

**WEST SABINE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2013

West Sabine Independent School District
Annual Financial Report
For The Year Ended August 31, 2013

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Introductory Section

CERTIFICATE OF BOARD

West Sabine Independent School District
Name of School District

Sabine
County

202-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2013, at a meeting of the board of trustees of such school district on the 16th day of December, 2013.

Carla Randle
Signature of Board Secretary

Randy E. Zeh
Signature of Board President

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

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Financial Section

Halls, Johnson, McLemore, Redfield & Rodrigues, LLP
1329 N University Drive Suite A3
Nacogdoches, TX 75961
(936) 564-8186

Independent Auditor's Report

To the Board of Trustees
West Sabine Independent School District
P.O. Box 869
Pineland, Texas 75968-0869

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 West Sabine Independent School District ("the District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 of 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of West Sabine Independent School District as of August 31, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information identified as Required Supplementary Information in the table of contents 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 West Sabine Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts 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 accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

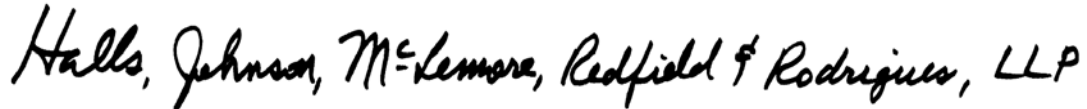
The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2013 on our consideration of West Sabine Independent School 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 West Sabine Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Halls, Johnson, McLemore, Redfield & Rodrigues, LLP". The signature is written in a cursive, flowing style.

Halls, Johnson, McLemore, Redfield, & Rodrigues, LLP

Nacogdoches, Texas
December 2, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of West Sabine Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

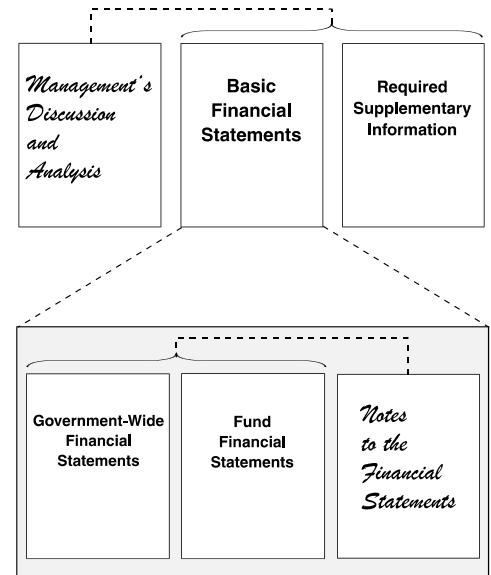
- The District's total combined net position was \$10,712,508 at August 31, 2013.
- During the current year, the District's expenses were \$384,585 more than the \$6,596,677 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$ 6,981,262; \$327,467 more than last year.
- The general fund reported a fund balance at the end of this year of \$3,226,834.

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.

Figure A-1, Required Components of the District's Annual Financial Report



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. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

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

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

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

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.

Fund Financial Statements

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 the following 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. 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 assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The District's fiduciary funds consist only of money held on behalf of student organizations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As year to year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's combined net position at August 31, 2013, was \$10,712,508. This is a \$384,585 decrease from last year's combined net assets of \$11,097,093. The following table provides a comparative summary of the District's net position:

Summary of Net Position				
	<u>8/31/2013</u>	<u>8/31/2012</u>	<u>Change</u>	<u>% Change</u>
<u>Governmental Activities:</u>				
Current and other assets	\$ 3,871,916	\$ 3,809,889	\$ 62,027	1.63%
Capital assets	<u>16,135,828</u>	<u>16,744,508</u>	<u>(608,680)</u>	<u>-3.64%</u>
Total assets	<u>20,007,744</u>	<u>20,554,397</u>	<u>(546,653)</u>	<u>-2.66%</u>
Current liabilities	242,829	198,349	44,480	22.43%
Long term liabilities	<u>9,052,408</u>	<u>9,258,955</u>	<u>(206,547)</u>	<u>-2.23%</u>
Total liabilities	<u>9,295,237</u>	<u>9,457,304</u>	<u>(162,067)</u>	<u>-1.71%</u>
Net position:				
Invested in capital assets	7,192,772	7,603,129	(410,357)	-5.40%
Restricted	164,822	269,880	(105,058)	-38.93%
Unrestricted	<u>3,354,914</u>	<u>3,224,084</u>	<u>130,830</u>	<u>4.06%</u>
Total net position	<u><u>\$ 10,712,508</u></u>	<u><u>\$ 11,097,093</u></u>	<u><u>\$ (384,585)</u></u>	<u><u>-3.47%</u></u>

Net position of the District's governmental activities decreased 3.47% to \$10,712,508 during the year ending August 31, 2013. Some of the net position is either restricted as to the purposes it can be used for, or is invested in capital assets (buildings, vehicles, equipment, and so on). Unrestricted net position increased by \$130,830 and totaled \$3,354,914 at year end.

Governmental Activities

- The cost of all *governmental* activities this year was \$6,981,263.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,242,659.
- Some of the cost was paid by charges for services of \$89,707, or by operating grants and contributions of \$898,162.
- Property tax rate was \$1.36 per \$100 valuation in 2013 and was \$1.3785 per \$100 valuation in 2012. The District's taxable values increased approximately \$2.77 million, which led to property tax revenues increasing \$47,875 from \$1,194,784 to \$1,242,659 in 2013.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's operational activities and changes in net position:

Summary of Activities & Changes in Net Position

		Governmental Activities		Amount	
		8/31/2013	8/31/2012	Of Change	% Change
Program revenues:					
	Charges for services	\$ 89,707	\$ 60,040	\$ 29,667	49.41%
	Operating grants/contributions	898,162	690,109	208,053	30.15%
	Capital grants/contributions	-	-	-	100.00%
General revenues:					
	Property taxes	1,242,659	1,194,784	47,875	4.01%
	Investment earnings	2,550	214	2,336	1091.59%
	Foundation & available state funding	4,336,057	4,575,433	(239,376)	-5.23%
	Other general revenues	27,542	47,263	(19,721)	-41.73%
	Total revenues/contributions	<u>6,596,677</u>	<u>6,567,843</u>	<u>28,834</u>	<u>0.44%</u>
<u>Function</u>					
Expenses:					
10's	Instructional & related	3,946,181	3,831,401	114,780	3.00%
20's	School leadership	345,683	324,255	21,428	6.61%
30's	Student services	1,108,223	1,016,314	91,909	9.04%
40's	Administrative	372,282	363,939	8,343	2.29%
50's	Non-student based support	677,818	579,006	98,812	17.07%
70's	Debt service	427,366	434,906	(7,540)	-1.73%
90's	Intergovernmental	105,102	103,974	1,128	1.08%
	Total expenses	<u>6,982,655</u>	<u>6,653,795</u>	<u>328,860</u>	<u>4.94%</u>
	Revenues over (under) expenses	(385,978)	(85,952)	(300,026)	349.06%
	Beginning net position	11,097,093	11,183,045	(85,952)	-0.77%
	Prior period adjustment	1,393	-	1,393	
	Ending net position	<u>\$ 10,712,508</u>	<u>\$ 11,097,093</u>	<u>\$ (384,585)</u>	<u>-3.47%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the general fund totaled \$5,308,726 an increase of 3.44% from the preceding year. In 2013, the collection rate for current taxes was 97.53%, an increase of 0.10% from 2012 when the collection rate for current taxes was 97.43 %.

Comparative data for the District's revenues of its General Fund are presented in the following table to assist analysis:

Summary of Revenues				
General Fund				
	<u>8/31/2013</u>	<u>8/31/2012</u>	<u>Change</u>	<u>% Change</u>
Property taxes	\$ 952,223	\$ 901,171	\$ 51,052	5.67%
Investment earnings	2,550	214	2,336	1091.59%
Athletic activities	17,737	24,197	(6,460)	-26.70%
Foundation & available state funds	3,989,045	3,818,035	171,010	4.48%
State on-behalf revenue	208,605	194,473	14,132	7.27%
Federal forest	111,026	191,067	(80,041)	-41.89%
Other miscellaneous revenues	27,540	3,111	24,429	785.25%
Total General Fund	<u>\$ 5,308,726</u>	<u>\$ 5,132,268</u>	<u>\$ 176,458</u>	<u>3.44%</u>

Explanation of variances:

- The property tax rate in 2013 was \$1.36 per \$100 valuation, which was slightly lower than the 2012 rate of \$1.3785 per \$100 valuation. The decreased rate was offset by increased property values which caused total property tax revenue to increase.
- Investment earnings in the general fund in 2013 increased \$2,336, or 1,091.59%, due to a change in the district's investment strategy to higher yield investments.
- Foundation and available state revenues changed due to variations in the funding formulas incorporated in property tax relief legislation along with student population changes.
- The decrease in operating grants of \$80,041 is due to decreased federal forest revenues and mineral production in the Sabine National Forest in 2013.

Comparative data for the District's expenditures of its General Fund are presented in the following table to assist analysis:

Summary of Expenditures
General Fund

	8/31/2013	8/31/2012	Change	% Change
11 Instruction	\$ 3,045,432	\$ 2,767,725	\$ 277,707	10.03%
12 Instructional resources and media	59,658	58,549	1,109	1.89%
13 Curriculum and staff development	8,581	11,266	(2,685)	-23.83%
21 Instructional leadership	12,778	10,416	2,362	22.68%
23 School leadership	328,942	301,864	27,078	8.97%
31 Guidance and counseling	80,977	75,153	5,824	7.75%
33 Health services	71,804	71,101	703	0.99%
34 Student transportation	239,740	237,300	2,440	1.03%
36 Extracurricular activities	310,679	265,776	44,903	16.90%
41 General administration	365,724	356,397	9,327	2.62%
51 Plant maintenance and operations	594,246	487,612	106,634	21.87%
52 Security and monitoring services	3,854	-	3,854	n/a
53 Data processing services	58,902	62,477	(3,575)	-5.72%
71 Principal on long-term debt	-	60,754	(60,754)	-100.00%
81 Capital outlay	-	20,067	(20,067)	-100.00%
93 Payments for SSA	69,999	69,999	-	0.00%
99 Other intergovernmental charges	35,103	33,975	1,128	3.32%
Total General Fund	<u>\$ 5,286,419</u>	<u>\$ 4,890,431</u>	<u>\$ 395,988</u>	<u>8.10%</u>

Explanation of variances:

- Function 11, Instruction, showed a \$277,708, or 10.03%, increase due to additional pay for teachers and aides, the addition of another instructional position due to high enrollment, and increased substitute costs due to employee absences.
- Function 23, School leadership, increased by \$27,078, or 8.97%, due to funding code changes along with the reassignment of two district employees to include assistant principal responsibilities and duties.
- Function 36, Extracurricular Activities increased by \$44,903, or 16.90%, due to changes in funding codes, additional expenditures incurred related to post-district athletic travel in several sports along with the purchase of band uniforms.
- Function 51, Plant maintenance and operations, increased by \$106,634, or 21.87%, due to a new position (maintenance director) and additional repairs/maintenance projects being completed during the year, which also required additional supplies.
- Function 71, Principal on long-term debt, decreased by \$60,754, or 100.00%, due to the District paying off a capital lease in the year ended August 31, 2012.

Comparative data for the District's revenues of its Other Governmental Funds are presented in the following table to assist analysis:

Summary of Revenues
Other Governmental Funds

	8/31/2013	8/31/2012	Change	% Change
<i><u>Food Service Fund:</u></i>				
Food service charges	\$ 71,970	\$ 79,996	\$ (8,026)	-10.03%
National school lunch & breakfast	307,973	281,068	26,905	9.57%
Value of USDA commodities	19,517	23,501	(3,984)	-16.95%
State support	2,250	2,363	(113)	-4.78%
	<u>401,710</u>	<u>386,928</u>	<u>14,782</u>	<u>3.82%</u>
<i><u>Other Funds:</u></i>				
Debt service fund	639,570	649,672	(10,102)	-1.55%
Other state programs	42,096	57,310	(15,214)	-26.55%
ESEA Title I - Basic Program	157,714	150,452	7,262	4.83%
ESEA Title II, Teacher & Principal Training & Recruiting	33,002	32,334	668	2.07%
ESEA Title VI - Rural Schools	14,764	18,580	(3,816)	-20.54%
Education Jobs Fund	-	138,337	(138,337)	-100.00%
Career & Technology	1,216	3,260	(2,044)	-62.70%
Total Other Funds	<u>888,362</u>	<u>1,049,945</u>	<u>(161,583)</u>	<u>-15.39%</u>
Total Revenues of Other Governmental Funds	<u>\$ 1,290,072</u>	<u>\$ 1,436,873</u>	<u>\$ (146,801)</u>	<u>-10.22%</u>

Explanation of significant variances:

- Food service revenues are up in 2013, \$14,782 or 3.82% because of increased meals served, increased meal reimbursements, and increased meal reimbursement rates.
- Debt service revenues decreased in 2013 due to a lower tax rate used to collect funds to service the debt from the 2008 bond issue.
- Other state program revenues decreased \$15,214 or 26.55% due to a decreased instructional materials allotment award for the District in 2013.
- Title programs showed an overall increase totaling \$4,114 in 2013, which includes an increase of \$7,262 in Title I, an increase of \$668 in Title II, Teacher & Principal Training, and a decrease in Title VI, Rural schools of \$3,816. The increases were a result of prior year carry over funds spent in the current year. The decrease was due to a decrease in eligible employees at the district that receive an annual math stipend paid from the program.
- During the prior fiscal year, the District received funds under the Education Jobs program in the amount of \$138,337 that were not received in the 2013 year. These funds were a one-time award and will not be received again. Comparative data for the District's expenditures of its Other Governmental Funds are presented in the following table to assist analysis:

Summary of Expenditures

Other Governmental Funds

	8/31/2013	8/31/2012	Change	% Change
<i><u>Food Service Fund:</u></i>				
35 Food service	\$ 381,180	\$ 363,213	\$ 17,967	4.95%
51 Plant Maintenance and operations	8,537	31,119	(22,582)	-72.57%
	<u>389,717</u>	<u>394,332</u>	<u>(4,615)</u>	<u>-1.17%</u>
<i><u>Other Governmental Funds:</u></i>				
11 Instruction	207,604	355,662	(148,058)	-41.63%
12 Instructional resources and media	-	98	(98)	-100.00%
13 Curriculum and staff development	29,359	43,910	(14,551)	-33.14%
21 Instructional leadership	3,963	4,114	(151)	-3.67%
23 School leadership	-	7,861	(7,861)	-100.00%
32 Social work services	486	768	(282)	-36.72%
53 Data processing services	8,331	-	8,331	n/a
71 Principal on long-term debt	190,000	175,000	15,000	8.57%
72 Interest on long-term debt	435,188	442,188	(7,000)	-1.58%
73 Bond issuance costs and fees	500	500	-	0.00%
81 Capital outlay	19,338	542,000	(522,662)	-96.43%
Total Expenditures	<u>894,769</u>	<u>1,572,101</u>	<u>(677,332)</u>	<u>-43.08%</u>
 Total Expenditures of Other Governmental Funds	 <u>\$ 1,284,486</u>	 <u>\$ 1,966,433</u>	 <u>\$ (681,947)</u>	 <u>-34.68%</u>

Explanation of significant variances:

- Function 11, Instructional, decreased \$148,058, or 41.63% due to the lack of funds in the Education Jobs grant. These salaries were instead coded in the general fund in the current year.
- Function 13, Curriculum and staff development decreased \$14,551, or 33.14%, due to funding code changes along with a decrease in staff development related expenditures during the current year.
- Function 23, School leadership, decreased \$7,861, or 100.00%, due to the lack of funds in the Education Jobs grant. These salaries were instead coded in the general fund in the current year.
- Function 51, Plant maintenance and operations, decreased \$22,582, or 72.57%, due to funding code changes for electricity in the Food Service Fund.
- Function 53, Data processing services, increased \$8,331, or 100.00%, due to funding code changes related to the district's technology program.
- Functions 71, 72, and 73, Costs associated with the payment of long-term debt increased overall because of the required principal and interest payments on the 2008 bond issue due during the 2013 fiscal year.

Comparative data for the District's fund balances of its Governmental Funds are presented in the following table to assist analysis:

Summary of the District's Fund Balances

	Governmental Funds		Amount	
	8/31/2013	8/31/2012	of Change	% Change
General Fund	\$ 3,226,834	\$ 3,204,526	\$ 22,308	0.70%
Capital Projects Fund	69,743	79,981	(10,238)	-12.80%
Debt Service Fund	91,407	77,524	13,883	17.91%
Food Service Fund	110,748	107,854	2,894	2.68%
Other Special Revenue Funds	-	951	(951)	-100.00%
Total - Governmental	<u>\$ 3,498,732</u>	<u>\$ 3,470,836</u>	<u>\$ 27,896</u>	<u>0.80%</u>

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$234,727 below final budget amounts. Significant positive variances resulted from budgeting \$52,503 more than expenditures in instruction, \$41,932 more than expenditures in plant maintenance and operations, and \$29,607 more than expenditures in school leadership. Overall, the expended amounts followed the budget very closely.

Resources available were \$5,356 below the final budgeted amount. Local revenues were significantly lower than expected as a result of property tax collections being considerably less than expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2013, the District had invested \$21.89 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. The \$123,514 increase is mainly due to land improvements, the purchase of a bus, and various cafeteria improvements and equipment upgrades, as shown in the following table:

Summary of the District's Capital Assets

	Governmental Activities		Amount	
	8/31/2013	8/31/2012	of Change	% Change
Land	\$ 273,864	\$ 263,626	\$ 10,238	3.88%
Buildings and improvements	19,983,188	19,974,088	9,100	0.05%
Equipment	561,231	548,619	12,612	2.30%
Vehicles	1,070,862	979,298	91,564	9.35%
Subtotal	21,889,145	21,765,631	123,514	0.57%
Less accumulated depreciation	(5,753,317)	(5,021,123)	(732,194)	14.58%
Net capital assets	<u>\$ 16,135,828</u>	<u>\$ 16,744,508</u>	<u>\$ (608,680)</u>	<u>-3.64%</u>

Debt

At August 31, 2013, the District had \$8,805,000 in bonds payable. There have been no plans made to obtain additional long-term borrowing. No changes have occurred in credit ratings or interest rates. The unamortized premium on the general obligation bonds was \$247,408 at August 31, 2013 and \$16,547 was amortized during the year.

Summary of the District's Debt

	<u>8/31/2013</u>	<u>8/31/2012</u>
Balance of debt, beginning of year	\$ 8,995,000	\$ 9,170,000
Proceeds from new bonds	-	-
Principal payments on bonds	<u>(190,000)</u>	<u>(175,000)</u>
Balance of debt, end of year	<u>\$ 8,805,000</u>	<u>\$ 8,995,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2014 budget preparation are projected to be \$96.6 million, which is a 6.98% increase from the taxable values of \$90.3 million for the 2013 values. These value increases are mostly due to changes in general property valuations.
- General operating fund spending is expected to increase from \$5,286,419 actual expenditures in 2013 to \$5,492,565 budgeted for 2014. There are no new initiatives or programs in the 2014 general fund budget.
- The District's 2014 refined ADA is expected to be 600, which is relatively the same as 2013.

These indicators were taken into account when adopting the general fund budget for 2014. Amounts available for appropriation in the general fund budget are \$5.493 million, a slight increase of approximately \$207,000 when compared to the original 2013 budget of \$5.286 million.

If these estimates are realized, the District's general fund balance is expected to remain the same by the close of fiscal year 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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 demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

Basic Financial Statements

WEST SABINE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 3,555,636
1225	<i>Property Taxes Receivable (Net)</i>	21,005
1240	<i>Due from Other Governments</i>	162,908
1290	<i>Other Receivables (Net)</i>	5,082
1420	<i>Capitalized Bond and Other Debt Issuance Costs</i>	127,285
Capital Assets:		
1510	<i>Land</i>	273,864
1520	<i>Buildings and Improvements, Net</i>	15,169,653
1530	<i>Furniture and Equipment, Net</i>	692,311
1000	Total Assets	<u>20,007,744</u>
LIABILITIES:		
2140	<i>Interest Payable</i>	17,934
2165	<i>Accrued Liabilities</i>	224,895
Noncurrent Liabilities:		
2501	<i>Due Within One Year</i>	195,000
2502	<i>Due in More Than One Year</i>	8,857,408
2000	Total Liabilities	<u>9,295,237</u>
NET POSITION		
3200	Net Investment in Capital Assets	7,192,771
Restricted For:		
3850	Debt Service	95,079
3860	Capital Projects	69,743
3900	Unrestricted	3,354,914
3000	Total Net Position	<u>\$ 10,712,507</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	<i>Instruction</i>	\$ 3,846,558	\$ --		\$ 501,546	\$ (3,345,012)
12	<i>Instructional Resources and Media Services</i>	61,683	--		2,701	(58,982)
13	<i>Curriculum and Staff Development</i>	37,940	--		--	(37,940)
21	<i>Instructional Leadership</i>	16,741	--		--	(16,741)
23	<i>School Leadership</i>	328,942	--		12,668	(316,274)
31	<i>Guidance, Counseling, & Evaluation Services</i>	80,977	--		3,433	(77,544)
32	<i>Social Work Services</i>	486	--		--	(486)
33	<i>Health Services</i>	71,804	--		3,630	(68,174)
34	<i>Student Transportation</i>	218,518	--		3,331	(215,187)
35	<i>Food Service</i>	393,792	71,971		329,739	7,918
36	<i>Cocurricular/Extracurricular Activities</i>	342,646	17,737		8,102	(316,807)
41	<i>General Administration</i>	372,282	--		13,979	(358,303)
51	<i>Facilities Maintenance and Operations</i>	606,731	--		15,330	(591,401)
52	<i>Security and Monitoring Services</i>	3,854	--		--	(3,854)
53	<i>Data Processing Services</i>	67,233	--		3,703	(63,530)
72	<i>Interest on Long-term Debt</i>	418,353	--		--	(418,353)
73	<i>Bond Issuance Costs and Fees</i>	9,013	--		--	(9,013)
93	<i>Payments Related to Shared Services Arrangements</i>	69,999	--		--	(69,999)
99	<i>Other Intergovernmental Charges</i>	35,103	--		--	(35,103)
TG	Total Governmental Activities	<u>6,982,655</u>	<u>89,708</u>		<u>898,162</u>	<u>(5,994,785)</u>
TP	Total Primary Government	<u>\$ 6,982,655</u>	<u>\$ 89,708</u>		<u>\$ 898,162</u>	<u>(5,994,785)</u>
	General Revenues:					
MT	<i>Property Taxes, Levied for General Purposes</i>					949,996
DT	<i>Property Taxes, Levied for Debt Service</i>					292,662
IE	<i>Investment Earnings</i>					2,550
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>					4,336,057
MI	<i>Miscellaneous</i>					27,542
TR	Total General Revenues					<u>5,608,807</u>
CN	Change in Net Position					(385,978)
NB	Net Position - Beginning					11,097,093
PA	Prior Period Adjustment					1,392
	Net Position - Beginning, as Restated					11,098,485
NE	Net Position - Ending					<u>\$ 10,712,507</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 3,294,771	\$ 260,865	\$ 3,555,636
1225	Taxes Receivable, Net	17,333	3,672	21,005
1240	Due from Other Governments	145,881	17,027	162,908
1290	Other Receivables	5,082	--	5,082
1000	Total Assets	<u>3,463,067</u>	<u>281,564</u>	<u>3,744,631</u>
1000A	Total Assets and Deferred Outflows of Resources	<u>\$ 3,463,067</u>	<u>\$ 281,564</u>	<u>\$ 3,744,631</u>
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 165,191	\$ 5,311	\$ 170,502
2200	Accrued Expenditures	53,710	683	54,393
2300	Unearned Revenue	17,332	3,672	21,004
2000	Total Liabilities	<u>236,233</u>	<u>9,666</u>	<u>245,899</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	110,748	110,748
3470	Capital Acquisitions & Contractual Obligations	--	69,743	69,743
3480	Retirement of Long-Term Debt	--	91,407	91,407
Committed Fund Balances:				
3510	Construction	650,000	--	650,000
3530	Capital Expenditures for Equipment	350,000	--	350,000
3600	Unassigned	2,226,834	--	2,226,834
3000	Total Fund Balances	<u>3,226,834</u>	<u>271,898</u>	<u>3,498,732</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,463,067</u>	<u>\$ 281,564</u>	<u>\$ 3,744,631</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2013*

Total fund balances - governmental funds balance sheet	\$ 3,498,732
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	16,135,828
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	21,004
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,925,123)
Payables for bond interest which are not due in the current period are not reported in the funds.	<u>(17,934)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 10,712,507</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 1,000,050	\$ 364,530	\$ 1,364,580
5800 State Program Revenues	4,197,650	391,358	4,589,008
5900 Federal Program Revenues	111,026	534,185	645,211
5020 Total Revenues	<u>5,308,726</u>	<u>1,290,073</u>	<u>6,598,799</u>
EXPENDITURES:			
Current:			
0011 Instruction	3,045,432	207,604	3,253,036
0012 Instructional Resources and Media Services	59,658	--	59,658
0013 Curriculum and Staff Development	8,581	29,359	37,940
0021 Instructional Leadership	12,778	3,963	16,741
0023 School Leadership	328,942	--	328,942
0031 Guidance, Counseling, & Evaluation Services	80,977	--	80,977
0032 Social Work Services	--	486	486
0033 Health Services	71,804	--	71,804
0034 Student Transportation	239,740	--	239,740
0035 Food Service	--	381,180	381,180
0036 Cocurricular/Extracurricular Activities	310,679	--	310,679
0041 General Administration	365,724	--	365,724
0051 Facilities Maintenance and Operations	594,246	8,537	602,783
0052 Security and Monitoring Services	3,854	--	3,854
0053 Data Processing Services	58,902	8,331	67,233
0071 Principal on Long-term Debt	--	190,000	190,000
0072 Interest on Long-term Debt	--	435,188	435,188
0073 Bond Issuance Costs and Fees	--	500	500
0081 Capital Outlay	--	19,338	19,338
0093 Payments to Shared Service Arrangements	69,999	--	69,999
0099 Other Intergovernmental Charges	35,103	--	35,103
6030 Total Expenditures	<u>5,286,419</u>	<u>1,284,486</u>	<u>6,570,905</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	22,307	5,587	27,894
1200 Net Change in Fund Balances	<u>22,307</u>	<u>5,587</u>	<u>27,894</u>
0100 Fund Balances - Beginning	3,204,527	266,311	3,470,838
3000 Fund Balances - Ending	<u>\$ 3,226,834</u>	<u>\$ 271,898</u>	<u>\$ 3,498,732</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2013*

Net change in fund balances - total governmental funds	\$ 27,894
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	123,515
The depreciation of capital assets used in governmental activities is not reported in the funds.	(733,587)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(2,122)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	190,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(8,513)
(Increase) decrease in accrued interest from beginning of period to end of period.	288
Bond premiums are reported in the funds but not in the SOA.	<u>16,547</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (385,978)</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2013

Data Control Codes	Agency Fund	Student Activity
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$ 113,419	
1000 Total Assets	113,419	
LIABILITIES:		
Current Liabilities:		
2190 <i>Due to Student Groups</i>	\$ 113,419	
2000 Total Liabilities	113,419	
NET POSITION:		
3000 Total Net Position	\$ --	

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No.39, and there are no component units included within the reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The allowance for uncollectible property taxes was \$84,017 at August 31, 2013.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

b. Inventories and Prepaid Items

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

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

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30
Building Improvements	15
Vehicles	8
Equipment	5-25

d. Receivable and Payable Balances

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

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

e. Interfund Activity

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

f. Use of Estimates

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

g. Data Control Codes

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Net Position Flow Assumption

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

j. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

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

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

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

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

C. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,669,057 and the bank balance was \$3,725,738. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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

The District's investment at August 31, 2013 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Certificate of Deposit	March 2014	\$ 28,097
Total Investments		<u>\$ 28,097</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

Investment Accounting Policy

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 263,626	\$ 10,238	\$ --	\$ 273,864
Total capital assets not being depreciated	<u>263,626</u>	<u>10,238</u>	<u>--</u>	<u>273,864</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	19,974,088	9,100	--	19,983,188
Equipment	548,619	12,612	--	561,231
Vehicles	979,298	91,564	--	1,070,862
Total capital assets being depreciated	<u>21,502,005</u>	<u>113,276</u>	<u>--</u>	<u>21,615,281</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,199,079)	(614,456)	--	(4,813,535)
Equipment	(198,567)	(48,020)	--	(246,587)
Vehicles	(622,084)	(71,111)	--	(693,195)
Total accumulated depreciation	<u>(5,019,730)</u>	<u>(733,587)</u>	<u>--</u>	<u>(5,753,317)</u>
Total capital assets being depreciated, net	<u>16,482,275</u>	<u>(620,311)</u>	<u>--</u>	<u>15,861,964</u>
Governmental activities capital assets, net	<u>\$ 16,745,901</u>	<u>\$ (610,073)</u>	<u>\$ --</u>	<u>\$ 16,135,828</u>

Depreciation was charged to functions as follows:

Instruction	\$ 593,522
Instructional Resources and Media Services	2,025
Student Transportation	70,342
Food Services	25,225
Extracurricular Activities	31,967
General Administration	6,558
Plant Maintenance and Operations	3,948
	<u>\$ 733,587</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
None			

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2013, consisted of the following:

Transfers From	Transfers To	Amount	Reason
None			

F. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 8,995,000	\$ --	\$ (190,000)	\$ 8,805,000	\$ 195,000
Bond premium	263,955	--	(16,547)	247,408	--
Total governmental activities	<u>\$ 9,258,955</u>	<u>\$ --</u>	<u>\$ (206,547)</u>	<u>\$ 9,052,408</u>	<u>\$ 195,000</u>

Debts are described as follows:

Unlimited Tax School Building Bonds, Series 2008. Payable in semi-annual installments with total annual requirements ranging from \$473,097 to \$634,988. Interest ranges from 4.00% to 5.80%.	\$ 8,805,000
Premium on bonds	247,408
Total debts payable	<u>\$ 9,052,408</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2013, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 195,000	\$ 427,588	\$ 622,588
2015	205,000	419,788	624,788
2016	215,000	411,588	626,588
2017	220,000	402,988	622,988
2018	230,000	394,188	624,188
2019-2023	1,360,000	1,781,665	3,141,665
2024-2028	1,680,000	1,373,840	3,053,840
2029-2033	2,075,000	911,009	2,986,009
2034-2038	2,625,000	384,177	3,009,177
Totals	<u>\$ 8,805,000</u>	<u>\$ 6,506,831</u>	<u>\$ 15,311,831</u>

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2013, as follows:

<u>Year Ending August 31,</u>	
2014	\$ 21,792
2015	21,792
2016	19,976
Total Minimum Rentals	<u>\$ 63,560</u>
Rental Expenditures in 2013	<u>\$ 30,075</u>

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Unemployment Insurance:

The District participates in the Texas Association of School Boards Unemployment Compensation Group. The District is not responsible for its own paid claims; consequently, risk associated with unemployment compensation are passed to the pool.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

Workers Compensation Insurance:

The District participates in a risk pool arrangement called the East Texas Educational Insurance Association. Under the terms of this plan, the District pays its share of administrative fees plus its actual claims, up to a predetermined maximum loss figure. Member districts share in claim costs for individual claims with claims that exceed their individual maximum loss amount, but total payments for any district will not exceed their individual maximum loss amount. The maximum loss per individual claim for the pool is \$250,000, of which the District's share is \$24,659 for the year ended August 31, 2013. The risk pool does maintain catastrophic insurance coverage for individual claims that exceed \$250,000 up to \$5,000,000 in total coverage. The risk pool estimates each District's aggregate liability each year based on the number of claims, types of claims, and other relevant information. The District accounts for the workers compensation activity in the general fund. Liabilities include an estimated undiscounted amount for claims that have been incurred but not reported. Changes in the balances of claims liability were as follows:

	Balance Beginning of Year	Incurred Claims IBNR	Claims Paid	Balance End of Year
Year Ended August 31, 2011	\$ 32,268	\$ 12,343	\$ 17,842	\$ 26,769
Year Ended August 31, 2012	26,769	5,830	7,098	25,501
Year Ended August 31, 2013	25,501	1,616	4,630	22,487

I. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.4% for fiscal year 2013, 6.0% for fiscal year 2012, and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2013, 2012 and 2011 were \$208,604, \$194,474 and \$193,948, respectively. The District paid additional state contributions for the years ending August 31, 2013, 2012 and 2011 in the amount of \$15,428, \$11,332 and \$13,540, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

J. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$35,547, \$33,130, and \$33,834, respectively, the active member contributions were \$23,130, \$21,532, and \$21,992, respectively, and the District's contributions were \$20,421, \$20,780, and \$20,512, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$9,480, \$8,383, and \$7,744, respectively.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

3. Early Retiree Reinsurance Program (ERRP)

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

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended August 31, 2013, the amount received by TRS-Care on behalf of the District was \$7,928.

K. Employee Health Care Coverage

During the year ended August 31, 2013, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$391 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2013.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2013

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for Special Education, Vocational education, and IDEA-B Preschool program with the following school districts:

Member Districts

Broaddus ISD

Brookeland ISD

Hemphill ISD

West Sabine ISD

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, Hemphill ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. Prior Period Adjustment

A prior period adjustment was recorded in the General Fixed Assets Fund, a government-wide, fund. The adjustment only effects the Government-wide financial statements. The amount of the adjustment was \$1,392.

O. Other Information

Investment income earned during the year ended August 31, 2013 was \$2,550.

Required Supplementary Information

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	1	2	3		
	Original	Final	Actual		
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,075,006	\$ 1,102,165	\$ 1,000,050	\$ (102,115)
5800	State Program Revenues	4,222,927	4,211,917	4,197,650	(14,267)
5900	Federal Program Revenues	--	--	111,026	111,026
5020	Total Revenues	<u>5,297,933</u>	<u>5,314,082</u>	<u>5,308,726</u>	<u>(5,356)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	3,101,434	3,097,934	3,045,432	52,502
0012	Instructional Resources and Media Services	60,553	60,553	59,658	895
0013	Curriculum and Staff Development	14,000	14,000	8,581	5,419
	Total Instruction & Instr. Related Services	<u>3,175,987</u>	<u>3,172,487</u>	<u>3,113,671</u>	<u>58,816</u>
Instructional and School Leadership:					
0021	Instructional Leadership	14,000	14,000	12,778	1,222
0023	School Leadership	380,116	358,549	328,942	29,607
	Total Instructional & School Leadership	<u>394,116</u>	<u>372,549</u>	<u>341,720</u>	<u>30,829</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	76,842	81,342	80,977	365
0033	Health Services	74,015	74,015	71,804	2,211
0034	Student (Pupil) Transportation	125,573	248,029	239,740	8,289
0036	Cocurricular/Extracurricular Activities	283,119	315,345	310,679	4,666
	Total Support Services - Student (Pupil)	<u>559,549</u>	<u>718,731</u>	<u>703,200</u>	<u>15,531</u>
Administrative Support Services:					
0041	General Administration	378,987	378,987	365,724	13,263
	Total Administrative Support Services	<u>378,987</u>	<u>378,987</u>	<u>365,724</u>	<u>13,263</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	568,729	636,178	594,246	41,932
0052	Security and Monitoring Services	--	32,659	3,854	28,805
0053	Data Processing Services	79,555	79,555	58,902	20,653
	Total Support Services - Nonstudent Based	<u>648,284</u>	<u>748,392</u>	<u>657,002</u>	<u>91,390</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	90,000	90,000	69,999	20,001
0099	Other Intergovernmental Charges	40,000	40,000	35,103	4,897
	Total Intergovernmental Charges	<u>130,000</u>	<u>130,000</u>	<u>105,102</u>	<u>24,898</u>
6030	Total Expenditures	<u>5,286,923</u>	<u>5,521,146</u>	<u>5,286,419</u>	<u>234,727</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	11,010	(207,064)	22,307	229,371
1200	Net Change in Fund Balance	<u>11,010</u>	<u>(207,064)</u>	<u>22,307</u>	<u>229,371</u>
0100	Fund Balance - Beginning	3,204,527	3,204,527	3,204,527	--
3000	Fund Balance - Ending	<u>\$ 3,215,537</u>	<u>\$ 2,997,463</u>	<u>\$ 3,226,834</u>	<u>\$ 229,371</u>

*Combining Statements and Budget Comparisons
as Supplementary Information*

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 101,272	\$ 89,850	\$ 69,743	\$ 260,865
1225	Taxes Receivable, Net	--	3,672	--	3,672
1240	Due from Other Governments	15,470	1,557	--	17,027
1000	Total Assets	<u>116,742</u>	<u>95,079</u>	<u>69,743</u>	<u>281,564</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ 5,311	\$ --	\$ --	\$ 5,311
2200	Accrued Expenditures	683	--	--	683
2300	Unearned Revenue	--	3,672	--	3,672
2000	Total Liabilities	<u>5,994</u>	<u>3,672</u>	<u>--</u>	<u>9,666</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	110,748	--	--	110,748
3470	Capital Acquisitions & Contractual Obligations	--	--	69,743	69,743
3480	Retirement of Long-Term Debt	--	91,407	--	91,407
3000	Total Fund Balances	<u>110,748</u>	<u>91,407</u>	<u>69,743</u>	<u>271,898</u>
4000	Total Liabilities and Fund Balances	<u>\$ 116,742</u>	<u>\$ 95,079</u>	<u>\$ 69,743</u>	<u>\$ 281,564</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 71,971	\$ 292,559	\$ --	\$ 364,530
5800 <i>State Program Revenues</i>	44,346	347,012	--	391,358
5900 <i>Federal Program Revenues</i>	534,185	--	--	534,185
5020 Total Revenues	<u>650,502</u>	<u>639,571</u>	<u>--</u>	<u>1,290,073</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	207,604	--	--	207,604
0013 <i>Curriculum and Staff Development</i>	29,359	--	--	29,359
0021 <i>Instructional Leadership</i>	3,963	--	--	3,963
0032 <i>Social Work Services</i>	486	--	--	486
0035 <i>Food Service</i>	381,180	--	--	381,180
0051 <i>Facilities Maintenance and Operations</i>	8,537	--	--	8,537
0053 <i>Data Processing Services</i>	8,331	--	--	8,331
0071 <i>Principal on Long-term Debt</i>	--	190,000	--	190,000
0072 <i>Interest on Long-term Debt</i>	--	435,188	--	435,188
0073 <i>Bond Issuance Costs and Fees</i>	--	500	--	500
0081 <i>Capital Outlay</i>	9,100	--	10,238	19,338
6030 Total Expenditures	<u>648,560</u>	<u>625,688</u>	<u>10,238</u>	<u>1,284,486</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	1,942	13,883	(10,238)	5,587
1200 Net Change in Fund Balances	<u>1,942</u>	<u>13,883</u>	<u>(10,238)</u>	<u>5,587</u>
0100 Fund Balances - Beginning	108,806	77,524	79,981	266,311
3000 Fund Balances - Ending	<u>\$ 110,748</u>	<u>\$ 91,407</u>	<u>\$ 69,743</u>	<u>\$ 271,898</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2013

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
ASSETS:			
1110	Cash and Cash Equivalents	\$ (6,826)	\$ 101,272
1240	Due from Other Governments	6,826	15,470
1000	Total Assets	<u> --</u>	<u>116,742</u>
LIABILITIES:			
Current Liabilities:			
2160	Accrued Wages Payable	\$ --	\$ 5,311
2200	Accrued Expenditures	--	683
2000	Total Liabilities	<u> --</u>	<u>5,994</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	Federal/State Funds Grant Restrictions	--	110,748
3000	Total Fund Balances	<u> --</u>	<u>110,748</u>
4000	Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 116,742</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 71,971	\$ --
5800 <i>State Program Revenues</i>	--	2,250	--
5900 <i>Federal Program Revenues</i>	157,714	327,489	1,216
5020 Total Revenues	<u>157,714</u>	<u>401,710</u>	<u>1,216</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	124,580	--	1,216
0013 <i>Curriculum and Staff Development</i>	29,359	--	--
0021 <i>Instructional Leadership</i>	3,289	--	--
0032 <i>Social Work Services</i>	486	--	--
0035 <i>Food Service</i>	--	381,180	--
0051 <i>Facilities Maintenance and Operations</i>	--	8,537	--
0053 <i>Data Processing Services</i>	--	--	--
0081 <i>Capital Outlay</i>	--	9,100	--
6030 Total Expenditures	<u>157,714</u>	<u>398,817</u>	<u>1,216</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	2,893	--
1200 Net Change in Fund Balances	--	2,893	--
0100 Fund Balances - Beginning	--	107,855	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 110,748</u>	<u>\$ --</u>

	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	397 Advanced Placement Incentives	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
	\$ --	\$ --	\$ --	\$ --	\$ 71,971
	--	--	--	42,096	44,346
	33,002	14,764	--	--	534,185
	<u>33,002</u>	<u>14,764</u>	<u>--</u>	<u>42,096</u>	<u>650,502</u>
	32,328	14,764	948	33,768	207,604
	--	--	--	--	29,359
	674	--	--	--	3,963
	--	--	--	--	486
	--	--	--	--	381,180
	--	--	--	--	8,537
	--	--	--	8,331	8,331
	--	--	--	--	9,100
	<u>33,002</u>	<u>14,764</u>	<u>948</u>	<u>42,099</u>	<u>648,560</u>
	--	--	(948)	(3)	1,942
	--	--	(948)	(3)	1,942
	--	--	948	3	108,806
\$	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>110,748</u></u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

*CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2013*

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5020	Total Revenues	\$ --	\$ --	\$ --
EXPENDITURES:				
Capital Outlay:				
0081	<i>Capital Outlay</i>	79,981	10,238	69,743
	Total Capital Outlay	79,981	10,238	69,743
6030	Total Expenditures	79,981	10,238	69,743
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(79,981)	(10,238)	69,743
1200	Net Change in Fund Balance	(79,981)	(10,238)	69,743
0100	Fund Balance - Beginning	79,981	79,981	--
3000	Fund Balance - Ending	\$ --	\$ 69,743	\$ 69,743

Other Supplementary Information

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2013*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2004 and Prior Years	\$ Various	\$ Various	\$ Various
2005	1.35	--	85,279,950
2006	1.35	--	88,237,347
2007	1.237	--	88,285,402
2008	.99	--	89,635,355
2009	1.036	.314	85,507,842
2010	1.04	.34	83,829,831
2011	1.04	.34	82,464,119
2012	1.04	.3385	87,533,343
2013 (School Year Under Audit)	1.04	.32	90,300,618

1000 Totals

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

10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 21,134	\$ --	\$ 1,184	\$ --	\$ (3,666)	\$ 16,284
4,805	--	471	--	--	4,334
5,749	--	2,835	--	--	2,914
5,713	--	2,920	--	(85)	2,708
5,589	--	2,273	--	(119)	3,197
8,883	--	2,879	873	(479)	4,652
12,678	--	3,506	1,146	(353)	7,673
20,085	--	5,593	1,818	(185)	12,489
31,002	--	10,803	3,542	(1,518)	15,139
--	1,223,502	908,681	284,599	5,409	35,631
<u>\$ 115,638</u>	<u>\$ 1,223,502</u>	<u>\$ 941,145</u>	<u>\$ 291,978</u>	<u>\$ (996)</u>	<u>\$ 105,021</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

*SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013*

FUNCTION 41 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 159,105	\$ 127,884	\$ --	\$ --	\$ 286,989
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	13,223	--	--	--	13,223
6212	Audit Services	--	--	--	13,500	--	--	13,500
6213	Tax Appraisal and Collection	--	6,000	--	--	--	--	6,000
621X	Other Prof. Services	--	--	237	--	--	--	237
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	--	--	--	5,133	--	--	5,133
6240	Contr. Maint. and Repair	--	--	--	--	105	--	105
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	5,230	--	--	--	5,230
6290	Miscellaneous Contr.	--	--	--	--	--	--	--
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	4,674	4,675	--	--	9,349
6410	Travel, Subsistence, Stipends	5,114	--	837	1,069	--	--	7,020
6420	Ins. and Bonding Costs	1,697	--	--	4,197	--	--	5,894
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	--	--	4,892	8,152	--	--	13,044
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 6,811 \$ 6,000 \$ 188,198 \$ 164,610 \$ 105 \$ -- \$ 365,724

Total Expenditures for General and Special Revenue Funds (9) \$ 5,934,979

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 116,842
Total Debt & Lease (6500)	(11)	\$ --
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 602,783
Food (Function 35, 6341 and 6499)	(13)	\$ 145,215
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		<u>\$ 164,610</u>

Subtotal 1,029,450

Net Allowed Direct Cost \$ 4,905,529

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 19,983,188
Historical Cost of Buildings over 50 years old	(16)	1,133,767
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,632,093
Historical Cost of Furniture & Equipment over 16 years old	(19)	326,004
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - No Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 61,153	\$ 71,971	\$ 10,818
5800 <i>State Program Revenues</i>	--	2,250	2,250
5900 <i>Federal Program Revenues</i>	298,000	327,489	29,489
5020 Total Revenues	<u>359,153</u>	<u>401,710</u>	<u>42,557</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	384,553	381,180	3,373
Total Support Services - Student (Pupil)	<u>384,553</u>	<u>381,180</u>	<u>3,373</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	9,500	8,537	963
Total Support Services - Nonstudent Based	<u>9,500</u>	<u>8,537</u>	<u>963</u>
Capital Outlay:			
0081 <i>Capital Outlay</i>	9,100	9,100	--
Total Capital Outlay	<u>9,100</u>	<u>9,100</u>	<u>--</u>
6030 Total Expenditures	<u>403,153</u>	<u>398,817</u>	<u>4,336</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(44,000)	2,893	46,893
1200 Net Change in Fund Balance	<u>(44,000)</u>	<u>2,893</u>	<u>46,893</u>
0100 Fund Balance - Beginning	107,855	107,855	--
3000 Fund Balance - Ending	<u>\$ 63,855</u>	<u>\$ 110,748</u>	<u>\$ 46,893</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 292,886	\$ 292,559	\$ (327)
5800 State Program Revenues	336,938	347,012	10,074
5020 Total Revenues	<u>629,824</u>	<u>639,571</u>	<u>9,747</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	190,000	190,000	--
0072 Interest on Long-Term Debt	435,188	435,188	--
0073 Bond Issuance Costs and Fees	500	500	--
Total Debt Service	<u>625,688</u>	<u>625,688</u>	<u>--</u>
6030 Total Expenditures	<u>625,688</u>	<u>625,688</u>	<u>--</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	4,136	13,883	9,747
1200 Net Change in Fund Balance	4,136	13,883	9,747
0100 Fund Balance - Beginning	77,524	77,524	--
3000 Fund Balance - Ending	<u>\$ 81,660</u>	<u>\$ 91,407</u>	<u>\$ 9,747</u>

Halls, Johnson, McLemore, Redfield & Rodrigues, LLP
1329 N University Drive Suite A3
Nacogdoches, TX 75961
(936) 564-8186

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*

Board of Trustees
West Sabine Independent School District
P.O. Box 869
Pineland, Texas 75968-0869

Members of the Board of Trustees:

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 West Sabine Independent School District, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise West Sabine Independent School District's basic financial statements, and have issued our report thereon dated December 2, 2013.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

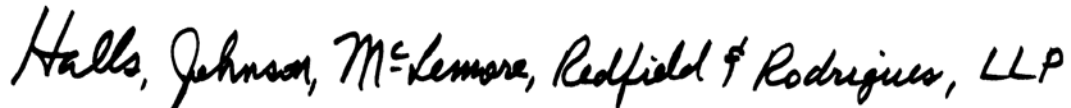
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "Halls, Johnson, McLemore, Redfield & Rodrigues, LLP". The signature is written in a cursive, flowing style.

Halls, Johnson, McLemore, Redfield, & Rodrigues, LLP

Nacogdoches, Texas
December 2, 2013

Halls, Johnson, McLemore, Redfield & Rodrigues, LLP
1329 N University Drive Suite A3
Nacogdoches, TX 75961
(936) 564-8186

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
West Sabine Independent School District
P.O. Box 869
Pineland, Texas 75968-0869

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited West Sabine Independent School District's 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 West Sabine Independent School District's major federal programs for the year ended August 31, 2013. West Sabine Independent School 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 West Sabine Independent School 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 West Sabine Independent School 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 West Sabine Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, West Sabine Independent School 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 identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

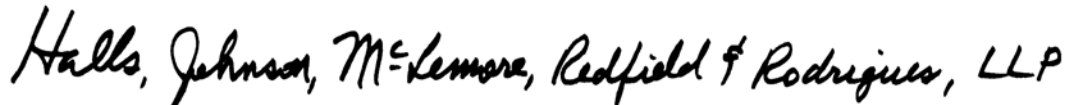
Management of West Sabine Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered West Sabine Independent School 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 West Sabine Independent School 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 considered 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Halls, Johnson, McLemore, Redfield & Rodriguez, LLP". The signature is written in a cursive, flowing style.

Halls, Johnson, McLemore, Redfield, & Rodriguez, LLP

Nacogdoches, Texas
December 2, 2013

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Not applicable - no prior year findings.		

WEST SABINE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013

Not applicable - no current year findings.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Direct Program:			
<i>ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358	202-905	\$ 14,764
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	13610101202905	157,714
<i>Career and Technical - Basic Grant</i>	84.048	202-905	1,216
<i>ESEA Title II Part A - Teacher & Principal Training & Recruiting</i>	84.367a	13694501202905	33,002
Total Passed Through State Department of Education			191,932
Total U. S. Department of Education			206,696
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	202-905	79,227
National School Lunch Program *	10.555	202-905	228,745
Commodity Supplemental Food Program (Non-cash) *	10.555	202-905	19,517
Total CFDA Number 10.555			248,262
Total Passed Through State Department of Education			327,489
Passed Through Sabine County:			
Schools and Roads - Grants to Counties *	10.666	202-905	111,026
Total U. S. Department of Agriculture			438,515
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 645,211

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

The accompanying notes are an integral part of this schedule.

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of West Sabine Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2013*

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