year	854,435
2502 Due in more than one year	2,208,612
2540 Net pension liability	2,458,143
2000 Total Liabilities	6,943,528
Deferred Inflows of Resources	
2600 Deferred gain on refunding	20,405
2600 Deferred inflows - pension	751,952
Total Deferred Inflows of Resources	772,357
Net Position	
3200 Net investment in capital assets	20,943,559
Restricted for:	
3840 Food service	329,315
3850 Debt service	904,204
3900 Unrestricted	2,269,118
3000 Total net position	\$ 24,446,196

See Notes to the Financial Statements

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2015

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:				
11	Instruction	\$ 11,669,028	\$ 34,253	\$ 1,596,364	\$ (10,038,411)
	Instructional resources and media				
12	services	315,527		20,767	(294,760)
13	Curriculum and staff development	110,680		72,573	(38,107)
21	Instructional leadership	458,989		113,593	(345,396)
23	School leadership	1,250,765		79,868	(1,170,897)
	Guidance, counseling, and evaluation				
31	services	631,843		68,558	(563,285)
32	Social work services	8,627			(8,627)
33	Health services	347,283		488,146	140,863
34	Student transportation	1,260,065		49,918	(1,210,147)
35	Food service	1,286,254	259,753	922,998	(103,503)
36	Extracurricular activities	992,774	108,684	29,951	(854,139)
41	General administration	891,719		29,951	(861,768)
51	Facilities maintenance and operations	2,204,760	3,278	59,901	(2,141,581)
52	Security and monitoring services	125,367			(125,367)
53	Data processing services	205,130		9,984	(195,146)
61	Community services			7,098	7,098
72	Interest on long-term debt	115,862			(115,862)
73	Debt issuance costs and fees	49,362			(49,362)
81	Facility repairs and maintenance	146,252			(146,252)
99	Payments to appraisal districts	141,870			(141,870)
TG	Total governmental activities	<u>22,212,157</u>	<u>405,968</u>	<u>3,549,670</u>	<u>(18,256,519)</u>
TP	Total primary government	<u>\$ 22,212,157</u>	<u>\$ 405,968</u>	<u>\$ 3,549,670</u>	<u>(18,256,519)</u>
	General revenues:				
	Taxes:				
MT	Property taxes, levied for general purposes				5,614,535
DT	Property taxes, levied for debt service				551,864
SF	State-aid formula grants				12,802,073
IE	Investment earnings				18,800
MI	Miscellaneous				141,843
TR	Total general revenues				<u>19,129,115</u>
CN	Change in net position				872,596
NB	Net position - beginning				26,358,684
PA	Prior period adjustments				(2,785,084)
NE	Net position - ending				<u>\$ 24,446,196</u>

See Notes to the Financial Statements

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET

GOVERNMENTAL FUNDS

August 31, 2015

Data Control Codes	General Fund	Total Nonmajor Funds	Total Governmental Funds
Assets			
1110 Cash and cash equivalents	\$ 5,692,145	\$ 569,407	\$ 6,261,552
Receivables:			
1220 Delinquent property taxes receivables	937,388	82,752	1,020,140
1230 Allowance for uncollectible taxes (credit)	(299,964)	(26,480)	(326,444)
1240 Receivables from other governments	447,662	95,359	543,021
1260 Due from other funds	13,157		13,157
1300 Inventories	26,030		26,030
1000 Total Assets	\$ 6,816,418	\$ 721,038	\$ 7,537,456
Liabilities and Fund Balance			
Liabilities:			
2110 Accounts payable	\$ 5,076	\$	\$ 5,076
2150 Payroll deduction and withholdings payable	1,430		1,430
2160 Accrued wages payable	615,545	80,121	695,666
2170 Due to other funds		13,157	13,157
2180 Payable to other governments	526,186	13,073	539,259
2200 Accrued expenditures	173,668	4,966	178,634
2000 Total Liabilities	1,321,905	111,317	1,433,222
Deferred Inflows of Resources			
2600 Unavailable revenue - property taxes	637,424	56,272	693,696
Total Deferred Inflows of Resources	637,424	56,272	693,696
Fund Balance:			
Nonspendable			
3410 Inventories	26,030		26,030
Restricted for:			
3450 Grants		340,668	340,668
3480 Debt service		212,781	212,781
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	3,673,739		3,673,739
3000 Total fund balances	4,857,089	553,449	5,410,538
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 6,816,418	\$ 721,038	\$ 7,537,456

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, 2015

Exhibit C-2

Data
Control
Codes

	Total fund balance, governmental funds	\$ 5,410,538
<p>Amounts reported for governmental activities in the statement of net position (A-1) are different because:</p>		
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 (\$43,488,911), net of accumulated depreciation (\$19,461,900), where applicable	24,027,011
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 (net of allowance for uncollectible accounts) are deferred in the fund financial statements.	693,696
3	Deferred outflows related to TRS pension	610,771
<p>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:</p>		
4	General obligation bonds	(2,465,000)
5	Capital leases payable	(598,047)
6	Net pension liability	(2,458,143)
7	Accrued interest payable	(2,273)
8	Deferred inflow for pension investment earnings and proportionate share	(751,952)
9	Deferred gain on refunding	(20,405)
19	Total net position - governmental activities	\$ 24,446,196

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, 2015

Exhibit C-3

Data Control Codes		General Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues				
5700	Local, intermediate, and out-of-state	\$ 5,605,075	\$ 840,789	\$ 6,445,864
5800	State program revenues	13,361,151	347,563	13,708,714
5900	Federal program revenues	468,179	2,157,624	2,625,803
5020	Total revenues	<u>19,434,405</u>	<u>3,345,976</u>	<u>22,780,381</u>
Expenditures				
Current:				
0011	Instruction	10,233,100	1,089,501	11,322,601
0012	Instructional resources and media services	293,565	800	294,365
0013	Curriculum and staff development	35,607	72,573	108,180
0021	Instructional leadership	367,744	93,626	461,370
0023	School leadership	1,241,948		1,241,948
0031	Guidance, counseling and evaluation services	596,726	28,624	625,350
0032	Social work services	9,076		9,076
0033	Health services	340,607		340,607
0034	Student transportation	1,719,646		1,719,646
0035	Food services		1,282,468	1,282,468
0036	Extracurricular activities	882,082		882,082
0041	General administration	891,113		891,113
0051	Facilities maintenance and operations	2,026,544		2,026,544
0052	Security and monitoring services	125,778		125,778
0053	Data processing services	182,171		182,171
0061	Community services		7,098	7,098
Debt service:				
0071	Principal and interest on long-term debt	186,343	640,000	826,343
0072	Interest on long-term debt	1,167	117,535	118,702
0073	Bond issuance costs and fees		49,362	49,362
Capital outlay:				
0081	Facilities acquisition and construction	168,792		168,792
Intergovernmental:				
0099	Payments to appraisal districts	141,870		141,870
6030	Total Expenditures	<u>19,443,879</u>	<u>3,381,587</u>	<u>22,825,466</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(9,474)</u>	<u>(35,611)</u>	<u>(45,085)</u>
Other Financing Sources (Uses)				
7901	Refunding bonds issued		2,465,000	2,465,000
7913	Proceeds from capital lease	757,722		757,722
8949	Payments to refunding escrow agent		(2,465,524)	(2,465,524)
7080	Total other financing sources (uses)	<u>757,722</u>	<u>(524)</u>	<u>757,198</u>
1200	Net change in fund balances	748,248	(36,135)	712,113
0100	Fund Balance - beginning	<u>4,108,841</u>	<u>589,584</u>	<u>4,698,425</u>
3000	Fund Balance - ending	<u>\$ 4,857,089</u>	<u>\$ 553,449</u>	<u>\$ 5,410,538</u>

See Notes to the Financial Statements.

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

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

For the Year Ended August 31, 2015

<u>Data Control Codes</u>	
Net change in fund balances - total governmental funds (from C-3)	\$ 712,113
Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
1 Governmental funds report capital outlays (\$827,660) as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation (\$1,212,068) expense. This is the amount by which depreciation exceeded capital outlays.	(384,408)
2 Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	287,146
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.	826,343
Proceeds from the issuance of long-term debt and capital leases is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	
4 Proceeds from issuance of refunding bonds	(2,465,000)
5 Payments to refunding agent	2,465,524
6 Proceeds from capital lease	(757,722)
7 Pension contributions made after the pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position	412,973
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in the governmental funds:	
8 Decrease in interest payable not recognized in fund statements	2,840
9 Pension expense for the pension plan measurement year	(227,213)
Change in net position of governmental activities (see B-1)	<u>\$ 872,596</u>

See Notes to the Financial Statements.

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

August 31, 2015

		865
Data Control		
Codes		Agency Fund
	Assets	
1110	Cash and cash equivalents	\$ 99,636
1000	Total Assets	<u>\$ 99,636</u>
	Liabilities	
2190	Due to student groups and others	\$ 99,636
2000	Total Liabilities	<u>\$ 99,636</u>

See Notes to the Financial Statements.

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Wills Point Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds. Because the Board of Trustees (the "Board") is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34." There are no component units included within the reporting entity.

Implementation of New Standards

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

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

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

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 District does not report any business-type activities.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the District, school lunch charges, etc. The "operating grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year-end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

Note 1 - Summary of Significant Accounting Policies (continued)

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

The 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.

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 *debt service fund* accounts for resources accumulated and payments made for the principal and interest on long-term general obligation debt of governmental funds.
- The *agency fund* is used to account for resources held for others in a custodial capacity. The District's reports student activities in an agency fund.

Cash and cash equivalents

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

Inventories and Prepaid Items

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodities are recognized as revenues in the period received when all the eligibility requirements are met. Commodity inventory items are recorded as expenditures when distributed to user locations. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There were no prepaid items as of August 31, 2015.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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. Deferred gains/losses on refundings are deferred and amortized over the life of the bonds. Bonds payable are reported net of any applicable bond premiums or discounts. Bond issuance costs are expenses as incurred.

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

Deferred outflows/inflows of resources

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

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

- Deferred outflows of resources for pension – Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan, which is currently 6.94 years.

Note 1 - Summary of Significant Accounting Policies (continued)

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

- Deferred inflows of resources for unavailable revenues – Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for refunding – Reported in the government wide statement of net position, this deferred gain on refunding results from the difference of the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred inflows of resources for pension – Reported in the government wide statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

Pensions

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

Fund Equity

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

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

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

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:

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

Assigned fund balance – amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority.

The Board has delegated authority to the Superintendent or Director of Finance to establish fund balance assignments. The District assigned \$500,000 for future renovations.

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

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

Data Control Codes

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. 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

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.

As of August 31, 2015, the District had the following investments:

	<u>Fair Market Value</u>	<u>Weighted Average Maturity (Days)</u>
Cash and deposits:		
Governmental Activities	\$ 268,421	
Fiduciary fund	99,636	
Investments:		
Governmental Activities		
Local Government Investment Pools:		
Lone Star	46,401	27
TexPool	5,946,730	47
Total Investments	<u>5,993,131</u>	<u>47</u>
Total Cash and Investments	<u>\$ 6,361,188</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.

Note 2 - Deposits and Investments (continued)

Credit risk

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

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

Note 3 - Receivables

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenue is considered available (1) when it becomes due or past due and receivable within the current period and (2) when it is expected to be collected during a 60-day period after the close of the school fiscal year. Appraised values are established by the Central Appraisal District (CAD) of Van Zandt County and Kaufman County, Texas. Taxes are levied by the District's Board of Trustees based on the appraised values received from the CAD. Billing and collection of tax levies are performed by Van Zandt County and Kaufman County.

Note 3 - Receivables (continued)

Net receivables, at August 31, 2015, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Taxes	\$ 937,388	\$ 82,752	\$ 1,020,140
Due from other governments	447,662	95,359	543,021
Gross Receivables	1,385,050	178,111	1,563,161
Less allowance for doubtful accounts	(299,964)	(26,480)	(326,444)
Net Total Receivables	<u>\$ 1,085,086</u>	<u>\$ 151,631</u>	<u>\$ 1,236,717</u>

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

	<u>Unavailable</u>
Delinquent property taxes receivable (General Fund)	\$ 637,424
Delinquent property taxes receivable (Debt Service Fund)	56,272
	<u>\$ 693,696</u>

Note 4 - Due from other Governments

Amounts reported as due from other governments consist primarily of receivables due from state agencies for state aid and federal grant expenditure reimbursements. As of August 31, 2015, the District's due from other governments 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, 2015, is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 13,157	\$
Nonmajor Funds		13,157
	<u>\$ 13,157</u>	<u>\$ 13,157</u>

Note 6 - Capital Assets

Changes in Capital Assets

A summary of changes in capital assets, for the year ended August 31, 2015 follows:

	<u>Balance August 31, 2014</u>	<u>Additions</u>	<u>(Retirements) and Transfers</u>	<u>Balance August 31, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 1,141,684	\$	\$	\$ 1,141,684
Construction in progress	2,429,454		(2,429,454)	
Total Capital assets, not being depreciated	<u>3,571,138</u>		<u>(2,429,454)</u>	<u>1,141,684</u>
Capital assets, being depreciated:				
Buildings and improvements	35,732,847		2,429,454	38,162,301
Furniture and equipment	3,708,569	187,292	(417,970)	3,477,891
Capital lease assets	66,667	640,368		707,035
Total Capital assets, being depreciated	<u>39,508,083</u>	<u>827,660</u>	<u>2,011,484</u>	<u>42,347,227</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,709,657)	(948,423)		(16,658,080)
Furniture and Equipment	(2,921,955)	(186,355)	417,970	(2,690,340)
Capital lease assets	(36,190)	(77,290)		(113,480)
Total Accumulated depreciation	<u>(18,667,802)</u>	<u>(1,212,068)</u>	<u>417,970</u>	<u>(19,461,900)</u>
Governmental Capital Assets	<u>\$ 24,411,419</u>	<u>\$ (384,408)</u>	<u>\$</u>	<u>\$ 24,027,011</u>

Note 6 - Capital Assets (continued)

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

<u>Function</u>	<u>Depreciation Expense</u>
Instruction	\$ 551,940
Instructional resources and media services	17,728
Instructional leadership	1,236
School leadership	12,285
Guidance, counseling and evaluation services	2,005
Social work services	143
Health services	5,807
Student transportation	219,418
Food Services	75,707
Extracurricular activities	111,136
General administration	5,191
Facilities maintenance and operations	190,032
Data processing services	19,440
	<u>\$ 1,212,068</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 Refunding Bonds, Series 2015	1.998%	2019	\$ 2,465,000

A summary of changes in general obligation bonds payable for the year ended August 31, 2015, is as follows:

	<u>Balance September 1, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2015</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 3,105,000	\$ 2,465,000	\$ (3,105,000)	\$ 2,465,000	\$ 680,000
Issuance of bond premiums/discounts	20,929		(20,929)		
Capital leases payable	26,668	757,722	(186,343)	598,047	174,435
	<u>\$ 3,152,597</u>	<u>\$ 3,222,722</u>	<u>\$ (3,312,272)</u>	<u>\$ 3,063,047</u>	<u>\$ 854,435</u>

Note 7 - Long-Term Debt and Debt Service Requirements (continued)

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

Year Ending August 31,	Principal	Interest	Totals
2016	\$ 680,000	\$ 50,756	730,756
2017	705,000	35,664	740,664
2018	715,000	21,578	736,578
2019	365,000	7,238	372,238
	<u>\$ 2,465,000</u>	<u>\$ 115,236</u>	<u>\$ 2,580,236</u>

There are a number of limitations and restrictions contained in the general obligation bond indenture. The District is in compliance with all significant limitations and restrictions at August 31, 2015.

Advanced Refunding of Debt

In August 2015, the District issued Unlimited Tax Refunding Bonds, Series 2015 in the amount of \$2,465,000. The amount of refunded bonds totaled \$2,465,000. The refunding resulted in an economic gain of \$103,207. As a result, the refunded bonds have been removed from the governmental activities column of the statement of net position. The interest rate on the refunding bonds is 1.998%. The deferred gain of \$20,405 will be amortized over the life of the new or the refunded bonds, whichever is less.

Capital leases

The District is obligated under three capital leases as follows:

The District entered into a capital for the purchase of fire alarm equipment in fiscal year 2012 for the 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.

In fiscal year 2015, the District entered into a capital lease with Bank of America Public Capital Corp. for the purchase of busses in amount of \$640,368, with an interest rate of 1.961% and a term of five years. The following illustrates future payments on this lease:

Year Ending August 31,	Principal	Interest	Totals
2016	\$ 123,148	\$ 9,948	\$ 133,096
2017	125,563	7,533	133,096
2018	128,026	5,070	133,096
2019	130,536	2,560	133,096
	<u>\$ 507,273</u>	<u>\$ 25,111</u>	<u>\$ 532,384</u>

Note 7 - Long-Term Debt and Debt Service Requirements (continued)

In fiscal year 2015, the District entered into a capital lease with Key Government Finance for the purchase of technology in the amount of \$117,354, with an interest rate of 3.966% and a term of three years. The following illustrates future payments on this lease:

<u>Year Ending</u> <u>August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 37,954	\$ 3,127	\$ 41,081
2017	39,487	1,595	41,082
	<u>\$ 77,441</u>	<u>\$ 4,722</u>	<u>\$ 82,163</u>

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	\$ 5,351,181	\$ 528,072	\$ 5,879,253
Investment Income	16,741	1,854	18,595
Co-curricular student activities	108,684		108,684
Food Sales		259,753	259,753
Other	128,469	51,110	179,579
	<u>\$ 5,605,075</u>	<u>\$ 840,789</u>	<u>\$ 6,445,864</u>

Note 9 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Note 9 - Defined Benefit Pension Plan (continued)

Benefits Provided

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

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member’s annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS’ unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	Contribution Rates	
	Plan Fiscal year	
	2014	2015
Member	6.4%	6.7%
Employer	6.8%	6.8%
2014 Employer Contributions		\$233,312
2014 Member Contributions		\$216,968
2014 NECE On-behalf Contributions		\$694,261

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

Note 9 - Defined Benefit Pension Plan (continued)

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

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

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age, Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

Note 9 - Defined Benefit Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014, are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

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

Note 9 - Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportional share of the net pension liability	\$ 4,392,551	\$ 2,458,143	\$ 1,011,565

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

At August 31, 2015, the District reported a liability of \$2,458,143 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$ 2,458,143
State's proportionate share of the net pension liability associated with the District	<u>7,330,251</u>
	<u>\$ 9,788,394</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .009%. The change in proportion was immaterial and therefore disregarded this year.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$227,213 and revenue of \$694,261 for support provided by the State.

Note 9 - Defined Benefit Pension Plan (continued)

At August 31, 2015, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 38,016	\$
Changes of assumptions	159,782	
Net difference between projected and actual earnings on pension plan investments		751,308
Changes in proportion and differences between District contributions and proportionate share of contributions		644
District contributions subsequent to the measurement date	412,973	
Total	<u>\$ 610,771</u>	<u>\$ 751,952</u>

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

Year ended	
June 30	Amount
2016	\$ (154,639)
2017	(154,639)
2018	(154,639)
2019	(154,639)
2020	33,188
2021	31,214

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 Retiree 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.

Note 10 - Retiree Health Plan (continued)

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1% and .65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at .55% for fiscal years 2015, 2014, and 2013. 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 1%.

Contributions made by the State, District and staff members for the years ended August 31, 2015, 2014, and 2013, 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
2015	\$ 121,707	\$ 104,358	\$ 86,115	\$ 13,248,528
2014	123,063	104,612	86,650	13,344,604
2013	59,693	86,792	84,625	13,019,081

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, 2015, 2014 and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$38,949, \$35,444, and \$48,171, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

Note 11 - Health Care

During the year ended August 31, 2015, 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, 2015, Wills Point ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for Unemployment Compensation Pool members.

Workers' Compensation

The District established a limited risk management program for workers' compensation in 2006 by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Fund, Wills Point ISD is solely responsible for all claims costs, both reported and unreported. The Fund provides administrative service to its self-funded members including claims administration and customer service.

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

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

Note 13 - Risk Management (continued)

Workers' Compensation (continued)

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

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claims Payments</u>	<u>End of Year Accrual</u>
2015	\$ 175,579	\$ 36,865	\$ 50,063	\$ 162,381
2014	283,269	76,840	184,530	175,579
2013	125,191	265,129	107,051	283,269

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, 2015, will change.

Note 16 - Prior Period Adjustment

In fiscal year 2015, the District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions and GASB No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Due to the implementation of these new standards, a prior period adjustment was necessary to record the beginning net position of the District, as well as the related deferred outflows.

The following is a summary of the prior period adjustment to the net position of the governmental activities:

Beginning Net Position	\$ 26,358,684
Restatement due to:	
Net pension liability (measurement date as of August 31, 2013)	(3,018,396)
Deferred Outflows:	
District contributions made to TRS during the fiscal year	233,312
Beginning Net Position - As Restated	<u>\$ 23,573,600</u>

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REQUIRED SUPPLEMENTARY INFORMATION

WILLS POINT INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2015

Exhibit G-1

Data Control Codes	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
5700	Local and intermediate sources	\$ 5,584,340	\$ 5,738,011	\$ 5,605,075	\$ (132,936)
5800	State program revenues	13,077,810	13,085,755	13,361,151	275,396
5900	Federal program revenues	200,000	475,000	468,179	(6,821)
5020	Total revenues	<u>18,862,150</u>	<u>19,298,766</u>	<u>19,434,405</u>	<u>135,639</u>
Expenditures					
Current:					
0011	Instruction	10,404,463	10,626,368	10,233,100	393,268
0012	Instructional resources and media services	296,842	299,942	293,565	6,377
0013	Curriculum and staff development	44,300	39,300	35,607	3,693
0021	Instructional leadership	364,670	369,670	367,744	1,926
0023	School leadership	1,250,150	1,250,150	1,241,948	8,202
0031	Guidance, counseling and evaluation services	570,373	596,198	596,726	(528)
0032	Social work services	8,434	9,434	9,076	358
0033	Health services	328,696	343,496	340,607	2,889
0034	Student transportation	1,193,116	1,215,116	1,719,646	(504,530)
0036	Extracurricular activities	879,913	902,899	882,082	20,817
0041	General administration	730,075	890,075	891,113	(1,038)
0051	Facilities maintenance and operations	2,135,681	2,058,731	2,026,544	32,187
0052	Security and monitoring services	113,391	128,391	125,778	2,613
0053	Data processing services	168,124	183,124	182,171	953
0061	Community services	500	500		500
Debt Service:					
0071	Principal on long-term debt	185,393	186,343	186,343	
0072	Interest on long-term debt	1,179	1,179	1,167	12
Capital outlay:					
0081	Facilities acquisition and construction	50,000	55,000	168,792	(113,792)
Intergovernmental:					
0099	Other intergovernmental charges	136,850	142,850	141,870	980
6030	Total Expenditures	<u>18,862,150</u>	<u>19,298,766</u>	<u>19,443,879</u>	<u>(145,113)</u>
1100	Excess (deficiency) of revenues over expenditures			(9,474)	(9,474)
Other Financing Sources (Uses)					
7913	Proceeds from capital lease			757,722	757,722
7080	Total other financing sources and use			<u>757,722</u>	<u>757,722</u>
1200	Net change in fund balances			748,248	748,248
0100	Fund balances - beginning	<u>4,108,841</u>	<u>4,108,841</u>	<u>4,108,841</u>	
3000	Fund balances - ending	<u>\$ 4,108,841</u>	<u>\$ 4,108,841</u>	<u>\$ 4,857,089</u>	<u>\$ 748,248</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, 2015.

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

The official school budget was prepared for adoption for budgeted governmental fund types by August 20, 2014. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

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

Excess of Expenditures Over Appropriations by Function

The District entered into two capital leases during fiscal year 2015. Proceeds for the leases reported in the general fund totaled \$757,722. Payment was not budgeted in the specific functions for the associated purchase of equipment with the capital lease proceeds, and therefore the District had expenditures in excess of appropriations related to the capital leases as follows:

Student transportation	\$ 504,530
Facilities acquisition and construction	113,792

Additionally, the District had the following expenditures in excess of appropriations in the general fund:

School leadership	\$ 528
General administration	1,038

The District also reported expenditures in excess of appropriations in the debt service fund for bond issuance costs and fees in the amount of \$49,362, all of which was reimbursed to the District and is reported as local revenue in the debt service fund.

WILLS POINT INDEPENDENT SCHOOL DISTRICT
Required Supplementary Information

Exhibit G-3

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 Teacher Retirement System of Texas**

	<u>2014</u>
District's proportion of the net pension liability	0.0092%
District's proportionate share of the net pension liability	\$ 2,458,143
State's proportionate share of the net pension liability associated with the District	<u>7,330,251</u>
Total	<u>\$ 9,788,394</u>
District's covered-employee payroll (for Measurement Year)	\$ 13,344,604
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	18.4%
Plan fiduciary net position as a percentage of the total pension liability *	83.25%
Plan's net pension liability as a percentage of covered-employee payroll *	72.89%

The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.
 Net pension liability is calculated using an new methodology and will be presented prospectively in accordance with GASB 68.

* Per TRS' CAFR

WILLS POINT INDEPENDENT SCHOOL DISTRICT
Required Supplementary Information

Exhibit G-4

Teachers Retirement System of Texas
Last 5 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contributions	\$ 412,973	\$ 233,312	\$ 177,123	\$ 165,146	\$ 203,210
Contributions in relation to the contractual required contributions	<u>412,973</u>	<u>233,312</u>	<u>177,123</u>	<u>165,146</u>	<u>203,210</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered employee payroll	\$ 13,248,528	\$ 13,344,604	\$ 13,019,081	\$ 13,299,924	\$ 14,021,408
Contributions as a percentage of covered employee payroll	3.12%	1.75%	1.36%	1.24%	1.45%

Changes in Assumptions

Modifications to the actuarial methods and assumptions are based on a study of actual experience as adopted on April 8, 2011. The assumptions and methods used in the current valuation are the same except for the following modifications;

- Small reductions in the rates of retirements at most age and service combinations.
- Decrease in the post-retirement rates of mortality for both males and females.
- The salary increase assumption in the first year of employment was reduced.
- The method for determining the actuarial value of assets was modified to a method that sets the actuarial value of assets as the expected actuarial value of assets plus 20% of the difference between the actual market value of the assets and the expected actuarial value of assets.

Amounts reported for 2014 reflect the adoption of a new mortality assumption that the average life expectancy for members over 65 years of age will increase by roughly nine months over the next four years.

OTHER SUPPLEMENTARY INFORMATION

WILLS POINT INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2015

	205	211	224
Data Control Codes	Head Start	ESEA Title I, Part A	IDEA-B Formula
Assets			
1110 Cash and temporary investments	\$	\$	\$ 1,262
Receivables:			
1220 Property taxes - delinquent			
1230 Allowance for uncollectible taxes (credit)			
1240 Receivables from other governments		28,090	28,131
1000 Total Assets	<u>\$</u>	<u>\$ 28,090</u>	<u>\$ 29,393</u>
Liabilities and Fund Balance			
Liabilities:			
Current Liabilities:			
2110 Accounts payable	\$	\$	\$
2160 Accrued wages payable		22,333	20,493
2170 Due to other funds		3,599	6,933
2180 Due to other governments			
2200 Accrued expenditures		2,158	1,967
2000 Total Liabilities		<u>28,090</u>	<u>29,393</u>
Deferred Inflows of Resources			
2600 Deferred inflows - unavailable property taxes			
Deferred Inflows of Resources			
Fund Balance:			
Restricted for:			
3450 Restricted for grants			
3480 Restricted for debt service			
3000 Total Fund Balances			
4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$</u>	<u>\$ 28,090</u>	<u>\$ 29,393</u>

225	240	244	255	263	270 Title VI, Part B, Subpart 2 - Rural and Low- Income
IDEA-B Preschool Grant	Child Nutrition	Vocational Ed -Basic	Title II, Part A, TPTR	Title III, LEP	
\$	\$ 333,901	\$	\$	\$	\$
	26,016		7,082	452	2,625
<u>\$</u>	<u>\$ 359,917</u>	<u>\$</u>	<u>\$ 7,082</u>	<u>\$ 452</u>	<u>\$ 2,625</u>
\$	\$ 30,071	\$	\$ 6,785	\$ 439	\$ 2,625
	531		297	13	
	30,602		7,082	452	2,625
	329,315				
	329,315				
<u>\$</u>	<u>\$ 359,917</u>	<u>\$</u>	<u>\$ 7,082</u>	<u>\$ 452</u>	<u>\$ 2,625</u>

WILLS POINT INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

ALL NONMAJOR GOVERNMENTAL FUNDS

August 31, 2015

Data Control Codes	289	410	429
	Summer School LEP	Instructional Materials Allotment	State Funded Special Revenue Fund
Assets			
1110	Cash and temporary investments	\$	\$ 11,353
	Receivables:		
1220	Property taxes - delinquent		
1230	Allowance for uncollectible taxes (credit)		
1240	Receivables from other governments		
1000	Total Assets	<u>\$</u>	<u>\$ 11,353</u>
Liabilities and Fund Balance			
Liabilities:			
Current Liabilities:			
2110	Accounts payable	\$	\$
2160	Accrued wages payable		
2170	Due to other funds		
2180	Due to other governments		
2200	Accrued expenditures		
2000	Total Liabilities		
Deferred Inflows of Resources			
2600	Deferred inflows - unavailable property taxes		
Deferred Inflows of Resources			
Fund Balance:			
Restricted for:			
3450	Restricted for grants		11,353
3480	Restricted for debt service		
3000	Total Fund Balances		<u>11,353</u>
4000	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$</u>	<u>\$ 11,353</u>

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<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Funds</u>
\$ 346,516	\$ 222,891	\$ 569,407
	82,752	82,752
	(26,480)	(26,480)
92,396	2,963	95,359
<u>\$ 438,912</u>	<u>\$ 282,126</u>	<u>\$ 721,038</u>
\$ 80,121	\$	\$ 80,121
13,157		13,157
	13,073	13,073
4,966		4,966
<u>98,244</u>	<u>13,073</u>	<u>111,317</u>
	<u>56,272</u>	<u>56,272</u>
	<u>56,272</u>	<u>56,272</u>
340,668		340,668
	212,781	212,781
<u>340,668</u>	<u>212,781</u>	<u>553,449</u>
<u>\$ 438,912</u>	<u>\$ 282,126</u>	<u>\$ 721,038</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, 2015

		205	211	224
Data Control Codes		Head Start	ESEA Title I, Part A	IDEA-B Formula
Revenues				
5700	Local, intermediate, and out-of-state	\$	\$	\$
5800	State program revenues			
5900	Federal program revenues	28,441	550,010	431,809
5020	Total revenues	<u>28,441</u>	<u>550,010</u>	<u>431,809</u>
Expenditures				
Current:				
0011	Instruction	28,441	420,973	424,475
0012	Instruction resources and media services		800	
0013	Curriculum and instructional staff development		37,821	921
0021	Instructional leadership		85,818	
0031	Guidance, counseling and evaluation services			6,413
0035	Food service			
0061	Community services		4,598	
Debt service:				
0071	Principal on long-term debt			
0072	Interest on long-term debt			
0073	Bond issuance costs and fees			
6030	Total Expenditures	<u>28,441</u>	<u>550,010</u>	<u>431,809</u>
1100	Excess (deficiency) of revenues over expenditures	_____	_____	_____
Other Financing Sources (Uses)				
7901	Refunding bonds issued			
8949	Payment to bond refunding escrow agent			
7080	Total other financing sources and uses	_____	_____	_____
1200	Net change in fund balances			
0100	Fund balance - September 1 (beginning)	_____	_____	_____
3000	Fund balance - August 31 (ending)	<u>\$</u>	<u>\$</u>	<u>\$</u>

225	240	244	255	263	270
IDEA-B Preschool Grant	Child Nutrition	Vocational Ed -Basic	Title II, Part A, TPTR	Title III, LEP	Title VI, Part B, Subpart 2 - Rural and Low-Income Program
\$	\$ 260,063 8,124	\$	\$	\$	\$
6,293	914,874	29,655	138,382	14,323	42,730
<u>6,293</u>	<u>1,183,061</u>	<u>29,655</u>	<u>138,382</u>	<u>14,323</u>	<u>42,730</u>
6,293		6,258	127,885	11,505	13,092
			7,553		26,278
		1,186	2,944	318	3,360
	1,282,468	22,211			
				2,500	
<u>6,293</u>	<u>1,282,468</u>	<u>29,655</u>	<u>138,382</u>	<u>14,323</u>	<u>42,730</u>
	(99,407)				
	(99,407)				
	428,722				
<u>\$</u>	<u>\$ 329,315</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</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, 2015

Data Control Codes	289	410	429
	Summer School LEP	Instructional Materials Allotment	State Funded Special Revenue Fund
Revenues			
5700	\$	\$	\$
5800		60,825	
5900	1,107		
5020	<u>1,107</u>	<u>60,825</u>	
Expenditures			
Current:			
0011	1,107	49,472	
0012			
0013			
0021			
0031			
0035			
0061			
Debt service:			
0071			
0072			
0073			
6030	<u>1,107</u>	<u>49,472</u>	
1100		<u>11,353</u>	
Other Financing Sources (Uses)			
7901			
8949			
7080			
1200		11,353	
0100			
3000	<u>\$</u>	<u>\$ 11,353</u>	<u>\$</u>

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Total Special Revenue Funds	Debt Service Fund	Total Nonmajor Funds
\$ 260,063	\$ 580,726	\$ 840,789
68,949	278,614	347,563
<u>2,157,624</u>		<u>2,157,624</u>
<u>2,486,636</u>	<u>859,340</u>	<u>3,345,976</u>
1,089,501		1,089,501
800		800
72,573		72,573
93,626		93,626
28,624		28,624
1,282,468		1,282,468
7,098		7,098
	640,000	640,000
	117,535	117,535
	49,362	49,362
<u>2,574,690</u>	<u>806,897</u>	<u>3,381,587</u>
<u>(88,054)</u>	<u>52,443</u>	<u>(35,611)</u>
	2,465,000	2,465,000
	<u>(2,465,524)</u>	<u>(2,465,524)</u>
	(524)	(524)
(88,054)	51,919	(36,135)
<u>428,722</u>	<u>160,862</u>	<u>589,584</u>
<u>\$ 340,668</u>	<u>\$ 212,781</u>	<u>\$ 553,449</u>

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TEA REQUIRED INFORMATION

WILLS POINT INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended August 31, 2015

<u>Last Ten Fiscal Years</u>	<u>Tax Rates</u>		<u>Net Assessed/Appraised Value For School Tax Purposes</u>	<u>Beginning Balance 9/1/14</u>
	<u>Maintenance</u>	<u>Debt Service</u>		
	1	2		
2006 and prior	Various	Various	Various	\$ 59,725
2007	1.500000	0.090000	449,315,556	23,757
2008	1.040000	0.090000	460,879,842	21,785
2009	1.040000	0.070000	493,047,213	31,762
2010	1.040000	0.080000	496,268,026	43,855
2011	1.040000	0.105000	497,882,096	60,113
2012	1.040000	0.105000	505,991,616	90,654
2013	1.040000	0.105000	496,939,126	128,368
2014	1.040000	0.080000	498,685,446	249,304
2015	1.040000	0.104000	510,856,381	
1000 Totals				<u>\$ 709,323</u>

Exhibit J-1

20	31	32	40	50
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/15
\$	\$ 3,707	\$ 6,818	\$ (7,752)	\$ 41,448
	3,249	166	(600)	19,742
	3,630	245	(1,860)	16,050
	6,535	440	(1,566)	23,221
	9,643	741	(3,029)	30,442
	14,051	1,418	(2,711)	41,933
	22,944	2,317	(2,441)	62,952
	36,912	3,727	(6,244)	81,485
	112,874	8,682	(10,106)	117,642
<u>5,844,197</u>	<u>5,050,775</u>	<u>505,077</u>	<u>(32,762)</u>	<u>255,583</u>
<u>\$ 5,844,197</u>	<u>\$ 5,264,320</u>	<u>\$ 529,631</u>	<u>\$ (69,071)</u>	<u>690,498</u>
				<u>329,642</u>
				<u>Total taxes receivable per Exhibit C-1</u>
				<u>\$1,020,140</u>

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

BUDGETARY COMPARISON SCHEDULE

CHILD NUTRITION FUND

For the Year Ended August 31, 2015

Data Control Codes		Child Nutrition			Variance with Final Budget Positive (Negative)
		Budget		Actual	
		Original	Final		
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 264,934	\$ 397,111	\$ 260,063	\$ (137,048)
5800	State Program Revenues	44,910	44,910	8,124	(36,786)
5900	Federal Program Revenues	1,001,988	1,001,988	914,874	(87,114)
5020	Total Revenues	<u>1,311,832</u>	<u>1,444,009</u>	<u>1,183,061</u>	<u>(260,948)</u>
Expenditures					
Current:					
0035	Food Services	1,311,832	1,444,009	1,282,468	161,541
6030	Total Expenditures	<u>1,311,832</u>	<u>1,444,009</u>	<u>1,282,468</u>	<u>161,541</u>
1200	Increase (Decrease) in Fund Balance			(99,407)	(99,407)
0100	Fund Balance - beginning	<u>428,722</u>	<u>428,722</u>	<u>428,722</u>	
3000	Fund Balance - ending	<u>\$ 428,722</u>	<u>\$ 428,722</u>	<u>\$ 329,315</u>	<u>\$ (99,407)</u>

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit J-5

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2015

Data Control Codes	Debt Service Fund				
	Budget			Final Budget Positive (Negative)	
	Original	Final	Actual		
Revenues					
5700	Local, Intermediate, and Out-of-State	\$ 490,919	\$ 490,919	\$ 580,726	\$ 89,807
5800	State Program Revenues	266,616	266,616	278,614	11,998
5020	Total Revenues	<u>757,535</u>	<u>757,535</u>	<u>859,340</u>	<u>101,805</u>
Expenditures					
Current:					
Debt Service:					
0071	Bond Principal	640,000	640,000	640,000	
0072	Interest on Bond	117,535	117,535	117,535	
0073	Bond Issuance Costs and Fees			49,362	(49,362)
6030	Total Expenditures	<u>757,535</u>	<u>757,535</u>	<u>806,897</u>	<u>(49,362)</u>
1200	Increase (Decrease) in Fund Balance			51,919	51,919
0100	Fund Balance - beginning	<u>160,862</u>	<u>160,862</u>	<u>160,862</u>	
3000	Fund Balance - ending	<u>\$ 160,862</u>	<u>\$ 160,862</u>	<u>\$ 212,781</u>	<u>\$ 51,919</u>

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FEDERAL AWARDS SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wills Point Independent School District (the “District”), as of and for the year ended August 31, 2015, 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 1, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item #2015-001, that we consider to be a significant deficiency.

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 and other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Finding

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

Purpose of this Report

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

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

Dallas, Texas
December 1, 2015

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

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

Report on Compliance for Each Major Federal Program

We have audited Wills Point Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. 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, 2015.

To the Board of Trustees
Wills Point Independent School District

Report on Internal Control Over Compliance

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

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

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

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

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Dallas, Texas
December 1, 2015

WILLS POINT INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended August 31, 2015

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?	Yes, #2015-001
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
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US Department of Education

ESEA Title I, Part A - Improving Basic Programs	84.010A
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Special Education Cluster

IDEA B - Part B, Formula	84.027A
IDEA B - Part B, Preschool	84.173A

- | | |
|---|-----------|
| 1. Dollar Threshold Considered Between Type A and Type B Federal Programs | \$300,000 |
| 2. Auditee qualified as low-risk auditee? | Yes |

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

II. Financial Statement Findings

Finding #2015-001 Activity Funds

Criteria	Per the Texas Education Agency’s Financial Accountability Resource Guide (“FASRG”), The District should account for student and campus activity funds separately, based on the nature of the activity.
Condition:	During the course of our audit, we noted that the District accounts for all activity fund transactions in a student activity fund and does not account for campus activity funds separately. Additionally, there is no segregation of duties in the cash receipts, disbursements and bank reconciliation process related to activity funds.
Effect:	Lack of internal controls over activity funds could cause misstatements from fraud or errors to go undetected.
Cause:	The District’s accounting for activity funds is decentralized and is not part of the financial accounting system.
Recommendation:	The District should follow the guidelines for accounting for activity funds as established in the FASRG. Activity funds should be identified as student activity or campus activity as defined by the FASRG. The District should develop procedures to centralize activity funds so that disbursements of the funds are made by the finance department. This allows for the transactions to be properly classified during the fiscal year. Additionally, this establishes segregation of duties between the receipting and disbursements of activity funds.

III. Federal Awards Findings and Questioned Costs

None noted.

IV. Status Of Prior Year Findings

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

Corrective Action Taken – Resolved. The District did not have more than three months operating expenditures in food service fund balance at August 31, 2015.

V. Corrective Action Plan

Description: The District's procedure manual was updated July 2015 and has been approved by the Board of Trustees. Training has been provided to each Principal and all Sponsors. The procedures have been posted on line and these personnel have read and understand the regulations set forth in the "FASRG" guidelines. Campus fund #461 and Student Fund #865 have been centralized and set up at the Central Administration Office. Segregation of duties has been established between receipting and disbursements.

Responsible Party: Mary Ann Sanderson, Director of Finance

Estimated Completion Date: Resolved as of the date audit report was issued.

WILLS POINT INDEPENDENT SCHOOL DISTRICT

Exhibit K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2015

(2A)	(1)	(2)	(3)
Pass Through Entity Identifying Number	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education			
Passed Through State Region X Education Service Center:			
15671001234907	<i>Title III, Part A - English Language Acquisition</i>	84.365A	\$ 14,323
15694501234907	<i>ESEA Title II, Part A - Teacher and Principal Training and Recruiting</i>	84.367A	<u>138,382</u>
			<u>152,705</u>
Passed Through State Department of Education:			
15610101234907	<i>ESEA Title I, Part A - Improving Basic Programs</i>	84.010A	550,010
156600012349076000	<i>IDEA - Part B, Formula*</i>	84.027A	431,809
15420006234907	<i>Career and Technical - Basic Grant</i>	84.048A	29,655
69551402	<i>Summer School LEP</i>	84.369A	1,107
15696001234907	<i>Title VI, Part B - Rural and Low-Income Schools Grant</i>	84.358B	42,730
15661001234907600	<i>IDEA - Part B, Preschool*</i>	84.173A	<u>6,293</u>
	Total U.S. Department of Education		<u>1,061,604</u>
U.S. Department of Health and Human Services			
Passed Through Region VII Education Service Center:			
06CH6996-14	<i>Head Start</i>	93.600	<u>32,519</u>
	Total U.S. Department of Health and Human Services		<u>32,519</u>
U.S. Department of Agriculture			
Passed Through State Department of Education:			
Cash assistance			
71401501	<i>School Breakfast Program**</i>	10.553	201,271
71301501	<i>National School Lunch Program**</i>	10.555	658,521
Non-cash assistance			
Passed Through Texas Department of Agriculture:			
234907	<i>National School Lunch Program (Commodity Program)**</i>	10.555	<u>51,004</u>
	Total U.S. Department of Agriculture		<u>910,796</u>
	Total Expenditures of Federal Awards		<u>\$ 2,157,624</u>

* 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, 2015. 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)	\$ 2,625,803
SHARS	<u>(468,179)</u>
	<u>\$ 2,157,624</u>

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Schedule L-1 – Required Responses to Selected School FIRST Indicators

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$0
SF11	Net Pension Assets (1920) at fiscal year-end.	\$0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 2,458,143
SF13	Pension Expense (6147) at fiscal year-end.	\$ 227,213