

**WEST SABINE  
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2014

West Sabine Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2014

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## Introductory Section

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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, 2014, at a meeting of the board of trustees of such school district on the 15<sup>th</sup> day of December, 2014.

Carla Randall  
Signature of Board Secretary

Ronald C. Barber  
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, LLP**  
1329 N University 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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, 2014, 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.

As described in Note A to the financial statements, in 2014, West Sabine Independent School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information 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 11, 2014 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,

*Halls, Johnson, McLemore & Redfield, LLP*

Halls, Johnson, McLemore & Redfield, LLP

Nacogdoches, Texas  
December 11, 2014

## 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, 2014. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

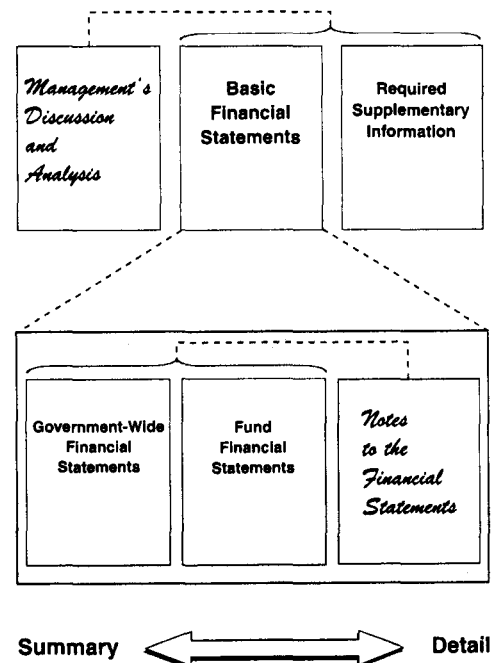
- The District's total combined net position was \$10,596,932 at August 31, 2014.
- During the current year, the District's expenses were \$11,710 less than the \$6,325,813 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$ 7,241,089; \$258,434 more than last year.
- The general fund reported a fund balance at the end of this year of \$3,617,423.

### 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 state funding 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 position. 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, 2014, was \$10,596,932. This is an \$115,575 decrease from last year's combined net assets of \$10,712,507. The following table provides a comparative summary of the District's net position:

<b>Summary of Net Position</b>				
	<u>8/31/2014</u>	<u>8/31/2013</u>	<u>Change</u>	<u>% Change</u>
<b>Governmental Activities:</b>				
Current and other assets	\$ 4,149,086	\$ 3,871,916	\$ 277,170	7.16%
Capital assets	15,560,827	16,135,828	(575,001)	-3.56%
Total assets	<u>19,709,913</u>	<u>20,007,744</u>	<u>(297,831)</u>	<u>-1.49%</u>
Current liabilities	271,831	242,829	29,002	11.94%
Long term liabilities	8,841,150	9,052,408	(211,258)	-2.33%
Total liabilities	<u>9,112,981</u>	<u>9,295,237</u>	<u>(182,256)</u>	<u>-1.96%</u>
<b>Net position:</b>				
Invested in capital assets	6,719,677	7,192,771	(473,094)	-6.58%
Restricted	260,027	275,570	(15,543)	-5.64%
Unrestricted	3,617,228	3,244,166	373,062	11.50%
Total net position	<u>\$ 10,596,932</u>	<u>\$ 10,712,507</u>	<u>\$ (115,575)</u>	<u>-1.08%</u>

Net position of the District's governmental activities decreased 1.08% to \$10,596,932 during the year ending August 31, 2014. 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 \$373,062 and totaled \$3,617,228 at year end.

### Governmental Activities

- The cost of all *governmental* activities this year was \$7,241,089.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,294,090.
- Some of the cost was paid by charges for services of \$99,827, or by operating grants and contributions of \$827,159.
- Property tax rate was \$1.355 per \$100 valuation in 2014 and was \$1.36 per \$100 valuation in 2013. The District's taxable values increased approximately \$6.3 million, which led to property tax revenues increasing \$51,431 to \$1,294,090 from \$1,242,659 in the prior year.

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

	8/31/2014	8/31/2013	Amount Of Change	% Change
Program revenues:				
Charges for services	\$ 99,827	\$ 89,707	\$ 10,120	11.28%
Operating grants/contributions	827,159	898,162	(71,003)	-7.91%
General revenues:				
Property taxes	1,294,090	1,242,659	51,431	4.14%
Investment earnings	5,444	2,550	2,894	113.49%
Foundation and unrestricted grants	4,856,519	4,336,057	520,462	12.00%
Other general revenues	169,760	27,542	142,218	516.37%
Total revenues/contributions	<u>7,252,799</u>	<u>6,596,677</u>	<u>656,122</u>	<u>9.95%</u>
<b>Function</b>				
Expenses:				
11 Instruction	3,843,579	3,846,558	(2,979)	-0.08%
12 Instructional Resources and Media Services	60,986	61,683	(697)	-1.13%
13 Curriculum and Staff Development	56,468	37,940	18,528	48.84%
21 Instructional Leadership	17,636	16,741	895	5.35%
23 School Leadership	289,886	328,942	(39,056)	-11.87%
31 Guidance, Counseling, & Evaluation Services	123,186	80,977	42,209	52.12%
32 Social Work Services	478	486	(8)	-1.65%
33 Health Services	74,981	71,804	3,177	4.42%
34 Student Transportation	222,413	218,518	3,895	1.78%
35 Food Service	415,152	393,792	21,360	5.42%
36 Cocurricular/Extracurricular Activities	491,231	342,646	148,585	43.36%
41 General Administration	393,432	372,282	21,150	5.68%
51 Plant Maintenance and Operations	658,680	606,731	51,949	8.56%
52 Security and Monitoring Services	5,878	3,854	2,024	52.52%
53 Data Processing Services	71,896	67,233	4,663	6.94%
72 Interest on Long-term Debt	410,695	418,353	(7,658)	-1.83%
73 Bond Issuance Cost & Fees	750	9,013	(8,263)	-91.68%
93 Payments to Shared Services Arrangements	69,699	69,999	(300)	-0.43%
95 Payments to Juvenile Justice Alt Ed Programs	-	-	-	
99 Other Intergovernmental Charges	34,063	35,103	(1,040)	-2.96%
Total expenses	<u>7,241,089</u>	<u>6,982,655</u>	<u>258,434</u>	<u>3.70%</u>
Change in net position	11,710	(385,978)	397,688	-103.03%
Prior period adjustment	(127,285)	1,393	(128,678)	-9237.47%
Beginning net position	10,712,507	11,097,093	(384,586)	-3.47%
Ending net position	<u>\$ 10,596,932</u>	<u>\$ 10,712,508</u>	<u>(115,576)</u>	<u>-1.08%</u>

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Revenues totaled \$5,952,118 compared with \$5,308,726 in the prior year, an increase of \$643,392. This increase was primarily the result of greater state funding (due to increases in student enrollment as well as refined ADA) combined with a donation to the District from the TLL Temple Foundation of \$168,760. General Fund Expenditures totaled \$5,561,529 compared with \$5,286,419 in the prior year, an increase of \$275,110. Budget functions with the greatest fluctuation were increases in Co-curricular Activities, Data Processing Services, as well as Guidance, Counseling & Evaluation Services.

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	
	8/31/2014	8/31/2013	of Change	% Change
General Fund	\$ 3,617,423	\$ 3,226,834	\$ 390,589	12.10%
Capital Projects Fund	49,203	69,743	(20,540)	-29.45%
Debt Service Fund	108,883	91,407	17,476	19.12%
Food Service Fund	97,919	110,748	(12,829)	-11.58%
Total - Governmental	<u>\$ 3,873,428</u>	<u>\$ 3,498,732</u>	<u>\$ 374,696</u>	<u>10.71%</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 still \$305,911 below final budget amounts. Significant positive variances were recorded in the following functions: Instruction, School Leadership, Curriculum Development, and Plant Maintenance.

Resources available were \$282,337 above the final budgeted amount. State revenues were significantly higher than expected as a result of increases to student enrollment and ADA at the District. Federal program revenues were also higher than expected as a result of the Schools and Roads – Grants to Counties passed through to the District from Sabine County.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At August 31, 2014, the District had invested \$22.1 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. The \$167,642 increase in FY14 is a result of the District's acquisition of a new bus and technology systems equipment combined with building and land improvements:

### Summary of the District's Capital Assets

	Governmental Activities		Amount	
	8/31/2014	8/31/2013	of Change	% Change
Land	\$ 283,918	\$ 273,864	\$ 10,054	3.67%
Buildings and improvements	19,991,211	19,983,188	8,023	0.04%
Equipment	617,338	561,231	56,107	10.00%
Vehicles	1,164,320	1,070,862	93,458	8.73%
Subtotal	22,056,787	21,889,145	167,642	0.77%
Less accumulated depreciation	(6,495,960)	(5,753,317)	(742,643)	12.91%
Net capital assets	<u>\$ 15,560,827</u>	<u>\$16,135,828</u>	<u>\$ (575,001)</u>	<u>-3.56%</u>



## Debt

At August 31, 2014, the District had \$8,610,000 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.

### Summary of the District's Debt

	<u>8/31/2014</u>	<u>8/31/2013</u>
Balance of debt, beginning of year	\$ 8,805,000	\$ 8,995,000
Proceeds from new bonds	-	-
Principal payments on bonds	(195,000)	(190,000)
Balance of debt, end of year	<u>\$ 8,610,000</u>	<u>\$ 8,805,000</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2015 budget preparation are projected to be \$92.4 million, which is a 4.35% decrease from the taxable values of \$96.6 million for the 2014 values. These value decreases are mostly due to changes in general property valuations.
- General operating fund spending is expected to increase from \$5,561,529 actual expenditures in 2014 to \$5,824,056 budgeted for 2015. There are no new initiatives or programs in the 2015 general fund budget.
- The District's 2015 refined ADA is expected to be 624, which is relatively the same as 2014.

These indicators were taken into account when adopting the general fund budget for 2015. Amounts available for appropriation in the general fund budget are \$5.824 million, an increase of approximately \$359,000 when compared to the original 2014 budget of \$5.465 million.

If these estimates are realized, the District's general fund balance is expected to remain the same by the close of fiscal year 2015.

## 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, 2014

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 3,698,652
1225	Property Taxes Receivable (Net)	21,126
1240	Due from Other Governments	423,788
1290	Other Receivables (Net)	5,520
Capital Assets:		
1510	Land	283,919
1520	Buildings and Improvements, Net	14,562,571
1530	Furniture and Equipment, Net	714,337
1000	Total Assets	<u>19,709,913</u>
<b>LIABILITIES:</b>		
2140	Interest Payable	17,299
2165	Accrued Liabilities	254,532
Noncurrent Liabilities:		
2501	Due Within One Year	205,000
2502	Due in More Than One Year	8,636,150
2000	Total Liabilities	<u>9,112,981</u>
<b>NET POSITION</b>		
3200	Net Investment in Capital Assets	6,719,677
Restricted For:		
3820	State and Federal Programs	97,919
3850	Debt Service	112,905
3860	Capital Projects	49,203
3900	Unrestricted	3,617,228
3000	Total Net Position	<u>\$ 10,596,932</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, 2014

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:					
11	Instruction	\$ 3,843,579	\$ --		\$ 359,241	\$ (3,484,338)
12	Instructional Resources and Media Services	60,986	--		3,072	(57,914)
13	Curriculum and Staff Development	56,468	--		25,843	(30,625)
21	Instructional Leadership	17,636	--		2,695	(14,941)
23	School Leadership	289,886	--		12,155	(277,731)
31	Guidance, Counseling, & Evaluation Services	123,186	--		7,044	(116,142)
32	Social Work Services	478	--		478	--
33	Health Services	74,981	--		4,195	(70,786)
34	Student Transportation	222,413	--		10,938	(211,475)
35	Food Service	415,152	77,032		340,338	2,218
36	Cocurricular/Extracurricular Activities	491,231	22,795		16,688	(451,748)
41	General Administration	393,432	--		16,285	(377,147)
51	Facilities Maintenance and Operations	658,680	--		17,956	(640,724)
52	Security and Monitoring Services	5,878	--		--	(5,878)
53	Data Processing Services	71,896	--		10,231	(61,665)
72	Interest on Long-term Debt	410,695	--		--	(410,695)
73	Bond Issuance Costs and Fees	750	--		--	(750)
93	Payments Related to Shared Services Arrangements	69,699	--		--	(69,699)
99	Other Intergovernmental Charges	34,063	--		--	(34,063)
TG	Total Governmental Activities	<u>7,241,089</u>	<u>99,827</u>		<u>827,159</u>	<u>(6,314,103)</u>
TP	Total Primary Government	<u>\$ 7,241,089</u>	<u>\$ 99,827</u>		<u>\$ 827,159</u>	<u>(6,314,103)</u>
	General Revenues:					
MT	Property Taxes, Levied for General Purposes					989,130
DT	Property Taxes, Levied for Debt Service					304,960
IE	Investment Earnings					5,444
GC	Grants and Contributions Not Restricted to Specific Programs					4,856,519
MI	Miscellaneous					169,760
TR	Total General Revenues					<u>6,325,813</u>
CN	Change in Net Position					11,710
NB	Net Position - Beginning					10,712,507
PA	Prior Period Adjustment					(127,285)
	Net Position - Beginning, as Restated					10,585,222
NE	Net Position - Ending					<u>\$ 10,596,932</u>

The accompanying notes are an integral part of this statement.

# WEST SABINE INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2014

Data Control Codes	10  General Fund	50  Debt Service Fund
	<u>          </u>	<u>          </u>
<b>ASSETS:</b>		
1110 Cash and Cash Equivalents	\$ 3,460,388	\$ 91,970
1225 Taxes Receivable, Net	17,104	4,022
1240 Due from Other Governments	373,552	16,913
1260 Due from Other Funds	24,432	--
1290 Other Receivables	5,520	--
1000 Total Assets	<u>3,880,996</u>	<u>112,905</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2150 Payroll Deductions & Withholdings	\$ 210	\$ --
2160 Accrued Wages Payable	185,073	--
2170 Due to Other Funds	--	--
2200 Accrued Expenditures	61,186	--
2000 Total Liabilities	<u>246,469</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Deferred Revenue	17,104	4,022
2600 Total Deferred Inflows of Resources	<u>17,104</u>	<u>4,022</u>
<b>FUND BALANCES:</b>		
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3470 Capital Acquisitions & Contractual Obligations	--	--
3480 Retirement of Long-Term Debt	--	108,883
Committed Fund Balances:		
3510 Construction	650,000	--
3530 Capital Expenditures for Equipment	350,000	--
3600 Unassigned	2,617,423	--
3000 Total Fund Balances	<u>3,617,423</u>	<u>108,883</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 3,880,996</u>	<u>\$ 112,905</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 49,203	\$ 97,091	\$ 3,698,652
--	--	21,126
--	33,323	423,788
--	--	24,432
--	--	5,520
<u>49,203</u>	<u>130,414</u>	<u>4,173,518</u>
\$ --	\$ --	\$ 210
--	6,845	191,918
--	24,432	24,432
--	1,218	62,404
<u>--</u>	<u>32,495</u>	<u>278,964</u>
<u>--</u>	<u>--</u>	<u>21,126</u>
<u>--</u>	<u>--</u>	<u>21,126</u>
--	97,919	97,919
49,203	--	49,203
--	--	108,883
--	--	650,000
--	--	350,000
--	--	2,617,423
<u>49,203</u>	<u>97,919</u>	<u>3,873,428</u>
<u>\$ 49,203</u>	<u>\$ 130,414</u>	<u>\$ 4,173,518</u>

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**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
 TO THE STATEMENT OF NET POSITION  
 AUGUST 31, 2014

Total fund balances - governmental funds balance sheet	\$ 3,873,428
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.	15,560,827
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	21,126
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,841,150)
Payables for bond interest which are not due in the current period are not reported in the funds.	<u>(17,299)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 10,596,932</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, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>REVENUES:</b>		
5700 Local and Intermediate Sources	\$ 1,187,355	\$ 304,610
5800 State Program Revenues	4,645,907	336,204
5900 Federal Program Revenues	118,856	--
5020 Total Revenues	<u>5,952,118</u>	<u>640,814</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	3,051,512	--
0012 Instructional Resources and Media Services	59,279	--
0013 Curriculum and Staff Development	30,625	--
0021 Instructional Leadership	14,309	--
0023 School Leadership	289,886	--
0031 Guidance, Counseling, & Evaluation Services	122,718	--
0032 Social Work Services	--	--
0033 Health Services	74,981	--
0034 Student Transportation	229,823	--
0035 Food Service	--	--
0036 Cocurricular/Extracurricular Activities	458,855	--
0041 General Administration	386,874	--
0051 Facilities Maintenance and Operations	619,634	--
0052 Security and Monitoring Services	5,878	--
0053 Data Processing Services	105,370	--
0071 Principal on Long-term Debt	--	195,000
0072 Interest on Long-term Debt	--	427,588
0073 Bond Issuance Costs and Fees	--	750
0081 Capital Outlay	8,023	--
0093 Payments to Shared Service Arrangements	69,699	--
0099 Other Intergovernmental Charges	34,063	--
6030 Total Expenditures	<u>5,561,529</u>	<u>623,338</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	390,589	17,476
1200 Net Change in Fund Balances	<u>390,589</u>	<u>17,476</u>
0100 Fund Balances - Beginning	3,226,834	91,407
3000 Fund Balances - Ending	<u>\$ 3,617,423</u>	<u>\$ 108,883</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ --	\$ 77,032	\$ 1,568,997
--	53,188	5,035,299
--	529,524	648,380
<u>          </u>	<u>          </u>	<u>          </u>
--	659,744	7,252,676
--	198,967	3,250,479
--	--	59,279
--	25,843	56,468
--	3,327	17,636
--	--	289,886
--	468	123,186
--	478	478
--	--	74,981
--	7,769	237,592
--	395,101	395,101
--	--	458,855
--	--	386,874
--	35,098	654,732
--	--	5,878
--	5,522	110,892
--	--	195,000
--	--	427,588
--	--	750
20,540	--	28,563
--	--	69,699
--	--	34,063
<u>          </u>	<u>          </u>	<u>          </u>
20,540	672,573	6,877,980
(20,540)	(12,829)	374,696
<u>          </u>	<u>          </u>	<u>          </u>
(20,540)	(12,829)	374,696
69,743	110,748	3,498,732
<u>          </u>	<u>          </u>	<u>          </u>
\$ 49,203	\$ 97,919	\$ 3,873,428

**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, 2014

Net change in fund balances - total governmental funds	\$ 374,696
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	167,642
The depreciation of capital assets used in governmental activities is not reported in the funds.	(742,643)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	122
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	195,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	16,258
(Increase) decrease in accrued interest from beginning of period to end of period.	<u>635</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 11,710</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, 2014

Data Control Codes		Agency Fund
		Student Activity
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 91,204
1000	Total Assets	91,204
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	Due to Student Groups	\$ 91,204
2000	Total Liabilities	91,204
<b>NET POSITION:</b>		
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, 2014

### 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 and there are no component units included within the District's 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. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise 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.

**Debt Service Fund:** The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Projects Fund:** This fund accounts for resources segregated for construction and maintenance of school buildings and equipment.

In addition, the District reports the following fund types:

# WEST SABINE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

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. 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. The government-wide financial statements 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 does not consider revenues collected after its year-end to be available in the current period. 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.

### 3. Financial Statement Amounts

#### a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

#### b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 when they become due or past due and receivable within the current period.

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 \$84,503 at August 31, 2014.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

c. 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.

d. 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

e. 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.

f. 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.

g. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District does not have any items that qualify for this category of reporting.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, \$17,104, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source – property taxes. This amount is deferred and recognized as an inflow of resources in the period that the taxes become available.

h. Fund Balances - Governmental Funds

# WEST SABINE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2014

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

i. **Use of Estimates**

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

j. **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, 2014

### 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	N/A	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, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,789,855 and the bank balance was \$3,952,597. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014, 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 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.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

The District's investments at August 31, 2014 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Brokered certificates of deposit	< 1 year	\$ 2,640,000
Federated money market	n/a	758,140
Total Investments		<u>\$ 3,398,140</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.

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.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**D. Capital Assets**

Capital asset activity for the year ended August 31, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated</i>				
Land	\$ 273,864	\$ 10,054		\$ 283,918
Construction in progress	-			-
Total capital assets not being depreciated	273,864	10,054	-	283,918
<i>Capital assets being depreciated:</i>				
Buildings and improvements	19,983,188	8,023		19,991,211
Equipment	561,231	56,107		617,338
Vehicles	1,070,862	93,458		1,164,320
Total capital assets being depreciated	21,615,281	157,588	-	21,772,869
Less accumulated depreciation for:				
Buildings and improvements	(4,813,535)	(615,104)		(5,428,639)
Equipment	(246,587)	(48,491)		(295,078)
Vehicles	(693,195)	(79,048)		(772,243)
Total accumulated depreciation	(5,753,317)	(742,643)	-	(6,495,960)
Total capital assets being depreciated, net	15,861,964	(585,055)	-	15,276,909
Governmental activities capital assets, net	<u>\$ 16,135,828</u>	<u>\$ (575,001)</u>	<u>\$ -</u>	<u>\$ 15,560,827</u>

Depreciation was charged to functions as follows:

Instruction	\$ 593,099
Instructional Resources and Media	1,707
Student transportation	78,279
Food services	26,461
Extracurricular activities	32,376
General administration	6,558
Plant maintenance and operations	3,948
Data processing services	215
Total depreciation	<u>\$ 742,643</u>

**E. Interfund Balances and Activities**

1. Balances due to and due from other funds at August 31, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
<u>Nonmajor Special Revenue:</u>			
State Textbook Fund	General Fund	24,432	Supplement cash needs
	Total	<u>\$ 24,432</u>	

All amounts due are scheduled to be repaid within one year.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

2. Transfers To and From Other Funds

There were no transfers to and from other funds in the year ended August 31, 2014.

**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, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<i>Governmental Activities:</i>					
General obligation bonds	\$ 8,805,000	\$ -	\$ 195,000	\$ 8,610,000	\$ 205,000
Bond premium (discount)	247,408	-	16,258	231,150	-
Total governmental activities	<u>\$ 9,052,408</u>	<u>\$ -</u>	<u>\$ 211,258</u>	<u>\$ 8,841,150</u>	<u>\$ 205,000</u>

In prior years, debt issue costs were carried as an asset in the Statement of Net Position. Beginning with the current fiscal year, Governmental Accounting Standards No. 65 requires this balance to be eliminated. Consequently, the prior year balance of \$127,285 was written off as a prior period adjustment.

Bonds payable are comprised of the following individual issues:

	Interest Rates	Original Issue	Maturity Date	Balance
<i>Governmental Activities:</i>				
2008 Unlimited Tax School Building Bonds	4.00 to 5.50%	\$ 9,500,000	2038	\$ 8,610,000
Total governmental activities				<u>\$ 8,610,000</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2014, are as follows:

<i>Year Ending August 31,</i>	Governmental Activities		
	Principal	Interest	Total
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	250,000	384,988	634,988
1 to 5	1,420,000	1,706,865	3,126,865
6 to 10	1,750,000	1,281,440	3,031,440
11 to 15	2,170,000	816,921	2,986,921
16 to 20	2,150,000	260,477	2,410,477
Total governmental activities	<u>\$ 8,610,000</u>	<u>\$ 6,079,243</u>	<u>\$ 14,689,243</u>

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

**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, 2014, as follows:

<u>Year Ending August 31,</u>	
2015	\$ 19,976
Total governmental activities	<u>\$ 19,976</u>
Rental expenditures for 2014	<u>\$ 31,641</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 2014, 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 years.

The District participates in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. 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, 2014. 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 by not reported. Changes in the balances of workers' compensation claim liabilities during the past three years are as follows:

	<u>Beginning Balance</u>	<u>Incurred Claims (IBNR)</u>	<u>Claims Paid</u>	<u>Ending Balance</u>
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
Year ended August 31, 2014	22,487	16,310	5,501	33,296

**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](http://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.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (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 during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Contribution rates and contributions for fiscal years 2014 to 2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution on the portion of the employees' salaries that exceeded the statutory minimum.

Year Ended August 31,	Member		State		Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2014	6.4%	\$ 233,290	6.8%	\$ 213,764	\$ 19,897
2013	6.4%	227,187	6.4%	188,603	15,428
2012	6.4%	216,538	6.0%	176,816	13,540

**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-Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

*NOTES TO THE FINANCIAL STATEMENTS*

*FOR THE YEAR ENDED AUGUST 31, 2014*

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. Contribution rates and amounts are shown in the table below for fiscal years 2014–2012.

Year Ended August 31,	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 23,693	1.00%	\$ 31,436	0.55%	\$ 20,048
2013	0.65%	23,130	0.50%	14,735	0.55%	19,572
2012	0.65%	21,992	1.00%	29,469	0.55%	18,608

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, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on behalf of District were \$9,688, \$9,480, and \$8,383, respectively.

**K. Employee Health Care Coverage**

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan) through the TRS Active Care Program. The District paid premiums of \$500 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents.

**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 collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the District at August 31, 2014.

3. Contractual Commitment

The District has entered into a 3-year contract with Pearson Education, Inc. to provide math and science products through 2017. As of August 31, 2014, the District has spent \$27,448 with \$55,952 remaining on the contract.

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2014*

**M. Shared Services Arrangements**

Shared Services Arrangement - Membership

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

Special Education Services

Broaddus ISD  
Brookeland ISD  
Hemphill ISD, fiscal agent  
West Sabine ISD

The District does not account for revenues or expenditures in these programs 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. Other Disclosures**

The prior period adjustment in the government-wide Statement of Activities represents debt issue costs that were carried as a long-term asset in prior financial statements with an unamortized balance of \$127,285. Per the Governmental Accounting Board's Statement No. 65, debt issue costs should be written off as a prior period adjustment, effective for the year ended August 31, 2014.



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## 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, 2014

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 1,030,400	\$ 1,200,160	\$ 1,187,355	\$ (12,805)
5800	State Program Revenues	4,435,006	4,469,621	4,645,907	176,286
5900	Federal Program Revenues	--	--	118,856	118,856
5020	Total Revenues	<u>5,465,406</u>	<u>5,669,781</u>	<u>5,952,118</u>	<u>282,337</u>
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	3,020,469	3,132,835	3,051,512	81,323
0012	Instructional Resources and Media Services	63,857	64,185	59,279	4,906
0013	Curriculum and Staff Development	24,200	64,200	30,625	33,575
	Total Instruction & Instr. Related Services	<u>3,108,526</u>	<u>3,261,220</u>	<u>3,141,416</u>	<u>119,804</u>
Instructional and School Leadership:					
0021	Instructional Leadership	15,250	15,250	14,309	941
0023	School Leadership	348,738	349,237	289,886	59,351
	Total Instructional & School Leadership	<u>363,988</u>	<u>364,487</u>	<u>304,195</u>	<u>60,292</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	127,430	128,575	122,718	5,857
0033	Health Services	76,656	77,126	74,981	2,145
0034	Student (Pupil) Transportation	132,295	243,833	229,823	14,010
0036	Cocurricular/Extracurricular Activities	468,365	477,585	458,855	18,730
	Total Support Services - Student (Pupil)	<u>804,746</u>	<u>927,120</u>	<u>886,377</u>	<u>40,743</u>
Administrative Support Services:					
0041	General Administration	385,316	396,484	386,874	9,610
	Total Administrative Support Services	<u>385,316</u>	<u>396,484</u>	<u>386,874</u>	<u>9,610</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	608,158	655,513	619,634	35,879
0052	Security and Monitoring Services	4,360	20,519	5,878	14,641
0053	Data Processing Services	78,310	119,096	105,370	13,726
	Total Support Services - Nonstudent Based	<u>690,828</u>	<u>795,128</u>	<u>730,882</u>	<u>64,246</u>
Capital Outlay:					
0081	Capital Outlay	--	11,000	8,023	2,977
	Total Capital Outlay	<u>--</u>	<u>11,000</u>	<u>8,023</u>	<u>2,977</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	76,000	76,000	69,699	6,301
0099	Other Intergovernmental Charges	36,000	36,000	34,063	1,937
	Total Intergovernmental Charges	<u>112,000</u>	<u>112,000</u>	<u>103,762</u>	<u>8,238</u>
6030	Total Expenditures	<u>5,465,404</u>	<u>5,867,440</u>	<u>5,561,529</u>	<u>305,911</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>2</u>	<u>(197,659)</u>	<u>390,589</u>	<u>588,248</u>
1200	Net Change in Fund Balance	<u>2</u>	<u>(197,659)</u>	<u>390,589</u>	<u>588,248</u>
0100	Fund Balance - Beginning	3,226,834	3,226,834	3,226,834	--
3000	Fund Balance - Ending	<u>\$ 3,226,836</u>	<u>\$ 3,029,175</u>	<u>\$ 3,617,423</u>	<u>\$ 588,248</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.

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**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 AUGUST 31, 2014

Data Control Codes	240 National School Breakfast/Lunch Program	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 97,091	\$ --	\$ 97,091
1240	Due from Other Governments	8,891	24,432	33,323
1000	Total Assets	<u>105,982</u>	<u>24,432</u>	<u>130,414</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 6,845	\$ --	\$ 6,845
2170	Due to Other Funds	--	24,432	24,432
2200	Accrued Expenditures	1,218	--	1,218
2000	Total Liabilities	<u>8,063</u>	<u>24,432</u>	<u>32,495</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	97,919	--	97,919
3000	Total Fund Balances	<u>97,919</u>	<u>--</u>	<u>97,919</u>
4000	Total Liabilities and Fund Balances	<u>\$ 105,982</u>	<u>\$ 24,432</u>	<u>\$ 130,414</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, 2014

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ --	\$ 77,032	\$ --
5800	State Program Revenues	--	2,326	--
5900	Federal Program Revenues	134,639	338,012	1,004
5020	Total Revenues	<u>134,639</u>	<u>417,370</u>	<u>1,004</u>
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	115,060	--	1,004
0013	Curriculum and Staff Development	16,406	--	--
0021	Instructional Leadership	2,695	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--
0032	Social Work Services	478	--	--
0034	Student Transportation	--	--	--
0035	Food Service	--	395,101	--
0051	Facilities Maintenance and Operations	--	35,098	--
0053	Data Processing Services	--	--	--
6030	Total Expenditures	<u>134,639</u>	<u>430,199</u>	<u>1,004</u>
1100	Excess (Deficiency) of Revenues Over (Under)	--	(12,829)	--
1100	Expenditures	--	(12,829)	--
1200	Net Change in Fund Balances	--	(12,829)	--
0100	Fund Balances - Beginning	--	110,748	--
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ 97,919</u>	<u>\$ --</u>

	255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
	\$ --	\$ --	\$ --	\$ 77,032
	--	--	50,862	53,188
	31,607	24,262	--	529,524
	<u>31,607</u>	<u>24,262</u>	<u>50,862</u>	<u>659,744</u>
	30,975	6,588	45,340	198,967
	--	9,437	--	25,843
	632	--	--	3,327
	--	468	--	468
	--	--	--	478
	--	7,769	--	7,769
	--	--	--	395,101
	--	--	--	35,098
	--	--	5,522	5,522
	<u>31,607</u>	<u>24,262</u>	<u>50,862</u>	<u>672,573</u>
	--	--	--	(12,829)
	--	--	--	(12,829)
	--	--	--	110,748
\$	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>97,919</u></u>



## 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**

**EXHIBIT H-3**

CAPITAL PROJECTS FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5020 Total Revenues	\$ --	\$ --	\$ --
<b>EXPENDITURES:</b>			
Capital Outlay:			
0081 Capital Outlay	69,743	20,540	49,203
Total Capital Outlay	<u>69,743</u>	<u>20,540</u>	<u>49,203</u>
6030 Total Expenditures	<u>69,743</u>	<u>20,540</u>	<u>49,203</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(69,743)	(20,540)	49,203
1200 Net Change in Fund Balance	<u>(69,743)</u>	<u>(20,540)</u>	<u>49,203</u>
0100 Fund Balance - Beginning	69,743	69,743	--
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ 49,203</u>	<u>\$ 49,203</u>

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FOR THE YEAR ENDED AUGUST 31, 2014

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2005 and Prior Years	\$ Various	\$ Various	\$ Various
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	1.04	.32	90,300,618
2014 (School Year Under Audit)	1.04	.315	96,633,275

1000 Totals

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

10 Beginning Balance 9/1/13	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/14
\$ 20,618	\$ --	\$ 271	\$ --	\$ (5,902)	\$ 14,445
2,914	--	311	--	(195)	2,408
2,708	--	403	--	(178)	2,127
3,197	--	795	--	(143)	2,259
4,652	--	349	106	(100)	4,097
7,673	--	1,251	412	(103)	5,907
12,489	--	1,896	619	(102)	9,872
15,139	--	2,415	799	(1,589)	10,336
35,631	--	13,393	4,371	(1,650)	16,217
--	1,301,883	965,986	298,067	130	37,960
<u>\$ 105,021</u>	<u>\$ 1,301,883</u>	<u>\$ 987,070</u>	<u>\$ 304,374</u>	<u>\$ (9,832)</u>	<u>\$ 105,628</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-2**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 68,050	\$ 77,032	\$ 8,982
5800	State Program Revenues	2,100	2,326	226
5900	Federal Program Revenues	322,350	338,012	15,662
5020	Total Revenues	<u>392,500</u>	<u>417,370</u>	<u>24,870</u>
<b>EXPENDITURES:</b>				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	404,650	395,101	9,549
	Total Support Services - Student (Pupil)	<u>404,650</u>	<u>395,101</u>	<u>9,549</u>
Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	42,000	35,098	6,902
	Total Support Services - Nonstudent Based	<u>42,000</u>	<u>35,098</u>	<u>6,902</u>
6030	Total Expenditures	<u>446,650</u>	<u>430,199</u>	<u>16,451</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(54,150)	(12,829)	41,321
1200	Net Change in Fund Balance	<u>(54,150)</u>	<u>(12,829)</u>	<u>41,321</u>
0100	Fund Balance - Beginning	110,748	110,748	--
3000	Fund Balance - Ending	<u>\$ 56,598</u>	<u>\$ 97,919</u>	<u>\$ 41,321</u>

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ 310,598	\$ 304,610	\$ (5,988)
5800 State Program Revenues	312,490	336,204	23,714
5020 Total Revenues	<u>623,088</u>	<u>640,814</u>	<u>17,726</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 Principal on Long-Term Debt	195,000	195,000	--
0072 Interest on Long-Term Debt	427,588	427,588	--
0073 Bond Issuance Costs and Fees	750	750	--
Total Debt Service	<u>623,338</u>	<u>623,338</u>	<u>--</u>
6030 Total Expenditures	<u>623,338</u>	<u>623,338</u>	<u>--</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(250)	17,476	17,726
1200 Net Change in Fund Balance	<u>(250)</u>	<u>17,476</u>	<u>17,726</u>
0100 Fund Balance - Beginning	91,407	91,407	--
3000 Fund Balance - Ending	<u>\$ 91,157</u>	<u>\$ 108,883</u>	<u>\$ 17,726</u>

**HALLS, JOHNSON, MCLEMORE & REDFIELD, LLP**  
1329 N University 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, 2014, 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 11, 2014.

**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. 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,

*Halls, Johnson, McLemore & Redfield, LLP*

Halls, Johnson, McLemore & Redfield, LLP

Nacogdoches, Texas  
December 11, 2014



**HALLS, JOHNSON, MCLEMORE & REDFIELD, LLP**  
1329 N University 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, 2014. 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, 2014.

## 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,



Halls, Johnson, McLemore & Redfield, LLP

Nacogdoches, Texas  
December 11, 2014

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2014**

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: Unmodified

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, 2014

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No Prior Findings		

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2014

N/A - No Findings

**WEST SABINE INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT K-1**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2014

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Direct Program:			
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	S358A121681	\$ 24,262
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	14610101202905	134,639
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	14694501202905	31,607
Total Passed Through State Department of Education			<u>166,246</u>
Passed Through Hemphill ISD:			
Career and Technical - Basic Grant	84.048	14420006202903	1,004
Total U. S. Department of Education			<u>191,512</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	202-905	74,592
National School Lunch Program *	10.555	202-905	237,152
Commodity Supplemental Food Program (Non-cash) *	10.565	202-905	26,268
Total Passed Through State Department of Education			<u>338,012</u>
Passed Through Sabine County:			
Schools and Roads - Grants to Counties *	10.666	202-905	118,856
Total U. S. Department of Agriculture			<u>456,868</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 648,380</u></u>

\* 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, 2014

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, 2014

<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?	\$    --