

WASKOM INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2013

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For Discussion Purposes Only

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WASKOM INDEPENDENT SCHOOL DISTRICT
Annual Financial Report for the
Year Ended August 31, 2013

Table of Contents

Exhibit		Page
	CERTIFICATE OF BOARD	1
	FINANCIAL SECTION	
	Independent Auditor's Report	2-4
	Management's Discussion and Analysis	5-11
	Basic Financial Statements	
	Government-wide Financial Statements	
A-1	Statement of Net Position	12
B-1	Statement of Activities	13-14
	Governmental Fund Financial Statements	
C-1	Balance Sheet	15
C-2	Reconciliation for C-1	16
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance ...	17
C-4	Reconciliation for C-3	18
	Fiduciary Fund Financial Statements	
E-1	Statement of Fiduciary Net Position	19
E-2	Statement of Changes in Fiduciary Net Position and Cash Flows	20
	Notes to the Financial Statements	21-36
	Required Supplementary Information	
	Budgetary Comparison Reporting	
G-1	Budgetary Comparison Schedule - General Fund	37
	Other Supplementary Information	
	Combining Schedules	
H-1	Combining Balance Sheet - Nonmajor Governmental Funds	38-41
H-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	42-45
	Required TEA Schedules	
J-1	Schedule of Delinquent Taxes Receivable	46
J-2	Schedule of Expenditures for Computation of Indirect Cost	47
J-3	Budgetary Comparison Schedule - Child Nutrition Fund	48
J-4	Budgetary Comparison Schedule - Debt Service Fund	49

WASKOM INDEPENDENT SCHOOL DISTRICT
Annual Financial Report for
the Year Ended August 31, 2013

Table of Contents

Exhibit		Page
	FEDERAL AWARDS SECTION	
	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 <u>Government Auditing</u> <u>Standards</u>	50-51
	Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 ..	52-53
	Schedule of Findings and Questioned Costs	54
	Schedule of Status of Prior Findings	55
	Corrective Action Plan	56
	Notes to Schedule of Expenditures of Federal Awards	57
K-1	Schedule of Expenditures of Federal Awards	58

**WASKOM INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD**

<u>Waskom Independent School District</u>	<u>Harrison</u>	<u>102-903</u>
Name of School District	County	County-District Number

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

Signature of Board Secretary

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

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Goff & Herrington, P.C.

A.J. Goff, CPA
Ronnie Herrington, CPA

P. O. Box 153320 • Lufkin, TX. 75915-3320 • (936) 875-3317 • Fax: (936) 622-6823

Certified Public Accountants

Independent Auditor's Report

Members of the Board of Trustees
Waskom Independent School District
Waskom, Texas

Members of the Board of Trustees:

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Independent Auditor's Report

Members of the Board of Trustees

November 25, 2013

Page 2

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 the Waskom Independent School District, as of August 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–11 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Independent Auditor's Report

Members of the Board of Trustees

November 25, 2013

Page 3

The combining and individual nonmajor fund financial statements 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 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 and statistical sections have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 25, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering District's internal control over financial reporting and compliance.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

November 25, 2013

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WASKOM INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

- ▶ The District's total combined net position was \$7,217,786 as of August 31, 2013.
- ▶ During the year ended August 31, 2013, the District's net position increased by \$7,118. The District generated \$8,765,632 in taxes and other revenues from governmental activities.
- ▶ The total cost of the District's programs was \$8,758,514.
- ▶ The general fund reported a total fund balance this year of \$2,858,814.
- ▶ The general fund unassigned fund balance is \$2,200,554.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial 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: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District wide statement of financial position presenting information that includes all of the District's asset, liabilities, and deferred outflows and inflows, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non financial factors such as changes to the District's tax base.

WASKOM INDEPENDENT SCHOOL DISTRICT

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements 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.
- ▶ The fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

The District has two kinds of funds:

Governmental funds - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can 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 program's. 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 fund statement, or on the subsequent page, that explains the relationship (or differences) between them.

Fiduciary funds - The District is the trustee, or fiduciary, for money raised by student activities and a scholarship program. 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

WASKOM INDEPENDENT SCHOOL DISTRICT

a separate statement of fiduciary net position and a statement of changes in 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 accompanying notes to the financial statements provide essential information to a full understanding of the government-wide and fund financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was \$7,217,786 as of August 31, 2013. The following table provides a summary of the District's net position.

The District's Net Position			
	Governmental Activities		% Change
	2013	2012	
Current and Other Assets	3,567,350	4,902,390	(27.2)%
Capital and Non-Current Assets	11,935,138	10,591,380	12.7%
Total Assets	15,502,488	15,493,770	0.1%
Other Liabilities	370,423	244,093	51.8%
Long Term Liabilities	7,914,279	8,039,009	(1.6)%
Total Liabilities	8,284,702	8,283,102	0.0%
Net Position:			
Invested in Capital Assets, net of Related Debt	4,020,859	2,684,464	49.8%
Restricted	252,029	104,360	141.5%
Unrestricted	2,944,898	4,421,844	(33.4)%
Total Net Position	<u>7,217,786</u>	<u>7,210,668</u>	<u>0.1%</u>

The \$252,029 of restricted net position represents amounts to be spent on retirement of debt and grant programs.

Changes in net position. The District's total revenues were \$8,765,632. A portion, 16.98 percent, of the District's revenue comes from state aid-formula grants. Property taxes represent 68.71 percent of the District's revenue. The rest of the District's revenue comes from federal operating grants, charges for services, investment earnings, and other local sources.

The total cost of all programs and services was \$8,758,514; 73.92 percent of these costs are for instructional and student services.

WASKOM INDEPENDENT SCHOOL DISTRICT

Governmental Activities

The following table provides a summary of the District's changes in net position.

Changes in the District's Net Position

	Governmental Activities		% Change
	2013	2012	
Revenues:			
Program Revenues:			
Charges for services	145,204	146,907	(1.2)%
Operating grants	945,791	1,068,918	(11.5)%
General Revenues:			
Property taxes	6,023,253	5,245,712	14.8%
State aid - formula	1,488,407	2,151,175	(30.8)%
Investment earnings	34,594	12,601	174.5%
Other general revenues	128,383	169,340	(24.2)%
Total revenues	8,765,632	8,794,653	(0.3)%
Expenses:			
Instructional and instructional related	4,973,452	4,616,188	7.7%
Instructional and school leadership	380,711	408,236	(6.7)%
Counseling, health, transportation, and extracurricular	945,491	848,170	11.5%
Food services	450,078	450,844	(0.2)%
General administration	297,653	273,938	8.7%
Plant maintenance and security	883,745	817,906	8.1%
Data processing services	124,573	118,870	4.8%
Debt services	593,994	391,063	51.9%
Capital outlay	3,405	3,635	(6.3)%
Payments to fiscal agent/member districts	105,412	114,617	(8.0)%
Total expenses	8,758,514	8,043,467	8.9%
 Increase (Decrease) in Net Position	 7,118	 751,186	 (99.1)%
Beginning Net Position	7,210,668	6,459,482	11.6%
Ending Net Position	7,217,786	7,210,668	0.1%

The District's maintenance property tax rate of \$1.04 is unchanged from last year. Property tax revenues increased by 14.82 percent from the prior year as appraised valuation increased.

WASKOM INDEPENDENT SCHOOL DISTRICT

The cost of governmental activities may be summarized as follows:

- ▶ The cost of all governmental activities this year was \$8,758,514.
- ▶ The amount that our taxpayers paid for these activities through property taxes was \$6,023,253.
- ▶ Some of the cost was paid by those who directly benefitted from the programs (\$145,204), or
- ▶ By operating grants (\$945,791).

The following table presents the cost of each of the District's largest functions as well as each functions net cost (total cost less fees generated by activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

Net Cost of Selected District Functions						
	Total cost of services			Net cost of services		
	2013	2012	% Change	2013	2012	% Change
Instruction	4,779,985	4,437,341	7.7%	4,242,209	3,779,766	12.2%
Maintenance & operations	861,206	815,306	5.6%	846,919	802,403	5.5%
Cocurricular/extracurricular	541,216	444,621	21.7%	519,988	425,263	22.3%
Debt service	593,994	384,706	54.4%	593,994	384,706	54.4%
Food service	450,078	450,844	(0.2)%	21,438	37,797	(43.3)%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$8,757,543, a decrease of less than 1.00 percent from the preceding year.

The District's governmental funds ended the year with a reported combined fund balance of \$3,110,843, a decrease of \$1,323,188 from last years ending balance of \$4,434,031. The decrease is attributable to the major capital asset expenditures during the year.

General Fund Budgetary Highlights

Over the course of the year the District revised the operating budget as actual results were analyzed. Actual expenditures were \$16,181 below final budget amounts. The most significant negative variance results were in the capital outlay area as the final expenditures were more than expected.

Additionally, reported total revenues were \$375,653 above the final budgeted amounts as local and intermediate revenues were more than anticipated.

WASKOM INDEPENDENT SCHOOL DISTRICT

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had invested \$22,169,490, less depreciation of \$10,234,352, in a broad range of capital assets, including land, school buildings, athletic facilities, instructional equipment, and school buses. The following table provides a summary of the District's capital assets.

District's Capital Assets (Net of depreciation)

	Governmental Activities		
	2013	2012	% Change
Land	155,135	155,135	0.0%
Buildings & improvements	11,177,876	9,753,774	14.6%
Equipment & vehicles	602,127	682,471	(11.8)%
Net capital assets	11,935,138	10,591,380	12.7%

Significant capital asset expenditures include football stadium improvements, including new track and turf and additional bleachers, and renovations to restrooms and parking lot.

More detailed information about the District's capital assets is presented in the notes to the financial statements. The District's fiscal year 2014 capital budget includes capital expenditures renovations to elementary and middle school roofs.

Long-term Debt

The following table provides a summary of the District's long-term debt.

District's Long-term Debt

	Governmental Activities		
	2013	2012	% Change
School Building Bonds	7,475,000	7,720,000	(3.2)%
Total long term debt	7,475,000	7,720,000	(3.2)%

At year end the District had \$7,475,000 in school building bonds outstanding as shown above. The District's bonds presently carry very favorable ratings of "AAA" with Standard and Poors.

More detailed information about the District's debt is presented in the notes to the financial statements.

WASKOM INDEPENDENT SCHOOL DISTRICT

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ▶ Appraised values used for the 2014 budget preparation were \$494,151,776, a 2.67 percent decrease from 2013.
- ▶ The District's average daily attendance is expected to be 820 which is a 6.49 percent increase from 2013.

These indicators were taken into account when adopting the general fund budget for 2014. Amounts available for expenditure in the general fund budget are \$7,920,109, an increase of 14.82 percent from the final 2013 budget of \$6,897,962. The District will use these revenues to finance programs we currently offer.

Expenditures are budgeted to decrease 9.45 percent to \$7,920,109. If the budgeted estimates are realized, the District's budgetary general fund balance is expected to remain approximately the same by the close of 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate accountability for the money it receives. If you have any questions about this report or need additional financial information contact the District's Business Manager.

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Government-Wide Financial Statements

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WASKOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
1110 Cash and cash equivalents	1,758,729	-	1,758,729
1120 Investments - current	1,579,191	-	1,579,191
1220 Property taxes receivable - delinquent	577,941	-	577,941
1230 Allowance for uncollectible taxes (credit)	(462,353)	-	(462,353)
1240 Due from other governments	113,842	-	113,842
Capital Assets:			
1510 Land	155,135	-	155,135
1520 Buildings, net	11,177,876	-	11,177,876
1530 Furniture and equipment, net	602,127	-	602,127
1000 Total assets	15,502,488	-	15,502,488
LIABILITIES			
2110 Accounts payable	119,351	-	119,351
2140 Interest payable	29,504	-	29,504
2160 Accrued wages payable	221,568	-	221,568
Long Term Liabilities:			
2501 Due within one year	220,000	-	220,000
2502 Due after one year	7,694,279	-	7,694,279
2000 Total liabilities	8,284,702	-	8,284,702
NET POSITION			
3200 Invested in capital assets, net of related debt	4,020,859	-	4,020,859
3820 Restricted for federal and state programs	111,877	-	111,877
3850 Restricted for debt service	140,152	-	140,152
3900 Unrestricted	2,944,898	-	2,944,898
3000 Total net position	7,217,786	-	7,217,786

The accompanying notes are an integral part of this statement

**WASKOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
11 Instruction	4,779,985	38,774	499,002
12 Instructional resources and media services	86,348	-	3,008
13 Curriculum and staff development	107,119	-	36,322
21 Instructional leadership	6,775	-	6,775
23 School leadership	373,936	-	16,489
31 Guidance, counseling, and evaluation services	96,290	-	4,565
33 Health services	57,320	-	2,847
34 Student transportation	250,665	-	5,818
35 Food service	450,078	93,769	334,871
36 Extracurricular activities	541,216	12,661	8,567
41 General administration	297,653	-	7,949
51 Plant maintenance and operations	861,206	-	14,287
52 Security and monitoring services	22,539	-	215
53 Data processing services	124,573	-	5,076
72 Interest on long-term debt	342,173	-	-
73 Bond issuance costs and fees	251,821	-	-
81 Capital outlay	3,405	-	-
93 Payments related to shared services arrangements	105,412	-	-
TP Total primary government	8,758,514	145,204	945,791

Data Control Codes	General revenues:
MT	Taxes:
DT	Property taxes, levied for general purposes
SF	Property taxes, levied for debt service
GC	State aid formula grants
IE	Grants and contributions, not restricted to specific programs
MI	Investment earnings
	Miscellaneous
TR	Total general revenues
CN	Change in net position
NB	Net position, beginning
NE	Net position, ending

The accompanying notes are an integral part of this statement

Program Revenues	Net (Expense) Revenues and Changes in Net Position		
	Governmental Activities	Business Activities	Total
5			
Capital			
Grants and Contributions			
-	(4,242,209)	-	(4,242,209)
-	(83,340)	-	(83,340)
-	(70,797)	-	(70,797)
-	-	-	-
-	(357,447)	-	(357,447)
-	(91,725)	-	(91,725)
-	(54,473)	-	(54,473)
-	(244,847)	-	(244,847)
-	(21,438)	-	(21,438)
-	(519,988)	-	(519,988)
-	(289,704)	-	(289,704)
-	(846,919)	-	(846,919)
-	(22,324)	-	(22,324)
-	(119,497)	-	(119,497)
-	(342,173)	-	(342,173)
-	(251,821)	-	(251,821)
-	(3,405)	-	(3,405)
-	(105,412)	-	(105,412)
-	(7,667,519)	-	(7,667,519)
5,355,450	-	-	5,355,450
667,803	-	-	667,803
1,488,407	-	-	1,488,407
97,826	-	-	97,826
34,594	-	-	34,594
30,557	-	-	30,557
7,674,637	-	-	7,674,637
7,118	-	-	7,118
7,210,668	-	-	7,210,668
7,217,786	-	-	7,217,786

The accompanying notes are an integral part of this statement

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Governmental Fund Financial Statements

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**WASKOM INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2013**

Data Control Codes		General Fund	Other Governmental Funds	Total Governmental Funds
	ASSETS			
1110	Cash and cash equivalents	1,500,341	258,388	1,758,729
1120	Investments - current	1,579,191	-	1,579,191
1220	Property taxes receivable - delinquent	522,042	55,899	577,941
1230	Allowance for uncollectible taxes (credit)	(417,634)	(44,719)	(462,353)
1240	Due from other governments	113,360	482	113,842
1000	Total Assets	3,297,300	270,050	3,567,350
	LIABILITIES			
2110	Accounts payable	119,351	-	119,351
2160	Accrued wages payable	214,727	6,841	221,568
2000	Total Liabilities	334,078	6,841	340,919
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable revenue - property taxes	104,408	11,180	115,588
2600	Total Inflows of Resources	104,408	11,180	115,588
	FUND BALANCES			
	Restricted fund balance:			
3450	Federal or State grants	-	111,877	111,877
3480	Retirement of long term debt	-	140,152	140,152
	Committed fund balance:			
3540	Self insurance	33,260	-	33,260
	Assigned fund balance:			
3550	Construction	625,000	-	625,000
3600	Unassigned fund balance	2,200,554	-	2,200,554
3000	Total fund balances	2,858,814	252,029	3,110,843
4000	Total Liabilities, Deferred Inflows & Fund Balances	3,297,300	270,050	3,567,350

The accompanying notes are an integral part of this statement

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

Total fund balances - governmental funds		3,110,843
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$20,020,634 and the accumulated depreciation was \$8,852,262. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the governmental funds. The net effect of including beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.	2,684,464
2	Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the current year capital outlays and debt principal payments is to increase net position.	2,031,148
3	The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(706,859)
4	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	98,190
19	Net position of governmental activities	7,217,786

The accompanying notes are an integral part of this statement

WASKOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		General Fund	Other Governmental Funds	Total Governmental Funds
	REVENUES			
5700	Total local and intermediate sources	5,408,091	817,428	6,225,519
5800	State program revenues	1,767,699	105,139	1,872,838
5900	Federal program revenues	97,825	561,361	659,186
5020	Total revenues	7,273,615	1,483,928	8,757,543
	EXPENDITURES			
0011	Instruction	4,115,554	332,746	4,448,300
0012	Instructional resources and media services	76,091	-	76,091
0013	Curriculum and staff development	71,024	34,308	105,332
0021	Instructional leadership	-	6,775	6,775
0023	School leadership	357,676	-	357,676
0031	Guidance, counseling, evaluation services	91,103	-	91,103
0033	Health services	55,075	-	55,075
0034	Student transportation	186,015	2,300	188,315
0035	Food service	-	402,133	402,133
0036	Extracurricular activities	397,194	-	397,194
0041	General administration	296,107	-	296,107
0051	Plant maintenance and operations	841,098	-	841,098
0052	Security and monitoring services	43,937	-	43,937
0053	Data processing services	110,848	-	110,848
0071	Principal on long-term debt	-	185,000	185,000
0072	Interest on long-term debt	-	347,303	347,303
0073	Bond issuance costs and fees	-	119,728	119,728
0081	Capital outlay	1,982,882	-	1,982,882
0093	Payments related to shared services	105,412	-	105,412
6030	Total expenditures	8,730,016	1,430,293	10,160,309
1100	Excess (deficiency) of revenues over expenditures	(1,456,401)	53,635	(1,402,766)
	OTHER FINANCING SOURCES (USES)			
7911	Capital related debt issued	-	7,080,000	7,080,000
7912	Sale of property	2,072	-	2,072
7915	Transfers in	-	16,528	16,528
7916	Premium or discount on issuance of bonds	-	842,307	842,307
8911	Transfers out	(16,528)	-	(16,528)
8949	Other uses	-	(7,844,801)	(7,844,801)
7080	Total other financing sources and uses	(14,456)	94,034	79,578
1200	Net change in fund balances	(1,470,857)	147,669	(1,323,188)
0100	Fund balance - September 1 (beginning)	4,329,671	104,360	4,434,031
3000	Fund balance - August 31 (ending)	2,858,814	252,029	3,110,843

The accompanying notes are an integral part of this statement

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

Net change in fund balances - governmental funds	(1,323,188)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the current year capital outlays and debt principal payments is to increase net position.	2,031,148
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(706,859)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying debt proceeds, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications is to increase (decrease) net position.	6,017
Change in net position of governmental activities	7,118

The accompanying notes are an integral part of this statement

Fiduciary Fund Financial Statements

DRAFT
For Discussion Purposes Only

DRAFT
For Discussion Purposes Only

**WASKOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2013**

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents	3,302	67,960
Investments - current	340,921	-
Total Assets	<u>344,223</u>	<u>67,960</u>
LIABILITIES		
Due to student groups	-	67,960
Total Liabilities	<u>-</u>	<u>67,960</u>
NET POSITION		
Restricted for scholarships	<u>344,223</u>	
Total Net Position	<u>344,223</u>	

The accompanying notes are an integral part of this statement

**WASKOM INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013**

	Private Purpose Trust Funds
ADDITIONS:	
Local and intermediate sources	351
Total additions	<u>351</u>
DEDUCTIONS:	
Scholarships awarded	341
Total deductions	<u>341</u>
Change in Net Position	10
Total Net Position - September 1 (Beginning)	<u>344,213</u>
Total Net Position - August 31 (Ending)	<u><u>344,223</u></u>

The accompanying notes are an integral part of this statement

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FINANCIAL REPORTING ENTITY

Waskom Independent School District (District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (Board) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting and financial reporting principles promulgated by the Governmental Accounting Standards Board; and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (Resource Guide) and the requirements of contracts and grants of agencies from which it receives funds.

Because the Board is elected by the public; has the authority to make decisions, appoint administrators and managers, and significantly influence operations; and has the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its statement No. 14, "The Financial Reporting Entity," including subsequent revisions. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the District as a whole excluding fiduciary activities. Individual funds are not displayed but the statements present Governmental Activities which include programs supported by ad valorem taxes, state aid formula grants, and federal grants.

The statement of activities reports the expenses of the District's functions offset by program revenues directly connected with the function. A function is a general operational area in the District that groups together similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the function. Program revenues include: (1) charges for services which report charges to users of the District's services such as tuition paid by students not residing in the District, athletic gate receipts and school lunch charges; and (2) operating grants and contributions which finance annual operating activities of the District such as the Elementary and Secondary Education Act. Taxes, state aid formula grants, and other revenue sources not properly included with program revenues are reported as general revenues.

All interfund transactions between governmental funds are eliminated on the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/from on the government-wide statement of net position.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

Fund Financial Statements

Fund financial statements provide reports on the financial condition and results of operations for governmental and fiduciary funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds. Interfund activity between governmental funds appear as due to/from on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures and changes in fund balance.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide financial statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Fiduciary fund financial statements also report using this same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grant revenues are recognized when allowable expenditures are made under the provisions of the grant.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for unmatured bond principal and interest on long-term debt, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, state aid formula grants, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as needed.

The District does not allocate general administration or support services expenses to other functions. Depreciation expense for buildings that house District staff serving different functions is included in the direct expenses of the appropriate functions.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

D. FUND TYPES AND MAJOR FUNDS

The District accounts are organized on the basis of funds, each of which is considered a separate accounting entity. The District has established several individual funds that are organized within a separate set of self-balancing accounts comprised of assets, liabilities, deferred outflows and inflows, fund balance, revenues, and expenditures or expenses as appropriate. Governmental resources allocated to individual funds are recorded for the purpose of carrying on specific activities in accordance with laws, regulations, or other appropriate requirements. District accounts are organized into funds as described below:

Major Governmental Funds:

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

Non Major Governmental Funds:

Special Revenue Funds - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some State financial assistance is accounted for in a special revenue fund. Sometimes any unused balances must be returned to the grantor at the close of the specified project periods.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt.

Other Fund Types:

Private Purpose Trust Fund - The District accounts for a donation for which the donor has stipulated that the income generated by the donation be used for an annual cash scholarship to the valedictorian and salutatorian of each graduating senior class.

Agency Fund - The District accounts for resources held for others in a custodial capacity in the agency fund. The District's agency fund is used to account for the activities of student groups and other organizational activities.

E. OTHER ACCOUNTING POLICIES

Capital Assets and Depreciation - The District's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at fair value on the date donated. The District generally capitalizes assets with a cost of \$5,000 or more as purchases or construction occurs. The cost of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight line method. The District

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

has elected not to report major general infrastructure assets retroactively. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded. Estimated useful lives, in years, for capital assets are as follows:

Buildings	15-30
Improvements	15-30
Transportation equipment	5-10
Furniture, fixtures, and equipment	5-10

The governmental fund financial statements recognize capital outlay as an expense of the current period. Proceeds from the sale of capital assets are reported as miscellaneous revenues when received.

Long-Term Debt - In the government-wide financial statements, outstanding debt is reported as liabilities. Bond premiums are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of applicable bond premiums. The governmental fund financial statements recognize the proceeds of debt and premiums received as other financing sources of the current period and principal and interest payments as expense and issuance costs paid with bond proceeds as other uses of the current period.

Net Position and Fund Balance - Net position in the statement of net position include components that are restricted for use in a federal or state program and to pay debt service on capital related debt.

Unassigned fund balance in the governmental funds financial statements represents that portion of fund balance that is available for budgeting in future operations. The assigned fund balance represents fund balance that has been implicitly assigned as it is accounted for in particular funds, other than the general fund. Committed fund balance represents amounts approved by the Board of Trustees. Restricted fund balance is that portion of fund balance which is not available for appropriation or which has been legally separated for specific purposes. The General Fund commits \$33,260 for self insurance and assigns \$625,000 for construction. The Special Revenue Fund restricts \$111,877 for state grant programs. The Debt Service Fund restricts \$140,152 for retirement of indebtedness.

Compensated Absences - The District does not pay any employees accrued sick leave or vacation time upon termination or retirement. Therefore, no liability for accrued sick leave or vacation time is recorded in the government-wide or governmental fund financial statements.

Fund Balance Policy - The District reports fund balances for governmental funds in classifications based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or maintained intact; and, therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the Board. However, the Board has adopted fund balance policies for the three unrestricted classifications-committed, assigned, and unassigned.

The District's restricted fund balances represent amounts for retirement of long term debt and for operation of the food service program.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged to restricted balances. When the District incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned and then unassigned.

Data Control Codes - These codes refer to the account code structure prescribed by the Texas Education Agency (TEA) in the Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

F. BUDGETARY DATA

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Food Service Fund (which is included in the Special Revenue Funds.) The District is required to present the adopted and final budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules.

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end. During the fiscal year ended August 31, 2013, the District amended the cocurricular/extracurricular function, securities and monitoring services, and capital outlay, which increased overall appropriations over the original budget.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

4. Each budget is monitored by the business manager at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments. The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires the District 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 stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market saving accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments. In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. The policy addresses the following risks:

Deposits

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy regarding types of deposits allowed and collateral requirements is that the funds of the District must be deposited under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

The District was not exposed to custodial credit risk as all deposits are covered by depository insurance or by pledged collateral as follows:

1. Depository: Citizen's National Bank, Waskom, Texas
2. The market value of securities pledged as of the date of the highest combined balance on deposit was \$6,571,553.
3. The highest combined balances of cash, savings, and time deposit accounts amounted to \$6,215,165 and occurred during the month of February 2013.
4. Total amount of FDIC coverage at the time of the highest combined balance was \$500,000.

Investments

Credit Risk - This 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. The District was not exposed to credit risk at August 31, 2013.

Custodial Credit Risk - 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 name of the District. The District was not exposed to custodial credit risk at August 31, 2013.

Interest Rate Risk - This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District was not exposed to interest rate risk at August 31, 2013.

Concentration of Credit Risk - This is the risk of loss attributed to the magnitude of the government's investment in a single issuer. The District was not exposed to concentration of credit risk at August 31, 2013.

Foreign Currency Risk - This is the risk that exchange rates will adversely affect the fair value of an investment. The District was not exposed to foreign currency risk at August 31, 2013.

The District's temporary investments as of August 31, 2013 were in certificates of deposit at Citizen's National Bank in the amount of \$1,920,111. Of this amount, \$1,579,191 is reported as current investments of the General Fund on the District's statement of net position, and \$340,920 is reported as current investments of the Private Purpose Trust Funds on the District's statement of fiduciary net position.

The District's deposits with investment pools are included in cash and cash equivalents. This amounted to \$1,059,797 with Lone Star (First Public) Investment Pool as of August 31, 2013.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

The investment pool used by the District is organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of the Districts funds in authorized short-term investments.

The investment in the Pool is based on contractual agreements and not the individual security itself, therefore, the District's investment in the Pool is not categorized as to credit risk. The market value of the Pool is based on quoted market values of underlying investments of the Pool. Authorized investments include obligations of the United States, or its agencies and instrumentalities; other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the United States or its agencies and instrumentalities; and other investments authorized by statutes governing public funds investment pools.

The Pool uses amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in the pool is the same as the value of the shares in the pool. The purpose of the Pool is to allow for the pooling of public funds to provide a higher yield on the pooled investments than would be possible with the investment of the individual public entity's funds. The investments in the Pool and any accrued interest may be redeemed at the District's discretion.

Financial reports issued by Lone Star Investment Pool may be obtained by contacting First Public, LLC, a subsidiary of the Texas Association of School Boards (TASB), 7620 Guadalupe, Austin, Texas 78752. The Pool is not registered with the SEC, however TASB, through First Public maintains oversight of the Pool.

B. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, AND DEFERRED REVENUE

Property Tax Calender, Property Tax Receivables, and Deferred Revenue

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. In the governmental fund financial statements, property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

Delinquent tax collections are prorated between maintenance and debt service based on rates adopted for year of the levy. Delinquent taxes receivable not paid within 60 days of year end, are recorded as deferred inflows of resources, net of an estimated allowance for uncollectible taxes. Allowances

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

for uncollectible tax receivables within the General Fund are based on 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.

In the government-wide financial statements, property taxes receivable, net of an allowance for uncollectible taxes, and related revenue include all amounts due the District regardless of when the cash is received.

Due From/To Other Governments and Deferred Inflows of Resources

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from and to federal and state governments as of August 31, 2013 are summarized below. These amounts are reported on the governmental fund financial statements as Due from and to Other Governments.

Due from other governments at year-end consisted of the following:

Fund	State Foundation	State Entitlements	Total
General Fund	113,360	-	113,360
Special Revenue Fund	-	482	482
	<u>113,360</u>	<u>482</u>	<u>113,842</u>

Deferred inflows of resources at year end consisted of the following:

	General Fund	Debt Service Fund	Total
Unavailable revenue - property taxes	<u>104,408</u>	<u>11,180</u>	<u>115,588</u>

C. INTERFUND BALANCES AND TRANSFERS

Interfund transfers for the year ended August 31, 2013 consisted of the following amounts:

Transfers to Special Revenue Fund from:

General Fund	<u>16,528</u>
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Transfers are periodically used to move revenues from the fund that the budget requires to collect them to the fund that the budget requires to expend them or to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

The District disaggregates significant components of receivables and payables in the financial statements. The only receivables not expected to be collected within one year is \$462,353 of delinquent property taxes.

E. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:				
Land	155,135	-	-	155,135
Buildings and improvements	18,117,746	1,971,778	-	20,089,524
Vehicles and equipment	1,845,992	78,839	-	1,924,831
Totals at cost	<u>20,118,873</u>	<u>2,050,617</u>	<u>0</u>	<u>22,169,490</u>
Less accumulated depreciation:				
Buildings and improvements	8,363,972	547,676	-	8,911,648
Vehicles and equipment	1,163,521	159,183	-	1,322,704
Total accumulated depreciation	<u>9,527,493</u>	<u>706,859</u>	<u>0</u>	<u>10,234,352</u>
Governmental activities capital assets, net	<u>10,591,380</u>	<u>1,343,758</u>	<u>0</u>	<u>11,935,138</u>

Depreciation was charged to governmental functions as follows:

Instruction	347,384
Instructional Resources	10,257
Curriculum Development	1,787
School Leadership	16,260
Counseling	5,188
Health Services	2,245
Student Transportation	83,775
Food Services	47,945
Cocurricular/Extracurricular	144,022
General Administration	1,546
Plant Maintenance	27,458
Security	5,267
Data Processing	13,725
Total depreciation expense	<u>706,859</u>

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

F. LONG-TERM DEBT

In prior years, the District as authorized by Texas Education Code Section 45.003, authorized the issuance of Unlimited Tax School Building Bonds for construction of school facilities and purchase of equipment and vehicles.

In 2013, the District issued \$7,080,000 of unlimited tax refunding bonds plus premium to provide the resources to current refund \$7,140,000 of prior year bonds, leaving a balance of \$395,000 due on prior years bonds. The reacquisition price exceeded the net carrying amount of the old debt by \$402,520. This amount is netted against the new debt and amortized over the new debt's life. Unlimited tax refunding bonds currently outstanding are as follows:

- ▶ Series 2005, issued in the original amount of \$8,800,000. Interest rates range from 4.5% to 5.25%. The bonds final maturity is February 15, 2035.
- ▶ Series 2013 issued in the original amount of \$7,080,000. Interest rates range from 2.00% to 5.00%. The bonds final maturity is February 15, 2035.

Long term liability activity for the year ended August 31, 2013 is as follows:

	Beginning Balance	Additions	Reductions and Refunds	Ending Balance	Amounts due within one year
Governmental Activities:					
Bonds Payable					
2005 Series	7,720,000	-	7,325,000	395,000	195,000
2013 Series	-	7,080,000	-	7,080,000	25,000
Total loans and bonds payable	7,720,000	7,080,000	7,325,000	7,475,000	220,000
Unamortized bond premium	319,009	842,307	330,190	831,126	-
Deferred amount refunding	-	(402,520)	(10,673)	(391,847)	-
Total long term debt	8,039,009	7,519,787	7,644,517	7,914,279	220,000

The sale of the Series 2005 and 2013 bond issues resulted in a premium received, which is being amortized over 30 years, the life of the bonds. In addition, debt issuance costs were incurred and were being amortized over 30 years. For the year ended August 31, 2013, the District implemented GASB 65 and the previously capitalized issuance costs of \$132,093 were written off.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

Annual debt service requirements to maturity for the District's long term debt are as follows:

Year Ending August 31,	Principal	Interest	Total
2014	220,000	663,869	883,869
2015	225,000	654,481	879,481
2016	230,000	275,619	505,619
2017	240,000	265,019	505,019
2018	250,000	252,769	502,769
2019-2023	1,435,000	1,081,769	2,516,769
2024-2028	1,755,000	762,443	2,517,443
2029-2033	2,145,000	373,844	2,518,844
2034-2035	975,000	30,703	1,005,703
Totals	7,475,000	4,360,516	11,835,516

G. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

For the year ended August 31, 2013, revenues from local and intermediate sources reported in the governmental funds consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	5,237,208	-	653,583	5,890,791
Food Sales	-	93,769	-	93,769
Investment Income	6,188	118	28,288	34,594
Penalties, interest, and other tax related	117,206	-	13,686	130,892
Tuition	9,150	-	-	9,150
Co-curricular student activities	12,661	-	-	12,661
Other	25,678	27,984	-	53,662
Total	5,408,091	121,871	695,557	6,225,519

H. PENSION PLAN AND RETIREE HEALTH PLAN

Pension Plan

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

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

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, under 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 pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us.

Funding Policy. State law provides for a fiscal year 2011 state contribution rate of 6.644% , a rate of 6.00% for 2012, and for 2013 a state contribution rate of 6.40% and a member contribution rate of 6.4% to the TRS pension plan. In certain instances the District is required to make all or a portion of the state's 6.40% contribution.

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state pension plan funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

State contributions to TRS made on behalf of the District's employees for the years ended August 31, 2011, 2012 and 2013 were \$257,362, \$255,879, and \$263,577, respectively. The District paid the additional state pension contributions for the years ended August 31, 2011, 2012 and 2013 in the amounts of \$25,510, \$19,736, and \$26,417, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

Retiree Health Plan

Plan Description. The District contributes to the Texas Public Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under TRS. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained from the same source as the pension plan.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

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 employee contributions, respectively. The State of Texas and active District employee contribution rates were 0.50% and 0.65% of District payroll, respectively, with the District contributing a percentage of payroll of 0.55% for fiscal years 2013, 2012, and 2011. Per Texas Insurance Code, Chapter 1575, the District contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the District. For the years ended August 31, 2011, 2012 and 2013, the State's contribution to TRS-Care were \$43,690, 41,524, and \$21,543, respectively, the active members contributions were \$28,860, \$27,410, and \$28,670, respectively, and the District's contributions to TRS-Care were \$24,420, \$23,193 and \$24,259, respectively, which equaled the required contributions each year.

In addition to the pension plan and TRS-Care state contributions on behalf of the District, the District is allocated a portion of the Medicare Part D retiree drug subsidy and Early Retiree Reinsurance Program (ERRP) that TRS-Care receives. The allocated on behalf for the year ended August 31, 2013 is estimated by TRS at \$16,616 for Medicare Part D. The temporary program known as Early Retiree Reinsurance Program (ERRP) was not available for the year ended August 31, 2013, therefore no on behalf payments are reported in these financial statements..

I. HEALTH CARE COVERAGE

During the year ended August 31, 2013, employees of the District were covered by a state wide health care program known as TRS-Active Care. TRS-Active Care is administered by the Teacher Retirement System of Texas. The District contributed \$225 per month per employee to TRS, and employees, at their option, authorized payroll withholdings to fund contributions for dependents.

J. SELF-FUNDED WORKERS' COMPENSATION

The District has joined together with other area district's to form a self-insurance workers' compensation risk pool (Pool.) Claims administration and processing for the Pool is provided by Claim Administrative Services, Inc. The agreement for the formation of the Pool provides that the Pool will be self sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$500,000 for each insured event, with an unlimited aggregate. The Pool contracts with Midwest Employers Casualty Company for reinsurance.

The District's administrative expenses for the year ended August 31, 2013 were \$23,569. The claims administrator estimates the District's annual loss maximum at \$77,436. Estimated total claims liability for the year ended August 31, 2013, including estimated claims incurred but not reported, amounted to \$33,260. The estimated total liability for workers' compensation claims incurred but not reported claims amounts to \$18,631.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

Claims liability, beginning of year	36,179
Incurring claims:	
Provision for insured events of current year	10,248
Increase (Decrease) in provision for insured events of prior years	(4,951)
Total incurred claims	<u>5,297</u>
Payments:	
Claims expenses attributable to insured events of current year	740
Claims expenses attributable to insured events of prior years	<u>7,476</u>
Total payments	<u>8,216</u>
Total unpaid claims at the end of the year	<u><u>33,260</u></u>

K. LITIGATION AND CONTINGENCIES

The District participates in numerous state and Federal 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, if any, refunds of any money received may be required and the ability to collect any related receivable at August 31, 2013 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 financial statements for such contingencies.

L. JOINT VENTURE - SHARED SERVICE ARRANGEMENTS

Special Education Programs:

The District participates in a shared services arrangement for special education programs with area school districts. The District does not account for the revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Hallsville ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor liabilities that would give rise to future additional benefit or burden to the District. The fiscal manager is responsible for all financial activities of the shared services arrangement. The District's support of the shared service arrangement is included in intergovernmental charges in these financial statements.

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013**

M. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended August 31, 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

N. UNEMPLOYMENT COMPENSATION POOL

The District provided unemployment coverage to its employees through participation in the TASB Risk Management Pool (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participation in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Budgetary Comparison Reporting

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**WASKOM INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	4,836,794	4,836,794	5,408,091	571,297
5800	State program revenues	1,963,343	1,963,343	1,767,699	(195,644)
5900	Federal program revenues	97,825	97,825	97,825	-
5020	Total revenues	6,897,962	6,897,962	7,273,615	375,653
	EXPENDITURES:				
0011	Instruction	4,173,584	4,163,819	4,115,554	48,265
0012	Instructional resources and media services	83,638	81,638	76,091	5,547
0013	Curriculum and staff development	71,785	71,785	71,024	761
0023	School leadership	369,185	365,185	357,676	7,509
0031	Guidance, counseling, and evaluation services	92,315	91,315	91,103	212
0033	Health services	57,984	57,984	55,075	2,909
0034	Student transportation	202,370	198,370	186,015	12,355
0036	Cocurricular/Extracurricular activities	330,160	399,160	397,194	1,966
0041	General administration	312,840	300,840	296,107	4,733
0051	Plant maintenance and operations	928,328	888,328	841,098	47,230
0052	Security and monitoring services	-	45,000	43,937	1,063
0053	Data processing services	115,361	112,361	110,848	1,513
0081	Capital outlay	100,000	1,865,000	1,982,882	(117,882)
0093	Payments related to shared services arrangements	105,412	105,412	105,412	-
6030	Total expenditures	6,942,962	8,746,197	8,730,016	16,181
1100	Excess (deficiency) of revenues over expenditures	(45,000)	(1,848,235)	(1,456,401)	391,834
	OTHER FINANCING SOURCES (USES):				
7912	Sale of property	45,000	45,000	2,072	(42,928)
7915	Transfers in	-	-	-	-
8911	Transfers out	-	-	(16,528)	(16,528)
7080	Total other financing sources (uses)	45,000	45,000	(14,456)	(59,456)
1200	Net change in fund balances	-	(1,803,235)	(1,470,857)	332,378
0100	Fund balance - September 1 (beginning)	4,329,671	4,329,671	4,329,671	-
3000	Fund balance - August 31 (ending)	4,329,671	2,526,436	2,858,814	332,378

The accompanying notes are an integral part of this statement

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Combining Schedules

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**WASKOM INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013**

		Special Revenue Funds	
Data Control Codes		211 ESEA Title I Part A	240 School Lunch & Breakfast Program
ASSETS			
1110	Cash and cash equivalents	(50)	118,718
1220	Property taxes - delinquent	-	-
1230	Allowance for uncollectible (credit)	-	-
1240	Due from other governments	50	-
1000	Total Assets	-	118,718
LIABILITIES			
2160	Accrued wages payable	-	6,841
2000	Total Liabilities	-	6,841
DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable revenue - property taxes	-	-
2600	Total Inflows of Resources	-	-
FUND BALANCES			
Restricted fund balance:			
3450	Federal or State grants	-	111,877
3480	Retirement of long term debt	-	-
3000	Total fund balances	-	111,877
4000	Total Liabilities, Deferred inflows and Fund Balances	-	118,718

[illegible]

**WASKOM INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2013**

Data Control Codes		Special Revenue Funds	
		419 Headstart Ready to Read	429 District Awards Teacher Excel.
	ASSETS		
1110	Cash and cash equivalents	-	-
1220	Property taxes - delinquent	-	-
1230	Allowance for uncollectible (credit)	-	-
1240	Due from other governments	-	-
1000	Total Assets	-	-
	LIABILITIES		
2160	Accrued wages payable	-	-
2000	Total Liabilities	-	-
	DEFERRED INFLOWS OF RESOURCES		
2601	Unavailable revenue - property taxes	-	-
2600	Total Inflows of Resources	-	-
	Fund balances:		
	Restricted fund balance:		
3450	Federal or State grants	-	-
3480	Retirement of long term debt	-	-
3000	Total fund balances	-	-
4000	Total Liabilities, Deferred inflows and Fund Balances	-	-

Total Special Revenue Funds	Other Governmental	Total Nonmajor Governmental Funds
	599 Debt Service Fund	
118,236	140,152	258,388
-	55,899	55,899
-	(44,719)	(44,719)
482	-	482
118,718	151,332	270,050
6,841	-	6,841
6,841	-	6,841
-	11,180	11,180
-	11,180	11,180
111,877	-	111,877
-	140,152	140,152
111,877	140,152	252,029
118,718	151,332	270,050

**WASKOM INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes	Special Revenue Funds	
	211 ESEA Title I Part A	240 School Lunch & Breakfast Program
REVENUES		
5700	Total local and intermediate sources	- 93,900
5800	State program revenues	- 8,410
5900	Federal program revenues	174,243 326,461
5020	Total Revenues	174,243 428,771
EXPENDITURES		
0011	Instruction	164,499 -
0013	Curriculum and staff development	669 -
0021	Instructional leadership	6,775 -
0034	Student transportation	2,300 -
0035	Food service	- 402,133
0071	Principal on long-term debt	- -
0072	Interest on long-term debt	- -
0073	Bond issuance cost & fees	- -
6030	Total Expenditures	174,243 402,133
1100	Excess (Deficiency) of Revenues	
	Over Expenditures	- 26,638
OTHER FINANCING SOURCES (USES)		
7911	Capital related debt issued	- -
7915	Transfers in	- -
7916	Premium or discount on issuance of bonds	- -
8949	Other uses	- -
7080	Total other financing sources and uses	- -
1200	Net change in fund balances	- 26,638
0100	Fund balances, beginning	- 85,239
3000	Fund balances, ending	- 111,877

Special Revenue Funds					
244 Vocational Education Basic	255 Title II A Principal Training	262 Title II D Education Technology	270 Title VI, Part B Rural & Low Income	404 Student Success Initiative	410 State Textbook Fund
-	-	-	-	-	-
-	-	-	-	4,324	69,910
6,910	34,139	5,657	13,951	-	-
6,910	34,139	5,657	13,951	4,324	69,910
6,910	500	5,657	13,951	4,324	69,910
-	33,639	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,910	34,139	5,657	13,951	4,324	69,910
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

**WASKOM INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes		Special Revenue Funds	
		419 Headstart Ready to Read	429 District Awards Teacher Excel.
	REVENUES		
5700	Total local and intermediate sources	27,972	-
5800	State program revenues	-	22,495
5900	Federal program revenues	-	-
5020	Total Revenues	27,972	22,495
	EXPENDITURES		
0011	Instruction	44,500	22,495
0013	Curriculum and staff development	-	-
0021	Instructional leadership	-	-
0034	Student transportation	-	-
0035	Food service	-	-
0071	Principal on long-term debt	-	-
0072	Interest on long-term debt	-	-
0073	Bond issuance cost & fees	-	-
6030	Total Expenditures	44,500	22,495
1100	Excess (Deficiency) of Revenues		
	Over Expenditures	(16,528)	-
	OTHER FINANCING SOURCES (USES)		
7911	Capital related debt issued	-	-
7915	Transfers in	16,528	-
7916	Premium or discount on issuance of bonds	-	-
8949	Other uses	-	-
7080	Total other financing sources and uses	16,528	-
1200	Net change in fund balances	-	-
0100	Fund balances, beginning	-	-
3000	Fund balances, ending	-	-

Total Special Revenue Funds	Other Governmental	Total Nonmajor Governmental Funds
	599 Debt Service Fund	
121,872	695,556	817,428
105,139	-	105,139
561,361	-	561,361
788,372	695,556	1,483,928
332,746	-	332,746
34,308	-	34,308
6,775	-	6,775
2,300	-	2,300
402,133	-	402,133
-	185,000	185,000
-	347,303	347,303
-	119,728	119,728
778,262	652,031	1,430,293
10,110	43,525	53,635
-	7,080,000	7,080,000
16,528	-	16,528
-	842,307	842,307
-	(7,844,801)	(7,844,801)
16,528	77,506	94,034
26,638	121,031	147,669
85,239	19,121	104,360
111,877	140,152	252,029

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Required TEA Schedules

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**WASKOM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
AUGUST 31, 2013**

	1	2	3	10	20	31	32	40	50
Last Ten Years Ended August 31,	Tax Rates		Assessed or Appraised Valuation	Beginning Balance September 1	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance August 31
	Maint- enance	Debt Service							
2004 & Prior	Various	Various	-	74,946	-	5,612	-	(4,920)	64,414
2005	1.5000	-	229,325,115	18,179	-	2,345	-	(349)	15,485
2006	1.5000	0.2249	262,101,752	25,425	-	2,694	404	(466)	21,861
2007	1.3700	0.1800	321,306,054	34,007	-	5,187	682	(812)	27,326
2008	1.0400	0.1500	362,235,378	34,534	-	5,335	770	(2,901)	25,528
2009	1.0400	0.1300	437,903,140	42,467	-	8,393	1,049	(661)	32,364
2010	1.0400	0.1300	443,127,510	63,939	-	13,885	1,736	(1,358)	46,960
2011	1.0400	0.1300	444,114,265	90,023	-	22,235	2,779	(1,205)	63,804
2012	1.0400	0.1250	454,511,674	164,333	-	49,996	6,009	(9,148)	99,180
2013 (Current)	1.0400	0.1300	507,732,951	-	5,940,476	5,119,518	639,939	-	181,019
1000	Totals			547,853	5,940,476	5,235,200	653,368	(21,820)	577,941

WASKOM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED AUGUST 31, 2013

Function 41 and related Function 53 - General Administration, Function 99 - Appraisal District Cost

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	-	-	150,356	95,577	-	-	245,933
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)				-			-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)				-			-
6211	Legal Services	-	-	1,966		-		1,966
6212	Audit Services				12,700			12,700
6213	Tax Appraisal and Collection		92,114					92,114
621X	Other Prof. Services	-	-	-		-	-	-
6220	Tuition and Transfer Payments						-	-
6230	Education Service Centers	-	-	4,003	-	-	-	4,003
6240	Contr. Maint. and Repair					-		-
6250	Utilities					-		-
6260	Rentals	-	-	4,783	-	-	-	4,783
6290	Miscellaneous Contr.	-	-	4,178	-	-	-	4,178
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	-	-	6,543	-	-	-	6,543
6410	Travel, Subsistence, Stipends	5,043	-	2,965	-	-	-	8,008
6420	Ins. and Bonding Costs	4,292	-	-	-	-	-	4,292
6430	Election Costs							-
6490	Miscellaneous Operating	-	-	7,164	-	-	-	7,164
6500	Debt Service						-	-
6600	Capital Outlay						-	-
6000	TOTAL	9,335	92,114	181,958	108,277	-	-	391,684

Total expenditures for General and Special Revenue Funds (9) 9,508,278

Less: Deductions of unallowable costs

Total Capital Outlay (6600) Funds 100 - 499	(10)	2,064,655	
Total Debt & Lease (6500) Funds 100 - 499	(11)	-	
Plant Maintenance (Function 51, 6100-6400)	(12)	833,749	
Food (Function 35, 6341 and 6499)	(13)	216,384	
Stipends (6413)	(14)	-	
Column 4 (above) - Total Indirect Costs		108,277	3,223,065

Net allowed direct cost 6,285,213

Total cost of Buildings before depreciation	(15)	20,081,642
Historical Cost of Buildings over 50 years old	(16)	775,476
Federal Money in Building Cost (Net of line 16)	(17)	-
Total cost of Furniture & Equipment before depreciation	(18)	1,896,109
Historical Cost of Furniture & Equipment over 16 years old	(19)	115,943
Federal Money in Furniture & Equipment (Net of line 19 above)	(20)	121,932

(8) Note A \$95,577 in Function 53 and \$-0- in Function 99 expenditures are included in this report on administrative costs.

**WASKOM INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	100,500	100,500	93,900	(6,600)
5800	State program revenues	3,000	3,000	8,410	5,410
5900	Federal program revenues	282,590	282,590	326,461	43,871
5020	Total revenues	386,090	386,090	428,771	42,681
	EXPENDITURES:				
0035	Food service	386,090	406,090	402,133	3,957
6030	Total expenditures	386,090	406,090	402,133	3,957
1100	Excess (deficiency) of revenues over expenditures	-	(20,000)	26,638	46,638
	OTHER FINANCING SOURCES (USES):				
7915	Transfers in	-	-	-	-
8911	Transfers out (use)	-	-	-	-
7080	Total other financing sources (uses)	-	-	-	-
1200	Net change in fund balances	-	(20,000)	26,638	46,638
0100	Fund balance - September 1 (beginning)	85,239	85,239	85,239	-
3000	Fund balance - August 31 (ending)	85,239	65,239	111,877	46,638

**WASKOM INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	577,350	577,350	695,556	118,206
5020	Total revenues	577,350	577,350	695,556	118,206
	EXPENDITURES:				
0071	Debt service - principal on long-term debt	185,000	185,000	185,000	-
0072	Debt service - interest on long-term debt	391,450	391,450	347,303	44,147
0073	Debt service - bond issuance cost & fees	900	900	119,728	(118,828)
6030	Total expenditures	577,350	577,350	652,031	(74,681)
1100	Excess (deficiency) of revenues over expenditures	-	-	43,525	43,525
	OTHER FINANCING SOURCES (USES):				
7911	Capital related debt issued	-	-	7,080,000	7,080,000
7916	Premium or discount on issuance of bonds	-	-	842,307	842,307
8949	Other uses	-	-	(7,844,801)	(7,844,801)
7080	Total other financing sources (uses)	-	-	77,506	77,506
1200	Net change in fund balances	-	-	121,031	121,031
0100	Fund balance - September 1 (beginning)	19,121	19,121	19,121	-
3000	Fund balance - August 31 (ending)	19,121	19,121	140,152	121,031

FEDERAL AWARDS SECTION

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Goff & Herrington, P.C.

A.J. Goff, CPA
Ronnie Herrington, CPA

P. O. Box 153320 • Lufkin, TX. 75915-3320 • (936) 875-3317 • Fax: (936) 622-6823

Certified Public Accountants

**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**

Members of the Board of Trustees of
Waskom Independent School District
Waskom, Texas

Members of the Board:

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 Waskom Independent School District (District), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

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

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

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

**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**

Members of the Board of Trustees

November 25, 2013

Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.

Certified Public Accountants

November 25, 2013



Goff & Herrington, P.C.

A.J. Goff, CPA
Ronnie Herrington, CPA

P. O. Box 153320 • Lufkin, TX. 75915-3320 • (936) 875-3317 • Fax: (936) 622-6823

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

Members of the Board of Trustees of
Waskom Independent School District
Waskom, Texas

Report on Compliance for Each Major Federal Program

We have audited Waskom Independent School District's (District) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

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

Members of the Board of Trustees
November 25, 2013
Page 2

Report on Internal Control Over Compliance

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

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

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

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

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.
Certified Public Accountants
November 25, 2013

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

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	___yes <u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	___yes <u>X</u> none reported
Noncompliance material to financial statements noted?	___yes <u>X</u> no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	___yes <u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	___yes <u>X</u> none reported
Type of auditor's report on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in compliance with section 510(a) of OMB Circular A-133?	___yes <u>X</u> no

Identification of Major Programs

CFDA 10.550, 10.553, 10.555	Child Nutrition Cluster
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Dollar threshold used to distinguish between Type A and Type B programs	\$300,000
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Auditee qualified as a low risk auditee?	<u>X</u> yes ___no
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Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**WASKOM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013**

There were no findings reported for the prior year.

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For Discussion Purposes Only

**WASKOM INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013**

None required.

DRAFT
For Discussion Purposes Only

**WASKOM INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013**

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the 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 State, 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 basic financial statements.

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**WASKOM INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013**

(1) Federal Grantor/ Pass-Through Grantor/ Program title	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. Department of Education			
<i>Passed through Texas Education Agency:</i>			
ESEA Title 1, Part A	84.010A	13610101102903	174,243
Title II Part A	84.367A	13694501102903	34,139
Title VI, Part B	84.358B	13696001102903	13,951
 <i>Passed through Harrison Co-op</i>			
IDEA B Formula	84.027A	136600011029047	97,825
<i>Passed through Union Grove ISD</i>			
Career and Technology	84.048A	13420006230908	6,910
<i>Passed through Beckville ISD</i>			
Connections Title IID	84.318X	116300077110002	5,657
Total Department of Education			332,725
 U.S. Department of Agriculture			
<i>Passed through Texas Education Agency:</i>			
National School Breakfast Program	10.553	71401301	77,317
National School Lunch Program	10.555	71301301	225,769
Commodities	10.550	210002A	23,375
Total child nutrition cluster			326,461
 Total expenditures of federal awards			659,186

\$97,825 of federal revenues are in the General Fund.

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