

**LAKE WORTH INDEPENDENT SCHOOL  
DISTRICT**

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED**

**AUGUST 31, 2013**

**LAKE WORTH INDEPENDENT SCHOOL DISTRICT**

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Year Ended August 31, 2013**

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**CERTIFICATE OF THE BOARD**

Lake Worth Independent School District  
Name of School District

Tarrant  
County

220-910  
Co.-Dist. Number

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

*Original signed by Steve Atchinson*

*Original signed by Armando Velazquez*

\_\_\_\_\_  
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)

# KIRK, RICHARDSON & POOLE, P. C.

Members of the American Institute of Certified Public Accountants

<b>Tom Kirk, CPA</b>	<b>Don Richardson, CPA</b>	<b>Cindy Poole, CPA</b>
7559 John T. White Road	P O. Box 8342	Fort Worth, Texas 76124
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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Lake Worth Independent School District  
6805 Telephone Road  
Lake Worth, Texas 76135

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

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

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Change in Accounting Principle**

As discussed in Note Y to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-13 and 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

The combining 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. The 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 fund financial statements, required Texas Education Agency Schedules 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 Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked UNAUDITED and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

#### **Other Reporting Required By Government Auditing Standards**

In accordance with *Government Audit Standards*, we have also issued our report dated December 2, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of law, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing on internal control over financial reports and compliance with 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 the District's internal control over financial reporting and compliance.

*Kirk, Richardson & Poole, P.C.*

Kirk, Richardson & Poole, P.C.  
Fort Worth, Texas  
December 2, 2013

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013  
UNAUDITED

In this section of the Annual Financial and Compliance Report, we, the managers of Lake Worth Independent School District (the “District”), discuss and analyze the District’s financial performance for the fiscal year ended August 31, 2013. Please read it in conjunction with the independent auditor’s report on page 4, and the District’s Basic Financial Statements that begin on page 16.

### **FINANCIAL HIGHLIGHTS**

The District’s governmental activities net position were \$829,820 at the end of the year as compared to \$1,909,059 last year, a decrease of \$1,079,239. A prior period adjustment of (\$775,393) from early implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*, accounted for a portion of this decrease. The remaining decrease is the result of expenses exceeding program revenues and general revenues and special items by \$303,846.

The General Fund ended the year with a fund balance of \$8,178,803, a decrease of \$13,187 from the previous year. Actual expenditures were \$1,996,233 less than the final budget amount of \$27,679,384. This was partially the result of savings in the district’s heating/cooling budget. An increase of 2.04% in Average Daily attendance resulted in receiving more state program revenues than originally budgeted.

The District issued \$8,756,349.70 Unlimited Tax Refunding Bonds, Series 2013 to refund a portion of the District’s Unlimited Tax School Building Bonds, Series 2005B.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the statement of net position and the statement of activities (on pages 16 and 17). These provide information about the activities of the District as a whole and present a long-term view of the District’s property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 18) report the District’s operations in more detail than the government-wide statements by providing information about the District’s most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

The fiduciary statements provide financial information about activities for which the District acts solely as trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 24) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.



LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013  
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The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by the Texas Education Agency. The section labeled "Texas Education Agency Required Schedules" and "Federal Awards Section" contains data used by monitoring of regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### **Reporting the District as a Whole**

#### *The Statement of Net Position and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 16. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The statement of net position includes all the District's assets and liabilities at the end of the year while the statement of activities includes all the revenues and expenses generated by the District's operations during the year. These apply the same basis of accounting which is the basis used by most private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students outside the District and grants provided by the U.S. Department of Education to assist students with disabilities or from disadvantaged backgrounds, and revenues provided by the taxpayers or by the Texas Education Agency in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and deferred outflows of resources and liabilities and inflows of resources) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the statement of net position and the statement of activities, the District reports the following activities:

Governmental activities – Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013  
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**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The fund financial statements begin on page 18 and provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities.) The District has only governmental funds that are accounted for as follows:

Governmental funds – Most of the District's basic services are reported in governmental funds. These use the modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

**The District as Trustee**

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in the separate statement of fiduciary net position on page 22. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net position (Table 1) and the changes in net position (Table 2) of the District's governmental activities.

Net Position of the District's governmental activities changed from \$1,909,059 to \$829,820. Unrestricted Net Position – the part of Net Position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$591,810 at August 31, 2013 as compared to \$3,315,424 last year.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013  
UNAUDITED

**Table 1**  
**Lake Worth Independent School District**  
**Net Position**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
ASSETS:		
Current and other assets	\$10,382,358	\$11,661,252
Capital assets	74,162,073	75,634,362
Total assets	<u>84,544,431</u>	<u>87,295,614</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred charge for refunding	<u>2,273,933</u>	<u>0</u>
LIABILITIES:		
Long-term liabilities	84,592,725	83,481,677
Other liabilities	1,395,819	1,904,878
Total liabilities	<u>85,988,544</u>	<u>85,386,555</u>
NET INVESTMENT IN CAPITAL ASSETS:		
Invested in capital assets, net of related debt	(236,410)	(1,879,383)
Restricted	474,420	473,018
Unrestricted	591,810	3,315,424
Total Net Position	<u>\$ 829,820</u>	<u>\$ 1,909,059</u>

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013  
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**Table 2**  
**Lake Worth Independent School District**  
**Changes in Net Position**

	Governmental Activities	
	2013	2012
Revenues:		
Program revenues:		
Charges for services	\$ 1,004,149	\$ 813,614
Operating grants and contributions	4,255,543	4,557,569
General revenues:		
Maintenance and operations taxes	8,201,063	8,114,562
Debt service taxes	3,504,728	3,467,761
State aid – formula grants	15,604,636	15,031,076
Grants and Contributions not restricted	1,432,368	1,443,006
Other	200,412	146,473
Total revenues	<u>34,202,899</u>	<u>33,574,061</u>
Expenses:		
Instruction and Instructional-Related Services	16,667,067	15,743,361
Instructional and School Leadership	1,993,272	1,958,116
Support Services – Student	5,519,061	5,060,625
Administrative Support Service	1,519,719	1,213,889
Support Services – Non-student Based	4,484,673	4,382,276
Ancillary Services	334,713	298,374
Debt Service	3,866,415	4,793,635
Capital Outlay	0	47,747
Payments to Other Governments	121,825	84,468
Total Expenses	<u>34,506,745</u>	<u>33,582,491</u>
Increase/(Decrease) in Net Position	(303,846)	(8,430)
Net Position Beginning	1,909,059	1,917,489
Prior Period Adjustment	(775,393)	0
Net Position at August 31,	<u>\$ 829,820</u>	<u>\$ 1,909,059</u>

The District's total revenues increased by \$628,838 (1.9%) mainly due to an increase in State aid-formula grants of \$573,560 and a \$123,468 increase in property taxes.

The cost of all governmental activities this year was \$34,506,745, an increase of \$924,254 (2.8%) over last year. Most of this increase was in the area of Instruction and Instructional – Related Services.

As shown in the Statement of Activities on page 17, the amount that our taxpayers ultimately financed for these activities through District taxes was \$11,705,791 or 33.9%. State Aid – Formula contributed \$15,604,636, or 45.2%, towards these costs. Another \$4,255,543, or 12.3%, was provided by Operating Grants and Contributions. The remaining resources were provided by Grants and Contributions not Restricted and other sources.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013  
UNAUDITED

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 18) reported a combined fund balance of \$8,820,424 which is less than last year's total of \$8,833,325. Included in this year's total change in fund balance are a decrease of \$13,187 in the General Fund, an increase of \$27,022 in the Debt Service Fund, and a combined decrease of \$26,736 in Other Funds.

Over the course of the year, the Board of Trustees amended the budget several times. These amendments fall into three categories. The first category includes amendments from campus principals and department directors to move available funds to areas of need. The second category includes amendments to recognize new grants or programs within the General Fund. The third category includes amendments initiated by the Business Office to maintain positive balances in function totals.

The District's General Fund balance reported on pages 18 and 20 differs from the General Fund's combined budgetary fund balance as reported on pages 49 principally due to reasons as previously stated.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At August 31, 2013, the District had \$74,162,073 net of accumulated depreciation, invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, administrative and maintenance buildings and equipment, and construction in progress. This represents a net decrease of \$1,472,289 from last year. This decrease is mainly due to current year depreciation exceeding current year additions.

### Debt

At year-end, the District had \$84,592,725 in long-term liabilities versus \$83,481,677 last year. As previously stated, the District issued \$8,756,350 Unlimited Tax Refunding Bonds, Series 2013 to refund a portion of the District's Unlimited Tax School Building Bonds, Series 2005B. More detailed information about the District's long-term liabilities is presented in Notes to the Financial Statements.

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

The District's elected officials and appointed officials considered many factors when setting the fiscal year 2014 budget and tax rates. They included student growth, insurance costs, predicted rising fuel costs, and a slow increase of property values. They also considered bonded debt service, in conjunction with an approved bond election, which has thus far generated approximately \$68.4

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2013  
UNAUDITED

million; and could generate an additional approximate amount of \$20.48 million over the next 5 years. The additional \$20.48 million available to the District for sale of bonds will only be an option if property values rise or if the Texas legislature changes the Interest and Sinking funding restrictions, at this time the District is at the maximum \$0.50 per \$100 of valuation. General Fund budgeted revenues of \$25,682,645 exceed the actual 2012-2013 revenues of \$25,333,058 by \$349,587 or 1.4%. General Fund budgeted expenditures of \$25,898,201 exceed the actual 2012-2013 expenditures by \$215,050 or 0.8%. If these estimates remain, the District's budgetary General Fund balance is expected to have a decrease of \$215,556. The Bond Construction Fund was compiled of; \$68,399,993, sold in fiscal years 2004-2005 through 2008-2009 and \$20.48m of unsold bonds. The funds realized from the sale of the \$68,399,993, were used numerous projects throughout the district. All of these funds were spent in the years prior to 2013-2014 school year. The district has approved an M&O Tax rate of \$1.17 and a I&S Tax rate of \$0.50, for a total tax rate of \$1.67 for the 2013-2014 fiscal year.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the information, contact the Business Office, at Lake Worth Independent School District, 6805 Telephone Road, Lake Worth, Texas 76135, (817)306-4200.

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## **BASIC FINANCIAL STATEMENTS**



LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 712,132
1120 Current Investments	7,067,010
1220 Property Taxes Receivable (Delinquent)	660,899
1230 Allowance for Uncollectible Taxes	(327,583)
1240 Due from Other Governments	1,849,301
1267 Due from Fiduciary Funds	1,444
1290 Other Receivables, net	27,151
1300 Inventories	31,550
1410 Prepayments	360,454
Capital Assets:	
1510 Land	2,168,883
1520 Buildings, Net	70,412,324
1530 Furniture and Equipment, Net	1,580,866
1000 Total Assets	<u>84,544,431</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	<u>2,273,933</u>
1700 Total Deferred Outflows of Resources	<u>2,273,933</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	434,056
2140 Interest Payable	167,201
2150 Payroll Deductions & Withholdings	31,882
2160 Accrued Wages Payable	746,134
2300 Unearned Revenue	16,546
Noncurrent Liabilities	
2501 Due Within One Year	2,325,513
2502 Due in More Than One Year	82,267,212
2000 Total Liabilities	<u>85,988,544</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	(236,410)
3820 Restricted for Federal and State Programs	98,983
3850 Restricted for Debt Service	293,038
3870 Restricted for Campus Activities	82,399
3900 Unrestricted	591,810
3000 Total Net Position	<u>\$ 829,820</u>

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 15,865,768	\$ 262,761	\$ 1,747,744	\$ (13,855,263)
12 Instructional Resources and Media Services	321,931	-	10,796	(311,135)
13 Curriculum and Staff Development	479,368	-	368,344	(111,024)
21 Instructional Leadership	364,757	-	12,114	(352,643)
23 School Leadership	1,628,515	-	64,612	(1,563,903)
31 Guidance, Counseling and Evaluation Services	757,588	-	253,776	(503,812)
32 Social Work Services	85,629	-	4,314	(81,315)
33 Health Services	254,338	-	13,051	(241,287)
34 Student (Pupil) Transportation	1,211,845	30,024	44,223	(1,137,598)
35 Food Services	2,126,869	412,900	1,460,094	(253,875)
36 Extracurricular Activities	1,082,792	198,579	18,254	(865,959)
41 General Administration	1,519,719	-	36,258	(1,483,461)
51 Facilities Maintenance and Operations	3,436,885	99,885	136,701	(3,200,299)
52 Security and Monitoring Services	104,736	-	-	(104,736)
53 Data Processing Services	943,052	-	23,049	(920,003)
61 Community Services	334,713	-	32,793	(301,920)
72 Debt Service - Interest on Long Term Debt	3,683,045	-	-	(3,683,045)
73 Debt Service - Bond Issuance Cost and Fees	183,370	-	-	(183,370)
93 Payments related to Shared Services Arrangements	37,352	-	29,420	(7,932)
95 Payments to Juvenile Justice Alternative Ed. Prg.	13,000	-	-	(13,000)
99 Other Intergovernmental Charges	71,473	-	-	(71,473)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 34,506,745</u>	<u>\$ 1,004,149</u>	<u>\$ 4,255,543</u>	<u>(29,247,053)</u>
Data Control Codes	<b>General Revenues:</b>			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			8,201,063
DT	Property Taxes, Levied for Debt Service			3,504,728
SF	State Aid - Formula Grants			15,604,636
GC	Grants and Contributions not Restricted			1,432,368
IE	Investment Earnings			12,257
MI	Miscellaneous Local and Intermediate Revenue			124,327
SI	Special Item - Mineral Rights			63,828
TR	Total General Revenues and Special Items			<u>28,943,207</u>
CN	Change in Net Position			(303,846)
NB	Net Position - Beginning			1,909,059
PA	Prior Period Adjustment			(775,393)
NE	Net Position-Ending			<u>\$ 829,820</u>

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 1,195,596	\$ 498	\$ (483,962)	\$ 712,132
1120 Investments - Current	6,618,342	448,668	-	7,067,010
1220 Property Taxes - Delinquent	496,918	163,981	-	660,899
1230 Allowance for Uncollectible Taxes (Credit)	(262,375)	(65,208)	-	(327,583)
1240 Receivables from Other Governments	1,126,763	-	722,538	1,849,301
1260 Due from Other Funds	-	11,073	1,444	12,517
1290 Other Receivables	27,134	-	17	27,151
1300 Inventories	15,653	-	15,897	31,550
1410 Prepayments	355,883	-	4,571	360,454
1000 Total Assets	<u>\$ 9,573,914</u>	<u>\$ 559,012</u>	<u>\$ 260,505</u>	<u>\$ 10,393,431</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 417,992	\$ -	\$ 16,064	\$ 434,056
2150 Payroll Deductions and Withholdings Payable	31,882	-	-	31,882
2160 Accrued Wages Payable	699,621	-	46,513	746,134
2170 Due to Other Funds	11,073	-	-	11,073
2300 Unearned Revenues	-	-	16,546	16,546
2000 Total Liabilities	<u>1,160,568</u>	<u>-</u>	<u>79,123</u>	<u>1,239,691</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	234,543	98,773	-	333,316
2600 Total Deferred Inflows of Resources	<u>234,543</u>	<u>98,773</u>	<u>-</u>	<u>333,316</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	15,653	-	-	15,653
3430 Prepaid Items	355,883	-	4,571	360,454
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	94,412	94,412
3480 Retirement of Long-Term Debt	-	460,239	-	460,239
Committed Fund Balance:				
3545 Other Committed Fund Balance	-	-	82,399	82,399
3600 Unassigned Fund Balance	7,807,267	-	-	7,807,267
3000 Total Fund Balances	<u>8,178,803</u>	<u>460,239</u>	<u>181,382</u>	<u>8,820,424</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,573,914</u>	<u>\$ 559,012</u>	<u>\$ 260,505</u>	<u>\$ 10,393,431</u>

The notes to the financial statements are an integral part of this statement.

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

<b>Total Fund Balances - Governmental Funds</b>	\$	8,820,424
<b>1</b> 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 \$99,924,841 and the accumulated depreciation was \$24,290,479 causing an increase in net position by \$75,634,362. 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 funds. The effect of consolidating the long-term liabilities at the beginning of the year is a decrease in net position by \$84,674,207. The deferred charge on refunding at the beginning of the year was \$1,192,529 causing an increase in net position. At the beginning of the year, interest payable on bonds was \$168,317 causing a decrease in net position. The combined effect of including these beginning balances for capital assets (net of depreciation) and long-term debt items in the governmental activities is to (decrease) net position.		(7,240,240)
<b>2</b> 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 2013 capital outlays and debt principal payments is to increase net position. The district early implemented GASB 65, which requires that the unamortized debt issuance costs incurred in prior periods be reclassified. The effect of the prior period adjustment of \$775,393 is to (decrease) net position.		2,085,004
<b>3</b> The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,895,606)
<b>4</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		60,238
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>829,820</u>

The notes to the financial statements are an integral part of this statement.

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

EXHIBIT C-3

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 8,712,492	\$ 3,525,241	\$ 591,469	\$ 12,829,202
5800 State Program Revenues	16,587,311	1,335,954	110,090	18,033,355
5900 Federal Program Revenues	33,255	-	3,225,917	3,259,172
5020 Total Revenues	<u>25,333,058</u>	<u>4,861,195</u>	<u>3,927,476</u>	<u>34,121,729</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	13,093,239	-	1,111,637	14,204,876
0012 Instructional Resources and Media Services	237,196	-	266	237,462
0013 Curriculum and Instructional Staff Development	115,315	-	364,053	479,368
0021 Instructional Leadership	364,727	-	30	364,757
0023 School Leadership	1,529,271	-	3,486	1,532,757
0031 Guidance, Counseling and Evaluation Services	518,812	-	226,716	745,528
0032 Social Work Services	85,629	-	-	85,629
0033 Health Services	238,661	-	-	238,661
0034 Student (Pupil) Transportation	1,276,179	-	6,616	1,282,795
0035 Food Services	-	-	1,926,779	1,926,779
0036 Extracurricular Activities	748,313	-	151,500	899,813
0041 General Administration	1,322,566	-	3,705	1,326,271
0051 Facilities Maintenance and Operations	3,285,102	-	49,044	3,334,146
0052 Security and Monitoring Services	100,603	-	-	100,603
0053 Data Processing Services	881,794	-	-	881,794
0061 Community Services	316,912	-	17,801	334,713
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	385,449	2,004,934	63,159	2,453,542
0072 Interest on Long Term Debt	20,414	2,819,862	-	2,840,276
0073 Bond Issuance Cost and Fees	300	183,070	-	183,370
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	1,070,264	-	-	1,070,264
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	7,932	-	29,420	37,352
0095 Payments to Juvenile Justice Alternative Ed. Prg.	13,000	-	-	13,000
0099 Other Intergovernmental Charges	71,473	-	-	71,473
6030 Total Expenditures	<u>25,683,151</u>	<u>5,007,866</u>	<u>3,954,212</u>	<u>34,645,229</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(350,093)</u>	<u>(146,671)</u>	<u>(26,736)</u>	<u>(523,500)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7901 Refunding Bonds Issued	-	8,756,350	-	8,756,350
7913 Capital Leases	273,078	-	-	273,078
7916 Premium or Discount on Issuance of Bonds	-	1,135,774	-	1,135,774
8940 Payment to Bond Refunding Escrow Agent (Use)	-	(9,718,431)	-	(9,718,431)
7080 Total Other Financing Sources (Uses)	<u>273,078</u>	<u>173,693</u>	<u>-</u>	<u>446,771</u>
<b>SPECIAL ITEMS:</b>				
7918 Special Item - Mineral Rights	63,828	-	-	63,828
1200 Net Change in Fund Balances	(13,187)	27,022	(26,736)	(12,901)
0100 Fund Balance - September 1 (Beginning)	<u>8,191,990</u>	<u>433,217</u>	<u>208,118</u>	<u>8,833,325</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,178,803</u>	<u>\$ 460,239</u>	<u>\$ 181,382</u>	<u>\$ 8,820,424</u>

The notes to the financial statements are an integral part of this statement.

LAKE WORTH 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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(12,901)
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 2013 capital outlays and debt principal payments is to increase net position. The district early implemented GASB 65, which requires that the unamortized debt issuance costs incurred in prior periods be reclassified. The effect of the prior period adjustment of \$775,393 is to (decrease) net position.		2,860,397
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.		(2,895,606)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.		(255,736)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(303,846)</u>

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2013

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,374	\$ 37,299
Other Receivables	500	-
Restricted Assets	111,000	-
Total Assets	<u>113,874</u>	<u>\$ 37,299</u>
<b>LIABILITIES</b>		
Due to Other Funds	-	\$ 1,444
Due to Student Groups	-	35,855
Total Liabilities	<u>-</u>	<u>\$ 37,299</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>113,874</u>	
Total Net Position	<u>\$ 113,874</u>	

The notes to the financial statements are an integral part of this statement.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 14,374
Total Additions	<u>14,374</u>
<b>DEDUCTIONS:</b>	
Scholarships Awarded	<u>15,515</u>
Total Deductions	<u>15,515</u>
Change in Net Position	(1,141)
Total Net Position - September 1 (Beginning)	<u>115,015</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 113,874</u></u>

The notes to the financial statements are an integral part of this statement.



## **I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Lake Worth Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The District follows the generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified by the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

### **A. Reporting entity**

Lake Worth Independent School District is a public educational agency under the applicable laws and regulations of the State of Texas. The District is governed by a seven member Board of Trustees (the "Board") elected by the registered voters of the District. The Board has governance responsibilities over all the activities related to public elementary and secondary education within the District. Because members of the board are elected by the public they have the authority to make decisions, appoint administrators and management, and significantly influence operations and have primary accountability for fiscal matters. The District is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, *The Financial Reporting Entity*. The District is not financially accountable for any other organizations, therefore, no component units are included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the District's non-fiduciary activities with most of the interfund activities removed from these statements. Governmental activities normally are supported by taxes, state foundation funds, grants and other intergovernmental revenues.

The statement of activities demonstrates how direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Depreciation expense and workers' compensation have been allocated to all applicable functions in order to present the expenses of the District more accurately on the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2013

particular function or segment. Taxes and other items not properly included in program revenues are reported instead as general revenue.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary, and fiduciary. Since resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis on fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary's fund's principal ongoing operations. All other revenues and expenses are non-operating.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements (the statement of net position and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and private purpose trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property tax revenues recorded in the General Fund and Debt Service Fund are recognized under the "susceptible to accrual" concept. The District generally considers property taxes as available if they are collected within 60 days after year-end. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Foundation School Program revenues are recognized as revenue when measurable and available within 60 days of year-end.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
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AUGUST 31, 2013

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

Agency funds are reported using the accrual basis of accounting.

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 they are needed.

#### **D. Fund Accounting**

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts to reflect results of activities.

Major governmental funds:

- The general fund is the District's primary operating fund. It accounts for financial resources of the general government, except those required to be accounted for in another fund.
- The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the District.

Additionally, the District reports the following fund types:

Governmental Funds:

- The special revenue funds are used to account for resources restricted to, or designated for, specific purposes by the District or a grantor. Federal and State financial assistance is generally accounted for in a special revenue fund. Generally unused balances are returned to the grantor at the close of specified project periods. With respect of the campus activity fund, funds are rolled forward from year to year for use in the program.

Proprietary Funds:

- The District does not have any Proprietary Funds.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2013

Fiduciary Funds:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and/or other funds.

- The private-purpose trust fund is used to account for all trust agreements under which the principal and income benefit a specific school or group of students.
- The agency fund is used to account for receipts and disbursements of monies from student activity and other organizations. The student activity and other granting organizations exist with the explicit approval of and are subject to revocation by the District's Board. The fund has no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the District.

**E. Other Accounting Policies - Assets, Liabilities, and Net Position or Equity**

**1. Deposits and Investments**

The District's cash and cash equivalents are considered to be cash on hand and demand deposits. Current investments include investment pools and short-term investments with original maturities of one year or less from the date of acquisition.

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges collateral, which complies with state law. The collateral is approved by the Texas Education Agency and shall be in an amount sufficient to protect the District funds on a day-to-day basis during the period of the contract. The pledge of collateral is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Cooperation ("FDIC") insurance.

State statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, or investment pools.

Investments for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

**2. Property Taxes**

The Government Fund Balance Sheet reports Property Taxes – Delinquent and Allowance for Uncollectible Taxes (Credit) are reported as separate line items. The allowance for uncollectible taxes is 50 percent of the property taxes – delinquent at August 31, 2013. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2013

outstanding property taxes are expected to be collected within one year of the date of the financial statements.

Property taxes are levied each year by October 1 based upon property valuations as of January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

### **3. Inventories and Prepaid Items**

Except for inventories of food commodities, the District records purchases and supplies and materials as expenditures when purchased. This method is used to avoid administrative costs that are excessive to the benefit gained and where expenditures tend to be equalized over a period of years. Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and deferred revenue when received. As commodities are consumed, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayment in both government-wide and fund financial statements.

### **4. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve a portion of the applicable appropriation, is employed in the governmental fund types on the governmental fund financial statements. Encumbrances are liquidated at year end.

### **5. Interfund Receivables, Payables and Transfers**

Interfund receivables and payables arise from interfund transactions in the normal course of operations and are recorded in all affected funds in the period in which transactions are executed. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations.

### **6. Capital Assets**

Capital assets, which include land, buildings and improvements, and furniture and equipment, and construction in progress are reported in the governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. The District defines capital assets

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2013

with an initial, individual cost which equals or exceeds \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Land and construction in progress are not depreciable.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements, furniture and equipment, and capital lease assets of the District are depreciated using the straight-line method over the following estimated lives:

Asset Classification	Useful Life
Land	Not depreciated
Construction in progress	Not depreciated
Buildings and improvements	15-30
Furniture and equipment	5-10

**7. Compensated Absences**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying government-wide financial statements or the governmental fund financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to accumulate but does not vest. Therefore, a liability for unused sick leave has not been recorded in either the government-wide financial statements or the governmental fund financial statements.

**8. Long-term Obligations**

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount.

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

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2013

**9. Fund Equity**

In accordance with Governmental Accounting Standards Board 54, *Fund Balance reporting and Governmental Fund Type Definitions*, the District classifies governmental fund balances as follows:

**Non-spendable fund balance**

- Non-spendable fund balance - includes amounts that are not in spendable form (such as inventory) or are required to be maintained intact because of legal or contractual constraints.

**Spendable fund balance**

- Restricted fund balance – includes amounts that are constrained for specific purposes externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance – includes amounts that are constrained for specific purposes by the District through formal actions of the Board. Committed amounts cannot be used for any other purpose unless the District’s Board takes action to remove or change the constraint.
- Assigned fund balance – includes amounts that are intended to be used for specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance – includes amounts that are available for any purpose.

In general, the District considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which restricted and unrestricted (i.e., committed, assigned, or unassigned) fund balances are available, followed by committed and then assigned fund balances. Unassigned amounts are used only after the other resources have been used.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Superintendent or a designee through adoption or amendment of the budget as intended for specific purposes (such as the purchase of fixed assets, construction, debt service, or for other purposes).

The District does not have a minimum fund balance policy.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2013

Disclosure of Fund Balances Reported on Balance Sheet – Governmental Funds  
 For Fiscal Year Ending August 31, 2013

Fund Balance:	General	Debt Service Fund	Other Funds	Total Governmental Funds
Nonspendable Fund Balance:				
Inventories	\$ 15,653	\$ 0	\$ 0	\$ 15,653
Prepaid Items	355,883	0	4,571	360,454
Restricted Fund Balance:				
National Breakfast & Lunch Program	0	0	94,412	94,412
Retirement of Long-Term Debt	0	460,239	0	460,239
Committed to:				
Campus Activity Funds	0	0	82,399	82,399
Unassigned:	7,807,267	0	0	7,807,267
Total Fund Balance	\$8,178,803	\$460,239	\$181,382	\$8,820,424

**10. Use of Estimates**

The presentation of financial statements, in conformity with generally accepted accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The amount of state foundation revenue a school district earns for a year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue for fiscal year 2013 will ultimately change from the amount calculated as of August 31, 2013 because of the factors that Texas Education Agency (the “Agency”) uses in its calculations.

Also included is management’s estimate of the allowance for doubtful accounts is based on historical local property tax revenues, historical loss levels, and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

**11. Data Control Codes**

In accordance with the Agency’s *Financial Accountability System Resource Guide* the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The Agency 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.



## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS.**

Exhibit C-2 “Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position” provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position as reported in the government-wide statement of net position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. Also, the property taxes receivable which is included as unavailable in the fund financial statements are adjusted based on when the tax levy was made and adjusted for uncollectible amounts.

Exhibit C-4 “Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities” provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The debt payments on retirement of debt are recorded as expenditures for fund basis financial statements but are a reduction of debt in the government-wide financial statements. The capital asset additions are expenditures in the fund-basis financial statements but capitalized in the government-wide financial statements. The fund-basis financial statements do not include depreciation expense. The depreciation expense is a deduction to reconcile to the government-wide statement of activities. New debt issues are treated as sources of revenue for fund-basis financial statements, but for the government-wide statements, those amounts are recorded as a liability. Property taxes are adjusted for the accrual basis and the unavailable revenues are adjusted based on prior year levies and current year uncollectable amounts.

## **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgetary Information**

The Board of Trustees adopted an “appropriated budget” for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Program (which is included in the Special Revenue Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports are in Exhibit J-4 and J-5.

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The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20 of the preceding fiscal year, 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 after ten day's public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers or appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between function require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The District approved budgetary amendments throughout the year. All budget appropriations lapse at year end.

	Original Budget Appropriations	Increase (Decrease)	Amended Budget Appropriations
General Fund	\$25,324,096	\$2,355,288	\$27,679,384
Food Service Special Revenue Fund	1,709,383	315,750	2,025,133
Debt Service Fund	4,985,144	248,448	5,233,592

The most significant changes to the General Fund original budget were in the areas of Instruction, Student (Pupil) Transportation, General Administration, Facilities Maintenance & Operations, and Capital Outlay. The Food Service Special Revenue Fund was increased due to an increase in operational cost. The Debt Service Fund was amended to reflect the cost of issuing refunding bonds and revisions to amortizations schedules.

A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

August 31, 2013 Fund Balance	
Appropriated Budgeted Funds – Food Service Special Revenue Fund	\$ 98,983
Non-appropriated Budgeted Funds	76,313
All Special Revenue Funds	\$175,296

**B. Excess of Expenditures over Appropriations**

For the period ended August 31, 2013, the General Fund was over-expended in the following functions:

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<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over-expenditure</u>
7X – Debt Service	\$312,615	\$406,163	\$93,548

The board approved a capital lease for the purchase of school buses. The district did not make the required budget amendment for this transaction. There were no expenditures over appropriations within the Food Service Special Revenue Fund or Debt Service Fund.

**C. Deficit Fund Equity**

There were no deficit fund equities for the year ended August 31, 2013.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Statutes of the State of Texas and Board policies authorize the District to invest in obligations of the U.S. Government or its agencies, repurchase agreements, commercial paper, public investment pools, mutual funds and money market accounts. All cash balances and investments are held separately in each of its funds. The District’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District’s agent bank approved securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank dollar amount of Federal Deposit Insurance Corporation (“FDIC”) insurance.

Cash Deposits

At August 31, 2013, the carrying amount of the District’s deposits (cash, certificates of deposits, and interest-bearing saving accounts included in temporary investments) was \$707,757, net of petty cash of \$4,375, and the bank balance was \$738,852. The District’s cash deposits at August 31, 2013, and during the year, were entirely covered by FDIC insurance and pledged collateral held by the District’s agent bank in the District’s name.

Investments

The State 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 returns, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District

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to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposits, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and 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.

The District's investments at August 31, 2013, are shown below:

<u>Investment/Credit Ratings</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Percentage of Investments</u>	<u>Weighted Average Maturity (Days)</u>
Lone Star/AAAm	\$4,061,429	\$4,061,429	57.4%	On demand
Texas Class/AAAm	3,005,581	3,005,581	42.6%	On demand
Totals	<u>\$7,067,010</u>	<u>\$7,067,010</u>	<u>100.0%</u>	

The District's temporary investments consist of balances held by investment pools that are public funds created to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by U. S. Government agency securities and placed through a primary government securities dealer. These pools operate in a manner consistent with the Security and Exchange Commission's Rule 2a7 of the Investment Act of 1940.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does address the following risks:

- a. 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 all deposits are covered by FDIC insurance and pledged collateral in their entirety. The District has no custodial credit risk for its deposits.
- b. Custodial Credit Risk – Investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investments exposed to Custodial Credit Risk.
- c. Interest-rate Risk – Interest-rate risk occurs when potential purchases of debt securities do not agree to pay face value for those securities if interest rates rise. The District does not have any investments considered as Interest-rate Risk.

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- d. Other Credit Risk Exposure – The District may invest in a securities lending program if the value of securities loaned is not less than 100 percent collateralized, including accrued income, and the loan allows for termination at any time; the loan is secured; the terms of the loan require that the securities being held as collateral be pledged to the investing entity; and, the loan is placed through a primary government securities dealer or a financial institution doing business in this state. The District does not have any investments in a securities lending program.
- e. Concentration Risk – The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer. The District is not exposed to concentration risk.
- f. Foreign Currency Risk – The District does not engage in any deposits or investments transactions involving foreign currency.

Defaults and Recovery of Prior-period Losses

The District had no defaults and recovery of prior-period losses.

**B. Property Taxes**

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate adopted by the Board. The District is permitted under the Texas Education Code to levy taxes up to \$1.17 per \$100 of assessed valuation for general governmental services other than debt service on general obligation bonds. The tax rate which may be levied to service general obligation bonds is limited to \$0.50, except under certain conditions. For the current fiscal year, the Board of Trustees set tax rates applicable to general governmental services and to debt service of \$1.17 per \$100 valuation and \$0.50 per \$100 valuation, respectively, based on a net assessed valuation of \$696,690,479.

Delinquent property taxes are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowance for uncollectable taxes is based upon historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes and allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off property taxes without specific statutory authority from the Texas Legislature.

Delinquent taxes receivables and the related allowance for uncollectible taxes in the governmental fund financial statements as of August 31, 2013 are as follows:

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	Gross Delinquent Taxes Receivable	Allowance for Uncollectible Taxes	Net Delinquent Taxes Receivables
General Fund	\$496,918	\$262,375	\$234,543
Debt Service Fund	163,981	65,208	98,773
Totals	<u>\$660,899</u>	<u>\$327,583</u>	<u>\$333,316</u>

Current tax collections for the levy year ended August 31, 2013 were 98.6% of the year-end adjusted tax levy.

**C. Receivables and Payables**

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

There are no significant receivables which are not scheduled for collection within one year of August 31, 2013.

**D. Due from Other Governments**

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 and various grant programs. Amounts due from federal and state governments as of August 31, 2013 are summarized below. All federal grants shown below are passed through TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Due From State	Due From Other Governments	Totals
General Operating Fund	\$1,125,265	\$1,498	\$1,126,763
Special Revenue Funds	722,538	0	722,538
Total	<u>\$1,847,803</u>	<u>\$1,498</u>	<u>\$1,849,301</u>

**E. Interfund Receivables and Payables**

Interfund receivables and payables generally arise from interfund loans between different funds with balances being repaid generally within one year.

Interfund balances at August 31, 2013 consisted of the following amounts:

<u>Due to Debt Service Fund From:</u>	
General Fund	<u>\$11,073</u>
<u>Due to National Breakfast &amp; Lunch Program From:</u>	
Fiduciary Fund – Agency Fund	<u>\$1,444</u>

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**F. Interfund Transfers**

There were no interfund transfers during the year.

**G. Other Financing Sources (Uses)**

The General Fund had other financing sources of \$273,078 resulting from entering into a capital lease to purchase 3 school buses.

The Debt Service Fund had the following other financing resources and other financing uses as follows:

Other Financing Sources:		
Unlimited Tax Refunding Bonds, Series 2013		\$8,756,350
Premiums or Discount on Issuance of Bonds		1,135,774
Other Financing Uses:		
Payment to Bond Refunding Escrow Agent		(9,718,431)

**H. Capital Asset Activity**

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

	Beginning Balance	Increases/ Adjustments	Decreases/ Adjustments	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,168,883	\$ 0	\$ 0	\$ 2,168,883
Construction in Progress	0	0	0	0
Total capital assets, not being depreciated	2,168,883	0	0	2,168,883
Capital assets, being depreciated:				
Buildings and improvements	92,035,432	1,070,264	0	93,105,696
Furniture and equipment	5,720,526	353,053	107,634	5,965,945
Total capital assets, being depreciated	97,755,958	1,423,317	107,634	99,071,641
Less accumulated depreciation for:				
Buildings and improvements	20,244,258	2,449,114	0	22,693,372
Furniture and equipment	4,046,221	446,492	107,634	4,385,079
Total accumulated depreciation	24,290,479	2,895,606	107,634	27,078,451
Total capital assets, being depreciated, net	73,465,479	(1,472,289)	0	71,993,190
Governmental capital assets	\$75,634,362	\$(1,472,289)	\$ 0	\$74,162,073

Depreciation expense was charged to governmental functions of the District as follows:

<b>Governmental activities:</b>	
11 – Instruction	\$1,670,692
12 – Instructional Resources & Media Services	84,469
23 – School Leadership	95,758
31 – Guidance, Counseling & Evaluation Services	12,060

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33 – Health Services	15,677
34 – Student Transportation	202,128
35 – Food Services	200,090
36 – Extracurricular Activities	182,979
41 – General Administration	193,448
51 – Plant Maintenance & Operations	154,793
52 – Security & Monitoring Services	4,133
53 – Data Processing Services	79,379
Total Depreciation Expense	<u>\$2,895,606</u>

**I. Loans Payable**

In prior years, the District obtained a loan to purchase buildings and to upgrade existing facilities, maintain existing facilities, and to acquire school buses, portable class rooms, classroom equipment, and other items needed by the District.

The following schedule outlines the payment requirements of the District’s contractual obligations to maturity.

Issue/Maturity Date	Interest Rates	Original Amount	Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
Tax Note 2004/2014	4.15	\$1,500,000	\$355,000	\$0	\$175,000	\$180,000	\$180,000

The District paid interest and fees of \$15,033 on this note during the year.

The following schedule outlines the payment requirements of loans payable to maturity:

Year Ended August 31	Principal	Interest	Total Requirements
2014	\$180,000	\$7,470	\$187,470

**J. Capital Leases**

During the current year the District entered into a lease/purchase contract to purchase three school buses as authorized by Texas Local Government Code Sec. 271. The cost of this lease was capitalized in the year of acquisition. Local Maintenance tax levies are used to retire capital lease obligations payable from the General Fund. State funds are used to retire capital lease obligations payable from the Special Revenue Fund 410 - State Textbook Fund. The outstanding debt liability is accounted for in the government-wide financial statements. The District paid \$273,608 in principal and \$5,681 in interest during the current year.

Issue/Maturity Dates	Interest Rate	Original Amount	Beginning Balance	Issued	Retired	Ending Balance	Due in One Year
2012/2013	3.15%	\$366,400	\$180,359	\$ 0	\$180,359	\$0	\$ 0
2013/2015	2.40%	273,078	0	273,078	93,249	179,829	88,821
			\$180,359	\$273,078	\$273,608	\$179,829	\$88,821



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Debt service requirement for capital leases follows:

Year Ended August 31	Principal	Interest	Total Requirements
2014	\$88,821	\$4,427	\$93,248
2015	91,008	2,241	93,249
Totals	<u>\$179,829</u>	<u>\$6,668</u>	<u>\$186,497</u>

**K. Bonds Payable**

In November, 2004, the voters of the District authorized the issuance of bonds, totaling \$88,885,000, to construct, equip and renovate school buildings and acquire school sites and to pay the costs associated with the issuance of the bonds. The District has \$29,220,000 in bonds available to issue from the November, 2004 bond authorization.

During the current year the District issued \$8,756,350 in Unlimited Tax Refunding Bonds, Series 2013 with an average interest rate of 3.38%, to advance refund a portion of the District's Unlimited Tax School Building Bonds, Series 2005B in the amount of \$8,756,352 with an average rate of 4.2% and to pay costs of issuing the Bonds.

The net proceeds from the refunding portion were used to purchase U.S government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the Unlimited Tax School Building Bonds, Series 2005B bonds. As a result, \$8,756,352 of the Unlimited Tax School Building Bonds, Series 2005B are considered defeased and the liability for those bonds has been removed from the Statement of Net Assets. The District in effect reduced its aggregate debt service payments by \$1,286,452 over 20 years and obtained an economic gain (the difference between the present values of the old and new debt service payments) of \$1,166,535.

The following is a description of the District's bonds outstanding as of August 31, 2013:

Issue/Maturity Date	Interest Rates Payable	Amounts Original Issue	Beginning Balance	Issued	Retired	Ending Balance	Due In One Year
1995 ULTR Bonds /2024	8.16% to 8.55%	\$ 550,448	\$ 550,444	\$ 0	\$ 0	\$ 550,444	\$ 0
2005A UTSB Bonds/2031	4.00% to 4.25%	1,975,000	1,720,000	0	55,000	1,665,000	60,000
2005B UTSB Bonds/2026	3.21% to 5.01%	35,664,995	25,754,282	0	9,545,577	16,208,705	756,692
2006 UTSB Bonds/2032	4.0% to 4.3%	7,999,998	7,999,998	0	0	7,999,998	0
2007 UTR Bonds /2031	3.61% to 4.60%	8,734,998	8,499,934	0	4,934	8,495,000	325,000

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2007 UTSB Bonds/ 2037	4.00% to 5.00%	13,999,981	13,824,981	0	0	13,824,981	0
2009 UTR Bonds /2023	1.40% to 4.43%	4,219,997	3,550,000	0	265,000	3,285,000	275,000
2009A UTR Bonds /2018	2.0% to 4.5%	5,360,000	4,055,000	0	625,000	3,430,000	640,000
2012 UTRF Bonds /2026	1.3% to 3.0%	8,366,671	8,366,671	0	0	8,366,671	0
2013 UTRF Bonds /2031	1.55% to 2045%	8,756,350	0	8,756,350	0	8,756,350	0
Totals							
			<u>\$74,321,310</u>	<u>\$8,756,350</u>	<u>\$10,495,511</u>	<u>\$72,582,149</u>	<u>\$2,056,692</u>
Accreted Interest			<u>\$6,980,103</u>	<u>\$1,205,982</u>	<u>\$265,776</u>	<u>\$7,920,309</u>	
Premium(Discount)			<u>\$2,837,435</u>	<u>\$1,135,774</u>	<u>\$242,771</u>	<u>\$3,730,438</u>	
Refunding Loss			<u>\$(1,192,530)</u>	<u>\$0</u>	<u>\$1,192,530</u>	<u>\$0</u>	

Interest and fees paid on general obligation bonds during the year were \$3,002,932.

The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds.

Year Ended August 31	Principal	Interest	Total Requirements
2014	\$ 2,056,692	\$ 2,811,368	\$ 4,868,060
2015	2,140,460	2,839,300	4,979,760
2016	2,109,535	2,935,038	5,044,573
2017	2,088,671	3,027,427	5,116,098
2018	2,166,151	3,062,884	5,229,035
2019/2023	9,190,759	19,369,655	28,560,414
2024/2028	20,449,902	9,116,965	29,566,867
2029/2033	20,886,323	9,975,508	30,861,831
2034/2038	11,493,656	5,791,344	17,285,000
Totals	<u>\$72,582,149</u>	<u>\$58,929,489</u>	<u>\$131,511,638</u>

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2013.

In prior years, the District issued refunding bonds for the purpose of restructuring debt cash flow requirements. Proceeds from the refunding bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. The old bonds are considered defeased, and accordingly, the trust account assets and liabilities are not included in the District's financial statements. On August 31, 2013, \$35,791,999 of bonds considered defeased are still outstanding.

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**L. Changes in Long-Term Liabilities**

The following changes occurred in long-term liabilities during the year:

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due In One Year
Governmental Activities					
Gen. Obligation Bonds	\$74,321,310	\$8,756,350	\$10,495,511	\$72,582,149	\$2,056,692
Accreted Interest	6,980,103	1,205,982	265,776	7,920,309	0
Unamortized Discount on Bonds	2,837,435	1,135,774	242,771	3,730,438	0
Refunding Loss	(1,192,530)	0	(1,192,530)	0	0
Loans Payable	355,000	0	175,000	180,000	180,000
Capital Leases	180,359	273,078	273,608	179,829	88,821
Total	\$83,481,677	\$11,371,184	\$10,260,136	\$84,592,725	\$2,325,513

**M. Unearned Revenues**

Unearned revenues at year end represents revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities. A summary of unearned revenues by fund follows:

	Commodities	State Revenues	Totals
National Breakfast and Lunch Program - SRF	\$15,897	\$ 0	\$15,897
State Textbook Fund – SRF	0	593	593
Other State Special Revenue Funds – SRF	0	56	56
Total	\$15,897	\$ 649	\$16,546

**N. Deferred Outflows of Resources**

Deferred outflows of resources is defined as a consumption of net position by the District that is applicable to a future reporting period. Deferred Charges for Refunding were previously classified as a long-term liability and are now considered as deferred outflows of resources.

	Governmental Activities
Deferred Charges for Refunding	\$2,273,933

**O. Deferred Inflows of Resources**

Deferred inflows of resources at year end represents assets that are not available for use by the District to liquidate current year liabilities. A summary of deferred inflows of resources by fund follows:

	General Fund	Debt Service Fund	Total
Delinquent Property Taxes - Net	\$234,543	\$98,773	\$333,316

Property tax revenues are earned but are not available as of year-end; therefore, they are recognized as revenues in the government-wide financial statements and as unavailable in the fund level financial statements.

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**P. Revenue from Local and Intermediate Sources**

During the current year local and intermediate revenues consisted of the following:

	General Fund	Special Revenue Funds	Debt Service Fund	Fund Totals
Property Taxes	\$8,188,334	\$ 0	\$3,500,017	\$11,688,351
Food Sales	0	425,670	0	425,670
Investment Income	11,169	20	1,088	12,277
Penalties, interest & other tax related income	69,775	0	24,136	93,911
Extracurricular activities	41,046	157,552	0	198,598
Foundation, Gifts, etc.	29,459	804	0	30,263
Other	372,709	7,443	0	380,152
Total	\$8,712,492	\$591,489	\$3,525,241	\$12,829,222

**Q. State Aid Revenue**

The District receives state revenues from TEA based upon application of formula allocations, on behalf allocations, and other state miscellaneous programs. The components of state program revenues as shown in the governmental fund financial statements are as follows:

Revenues	General Fund	Special Revenue Funds	Debt Service Fund	Totals
Per Capita Apportionment	\$ 1,336,220	\$ 0	\$ 0	\$ 1,336,220
Foundation School Prg. Act Entitlements	14,268,416	0	0	14,268,416
State Program Revenues	0	110,090	1,335,954	1,446,044
TRS On-behalf Payments	982,675	0	0	982,675
Totals	\$16,587,311	\$110,090	\$1,335,954	\$18,033,355

**R. Employees' Retirement 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 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 transfers under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplemental information for the defined benefit plan. That report may be obtained by writing to the TRS Communication Department, 1000 Red River, Austin, Texas 78701, by calling the TRS Communication Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

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 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2013

**Funding Policy.** The State sets contribution rates for the state and its members. the State contribution rate for the 2012-2013 school year was 6.4% and a member contribution rate of 6.4%. In certain instances the reporting district is required to make all or a portion of the state’s 6.4% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy:

(1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member’s annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of members of the system during that fiscal year; and

(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 employees are reflected in the District’s financial statements as both revenue and expenditures. The District paid additional state contributions on a portion of their employees’ salaries that exceeded the statutory minimum. Contributions made by the State and District to TRS for the years ended August 31, 2013, 2012, and 2011 are as follows:

For the Year Ended August 31	State TRS Contributions Made on Behalf of the District	District Required Contributions to TRS
2011	\$1,018,314	\$138,871
2012	1,082,647	157,332
2013	1,137,645	173,884

**S. Retiree Health Plan**

**Plan Description.** The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS–Care), a cost-sharing multiple employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplemental information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communication Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78711 or by calling 1-800-223-8778.

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 AUGUST 31, 2013

1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 0.5% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012, and 2011. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For employees funded by federal programs, the federal programs are required to contribute 1.0%.

<u>For the Year Ended August 31</u>	<u>State TRS-Care Contributions Made on Behalf of the District</u>	<u>District Required Contributions to TRS-Care</u>	<u>Employee Contributions to TRS-Care</u>
2011	\$135,795	\$74,687	\$ 88,270
2012	169,164	93,039	109,960
2013	88,879	97,767	115,544

For the current year and each of the past two years, the District’s actual contributions were equal to the required contributions. The contributions made by the State on behalf of the District have been recorded in the District’s governmental funds financial statements as both state revenues and expenditures. These contributions are the legal responsibility of the State.

**T. Retiree Medicare Part D Coverage**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2013, 2012, and 2011, these on-behalf payments, in the amounts of \$67,017, \$37,191, and \$47,556, were recognized by the District as revenues and expenditures, respectively. These payments are recorded as equal revenues and expenditures in the District’s governmental funds financial statements.

**U. Health Care Coverage**

During the year ended August 31, 2013 employees of the District were covered by the Teacher Retirement System-Active Care, a statewide health coverage program for public education employees. The District paid premiums of \$225 on behalf of the employees to the Plan; and, employees, at their option, could authorize payroll withholdings to pay premiums for dependents.

**V. Worker’s Compensation**

During the year, the District met its statutory workers’ compensation obligations through participation in the Texas Association of School Boards (“TASB”) Risk Management Fund (the “Fund”). The Fund was created and is operated under the provisions of the Interlocal

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2013

Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's worker's compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for certain amount of claims liability as outlined in the District's Coverage and Contribution Summary document. After the District's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self insured retention of \$1,000,000. The Fund also purchases excess coverage insurance. The Fund uses the service of an independent actuary to determine reserve adequacy and fully funds those reserves. For the year ended August 31, 2012, member districts will have no additional liability beyond their contractual obligations for payment of contributions and reimbursable aggregate deductions.

The Fund engages an independent auditor to conduct a financial audit after the close of each plan year on August 31, and the report is approved by the Fund's Board of Trustees each year.

The Fund's latest audited financial statements are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin, Texas.

### **W. 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 fiscal year 2013, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

### **X. Litigation, Commitments and Contingencies**

**Litigation** – The District is not a party in any legal action.

**Grant Programs** - The District participates in numerous state and Federal grant programs that 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 collectability of 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

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2013

with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Contingencies** – On January 21, 2013 the District entered into a Voluntary Separation and Release Agreement with the prior superintendent. The agreement allowed the prior superintendent to receive her regular monthly salary and benefits, less all applicable deductions, through December 31, 2013. As of August 31, 2013 the net amount remaining to be paid is \$60,304.

**Y. Prior Period Adjustment**

The District elected to early implement Governmental Accounting Standards Board Statement No. 65. This statement established accounting and reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of this early implementation, the District has a prior period adjustment of \$775,393 to reclassify Capitalized Bond and Other Debt Issuance Costs previously reported as an asset on the Statement of Net Position. This prior period adjustment does not affect the governmental fund financial statements.

**Z. Evaluation of Subsequent Events**

The District has evaluated subsequent events through December 2, 2013, the date which the financial statements were available to be issued.



**REQUIRED SUPPLEMENTARY INFORMATION**

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT G-1

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 8,641,280	\$ 8,694,657	\$ 8,712,492	\$ 17,835
5800	State Program Revenues	15,489,046	16,504,958	16,587,311	82,353
5900	Federal Program Revenues	-	-	33,255	33,255
5020	Total Revenues	24,130,326	25,199,615	25,333,058	133,443
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	13,551,431	13,811,036	13,093,239	717,797
0012	Instructional Resources and Media Services	229,242	244,261	237,196	7,065
0013	Curriculum and Instructional Staff Development	38,599	134,385	115,315	19,070
0021	Instructional Leadership	404,967	399,907	364,727	35,180
0023	School Leadership	1,438,499	1,568,675	1,529,271	39,404
0031	Guidance, Counseling and Evaluation Services	609,464	582,830	518,812	64,018
0032	Social Work Services	78,256	101,756	85,629	16,127
0033	Health Services	231,371	253,071	238,661	14,410
0034	Student (Pupil) Transportation	985,412	1,324,035	1,276,179	47,856
0036	Extracurricular Activities	793,556	785,205	748,313	36,892
0041	General Administration	1,135,811	1,415,370	1,322,566	92,804
0051	Facilities Maintenance and Operations	3,535,521	4,123,483	3,285,102	838,381
0052	Security and Monitoring Services	108,622	108,622	100,603	8,019
0053	Data Processing Services	766,079	969,079	881,794	87,285
0061	Community Services	314,533	348,054	316,912	31,142
Debt Service:					
0071	Principal on Long Term Debt	175,000	292,200	385,449	(93,249)
0072	Interest on Long Term Debt	14,733	20,115	20,414	(299)
0073	Bond Issuance Cost and Fees	-	300	300	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	800,000	1,069,000	1,070,264	(1,264)
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	8,000	8,000	7,932	68
0095	Payments to Juvenile Justice Alternative Ed. Prg.	25,000	40,000	13,000	27,000
0099	Other Intergovernmental Charges	80,000	80,000	71,473	8,527
6030	Total Expenditures	25,324,096	27,679,384	25,683,151	1,996,233
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,193,770)	(2,479,769)	(350,093)	2,129,676
<b>OTHER FINANCING SOURCES (USES):</b>					
7913	Capital Leases	-	-	273,078	273,078
7080	Total Other Financing Sources (Uses)	-	-	273,078	273,078
<b>SPECIAL ITEMS:</b>					
7918	Special Item - Mineral Rights	-	-	63,828	63,828
1200	Net Change in Fund Balances	(1,193,770)	(2,479,769)	(13,187)	2,466,582
0100	Fund Balance - September 1 (Beginning)	8,191,990	8,191,990	8,191,990	-
3000	Fund Balance - August 31 (Ending)	\$ 6,998,220	\$ 5,712,221	\$ 8,178,803	\$ 2,466,582

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## **COMBINING SCHEDULES**

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NON MAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2013

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (290,675)	\$ (201,908)	\$ -	\$ (84,752)
1240	Receivables from Other Governments	325,156	223,758	332	84,752
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1410	Prepayments	-	-	-	-
1000	<b>Total Assets</b>	<u>\$ 34,481</u>	<u>\$ 21,850</u>	<u>\$ 332</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ 10,150	\$ -	\$ -
2160	Accrued Wages Payable	34,481	11,700	332	-
2300	Unearned Revenues	-	-	-	-
2000	<b>Total Liabilities</b>	<u>34,481</u>	<u>21,850</u>	<u>332</u>	<u>-</u>
<b>FUNDBALANCES</b>					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 34,481</u>	<u>\$ 21,850</u>	<u>\$ 332</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	404 Student Success Initiative
\$ 63,726	\$ 27	\$ -	\$ (9,100)	\$ (42,953)	\$ -	\$ (1,375)	\$ -
35,098	-	-	9,100	42,967	-	1,375	-
1,444	-	-	-	-	-	-	-
-	-	-	-	17	-	-	-
15,897	-	-	-	-	-	-	-
4,571	-	-	-	-	-	-	-
<u>\$ 120,736</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 5,856	\$ 27	\$ -	\$ -	\$ 31	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
15,897	-	-	-	-	-	-	-
<u>21,753</u>	<u>27</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>-</u>	<u>-</u>	<u>-</u>
4,571	-	-	-	-	-	-	-
94,412	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>98,983</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 120,736</u>	<u>\$ 27</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2013

Data Control Codes	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 593	\$ 56	\$ 82,399	\$ (483,962)
1240	Receivables from Other Governments	-	-	-	722,538
1260	Due from Other Funds	-	-	-	1,444
1290	Other Receivables	-	-	-	17
1300	Inventories	-	-	-	15,897
1410	Prepayments	-	-	-	4,571
1000	Total Assets	<u>\$ 593</u>	<u>\$ 56</u>	<u>\$ 82,399</u>	<u>\$ 260,505</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	-	-	-	16,064
2160	Accrued Wages Payable	-	-	-	46,513
2300	Unearned Revenues	593	56	-	16,546
2000	Total Liabilities	<u>593</u>	<u>56</u>	<u>-</u>	<u>79,123</u>
<b>FUNDBALANCES</b>					
Nonspendable Fund Balance:					
3430	Prepaid Items	-	-	-	4,571
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	94,412
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	82,399	82,399
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>82,399</u>	<u>181,382</u>
4000	Total Liabilities and Fund Balances	<u>\$ 593</u>	<u>\$ 56</u>	<u>\$ 82,399</u>	<u>\$ 260,505</u>

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LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NON MAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	226 IDEA - Part B Discretionary
<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	916,810	514,721	84,752
5020	Total Revenues	<u>916,810</u>	<u>514,721</u>	<u>84,752</u>
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	650,853	260,859	78,752
0012	Instructional Resources and Media Services	-	-	-
0013	Curriculum and Instructional Staff Development	249,606	780	-
0021	Instructional Leadership	30	-	-
0023	School Leadership	393	-	-
0031	Guidance, Counseling and Evaluation Services	2,479	223,662	-
0034	Student (Pupil) Transportation	616	-	6,000
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
0041	General Administration	3,705	-	-
0051	Facilities Maintenance and Operations	-	-	-
0061	Community Services	9,128	5,088	-
Debt Service:				
0071	Principal on Long Term Debt	-	-	-
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	29,420	-
6030	Total Expenditures	<u>916,810</u>	<u>514,721</u>	<u>84,752</u>
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives	404 Student Success Initiative
\$ 433,883	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
9,924	-	-	-	-	-	1,375	14,856
1,481,128	18,066	52,742	95,922	53,342	3,346	-	-
1,924,935	18,066	52,742	95,922	53,342	3,346	1,375	14,856
-	-	47,689	-	36,639	1,479	-	14,856
-	-	-	-	-	-	-	-
-	-	5,053	94,121	13,118	-	1,375	-
-	-	-	-	-	-	-	-
-	-	-	1,226	-	1,867	-	-
-	-	-	575	-	-	-	-
-	-	-	-	-	-	-	-
1,908,713	18,066	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
49,044	-	-	-	-	-	-	-
-	-	-	-	3,585	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,957,757	18,066	52,742	95,922	53,342	3,346	1,375	14,856
(32,822)	-	-	-	-	-	-	-
131,805	-	-	-	-	-	-	-
\$ 98,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Data Control Codes	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 157,586	\$ 591,469
5800	State Program Revenues	83,669	266	-	110,090
5900	Federal Program Revenues	-	-	-	3,225,917
5020	Total Revenues	<u>83,669</u>	<u>266</u>	<u>157,586</u>	<u>3,927,476</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	20,510	-	-	1,111,637
0012	Instructional Resources and Media Services	-	266	-	266
0013	Curriculum and Instructional Staff Development	-	-	-	364,053
0021	Instructional Leadership	-	-	-	30
0023	School Leadership	-	-	-	3,486
0031	Guidance, Counseling and Evaluation Services	-	-	-	226,716
0034	Student (Pupil) Transportation	-	-	-	6,616
0035	Food Services	-	-	-	1,926,779
0036	Extracurricular Activities	-	-	151,500	151,500
0041	General Administration	-	-	-	3,705
0051	Facilities Maintenance and Operations	-	-	-	49,044
0061	Community Services	-	-	-	17,801
Debt Service:					
0071	Principal on Long Term Debt	63,159	-	-	63,159
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	-	29,420
6030	Total Expenditures	<u>83,669</u>	<u>266</u>	<u>151,500</u>	<u>3,954,212</u>
1200	Net Change in Fund Balance	-	-	6,086	(26,736)
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>76,313</u>	<u>208,118</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,399</u>	<u>\$ 181,382</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.500000	0.251800	468,106,921
2006	1.500000	0.343600	504,772,756
2007	1.370000	0.399900	621,868,185
2008	1.040000	0.495000	788,698,893
2009	1.170000	0.495000	712,965,108
2010	1.170000	0.500000	694,428,595
2011	1.170000	0.500000	677,067,665
2012	1.170000	0.500000	699,286,108
2013 (School year under audit)	1.170000	0.500000	696,690,479
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 179,993	\$ -	\$ (1,239)	\$ (239)	\$ (4,790)	\$ 176,681
29,860	-	(524)	(88)	(744)	29,728
32,588	-	1,714	393	(782)	29,699
31,547	-	1,841	537	(976)	28,193
31,061	-	3,872	1,843	(227)	25,119
36,298	-	4,738	2,004	(1,281)	28,275
60,236	-	9,761	4,171	(728)	45,576
80,082	-	19,183	8,198	(743)	51,958
140,561	-	33,054	14,126	(8,284)	85,097
-	11,634,731	8,116,510	3,468,594	110,946	160,573
<u>\$ 622,226</u>	<u>\$ 11,634,731</u>	<u>\$ 8,188,910</u>	<u>\$ 3,499,539</u>	<u>\$ 92,391</u>	<u>\$ 660,899</u>

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2013

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 423,423	\$ 607,032	\$ -	\$ -	\$ 1,030,455
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	79,119	-	-	-	79,119
6212	Audit Services	-	-	-	14,500	-	-	14,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	79,548	-	-	-	-	79,548
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	13,725	-	-	22,550	-	-	36,275
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	85	25,573	-	-	25,658
6240	Contr. Maint. and Repair	-	-	-	-	45	-	45
6250	Utilities	-	-	-	-	2,761	-	2,761
6260	Rentals	-	-	-	5,997	-	-	5,997
6290	Miscellaneous Contr.	600	-	4,428	115,290	-	-	120,318
6320	Textbooks and Reading	-	-	311	657	-	-	968
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	731	-	5,748	43,069	-	-	49,548
6410	Travel, Subsistence, Stipends	1,844	-	1,198	12,668	-	-	15,710
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	15,191	-	-	-	-	-	15,191
6490	Miscellaneous Operating	3,042	-	13,791	40,551	-	-	57,384
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	<b>TOTAL</b>	<b>\$ 35,133</b>	<b>\$ 79,548</b>	<b>\$ 528,103</b>	<b>\$ 887,887</b>	<b>\$ 2,806</b>	<b>\$ -</b>	<b>\$ 1,533,477</b>

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 29,637,363

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 1,423,317
Total Debt & Lease(6500)	(11)	469,322
Plant Maintenance (Function 51, 6100-6400)	(12)	3,282,092
Food (Function 35, 6341 and 6499)	(13)	623,475
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		887,887

SubTotal: 6,686,093

Net Allowed Direct Cost \$ 22,951,270

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 93,105,696
Historical Cost of Building over 50 years old	(16)	\$ 775,374
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 5,972,613
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 606,866
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$135,733 in Function 53 expenditures are included in this report on administrative costs.  
 \$71,473 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF AUGUST 31, 2013

In accordance with Texas Education Agency guidelines, the District has elected not to present this schedule for the current year.



LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 361,447	\$ 498,197	\$ 433,883	\$ (64,314)
5800 State Program Revenues	13,000	13,000	9,924	(3,076)
5900 Federal Program Revenues	1,334,936	1,513,936	1,481,128	(32,808)
5020 Total Revenues	1,709,383	2,025,133	1,924,935	(100,198)
<b>EXPENDITURES:</b>				
0035 Food Services	1,646,383	1,962,133	1,908,713	53,420
0051 Facilities Maintenance and Operations	63,000	63,000	49,044	13,956
6030 Total Expenditures	1,709,383	2,025,133	1,957,757	67,376
1200 Net Change in Fund Balances	-	-	(32,822)	(32,822)
0100 Fund Balance - September 1 (Beginning)	131,805	131,805	131,805	-
3000 Fund Balance - August 31 (Ending)	\$ 131,805	\$ 131,805	\$ 98,983	\$ (32,822)

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 3,556,579	\$ 3,556,579	\$ 3,525,241	\$ (31,338)
5800	State Program Revenues	1,342,692	1,420,887	1,335,954	(84,933)
5020	Total Revenues	4,899,271	4,977,466	4,861,195	(116,271)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	1,739,158	2,083,129	2,004,934	78,195
0072	Interest on Long Term Debt	3,195,977	2,930,201	2,819,862	110,339
0073	Bond Issuance Cost and Fees	50,009	220,262	183,070	37,192
6030	Total Expenditures	4,985,144	5,233,592	5,007,866	225,726
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(85,873)	(256,126)	(146,671)	109,455
<b>OTHER FINANCING SOURCES (USES):</b>					
7901	Refunding Bonds Issued	-	8,756,350	8,756,350	-
7916	Premium or Discount on Issuance of Bonds	-	1,132,335	1,135,774	3,440
8940	Payment to Bond Refunding Escrow Agent	-	(9,718,431)	(9,718,431)	-
7080	Total Other Financing Sources (Uses)	-	170,254	173,693	3,440
1200	Net Change in Fund Balances	(85,873)	(85,873)	27,022	112,895
0100	Fund Balance - September 1 (Beginning)	433,217	433,217	433,217	-
3000	Fund Balance - August 31 (Ending)	\$ 347,344	\$ 347,345	\$ 460,239	\$ 112,894

**REPORTS ON INTERNAL CONTROLS, COMPLIANCE  
AND FEDERAL AWARDS**

# KIRK, RICHARDSON & POOLE P. C.

Members of the American Institute of Certified Public Accountants

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Tom Kirk, CPA	Don Richardson, CPA	Cindy Poole, CPA
7559 John T. White Road	P O. Box 8342	Fort Worth, Texas 76124-0342
(817) 451-7406		Fax (817) 451-7597

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

Board of Trustees  
Lake Worth Independent School District  
6805 Telephone Road  
Lake Worth, Texas 76135

Members of the Board of Trustees:

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Worth Independent School District (the "District") as of and for the year ended August 31, 2013, and the related notes to the financial statements which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2013.

## Internal Control Over Financial Reports

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 opinion 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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charged with governance.

Our consideration of the 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 over financial reporting that might be material weaknesses, or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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 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 Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kirk, Richardson & Poole, P.C.*

Kirk, Richardson & Poole P. C.  
Fort Worth, Texas  
December 2, 2013

# KIRK, RICHARDSON & POOLE P. C

Members of the American Institute of Certified Public Accountants

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Tom Kirk, CPA

Don Richardson, CPA

Cindy Poole, CPA

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

Board of Trustees  
Lake Worth Independent School District  
6805 Telephone Road  
Lake Worth, Texas 76135

Members of the Board of Trustees:

### **Report on Compliance for Each Major Federal Program**

We have audited the Lake Worth Independent School District (the "District") 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 each of 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 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 the compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance with those requirements.

### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the 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.

### **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, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and 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* 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 of compliance and the results of that testing based on the requirements of OMB Circular A-133.

*Kirk, Richardson & Poole, P.C.*

Kirk, Richardson & Poole P.C.  
Fort Worth, Texas  
December 2, 2013

LAKE WORTH 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:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program – Cash Assistance
10.555	National School Lunch Program – Non-Cash Assistance
10.559	Summer Feeding Program – Cash Assistance

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

Auditee qualified as low risk auditee?: Yes

**Section II – Financial Statement Findings**

N/A – None.

**Section III – Federal Award Findings and Questioned Costs**

N/A – None.



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

STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE:

N/A – None required.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2013

Contact Person: Becky Campbell, Business Manager  
Lake Worth Independent School District  
6805 Telephone Road  
Lake Worth, Texas 76135  
(817) 237-1491

CORRECTIVE ACTION PLAN:

N/A – None required.

LAKE WORTH INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	13610101220910	\$ 879,505
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14610101220910	40,561
Total CFDA Number 84.010A			920,066
*ESEA, Title I - School Improvement Program	84.101A	13610104220910	15,000
*ESEA, Title I - School Improvement Program	84.101A	13610104220910	15,000
Total CFDA Number 84.101A			30,000
Total Title I, Part A Cluster			950,066
*IDEA - Part B, Formula	84.027	13660001220910	498,114
*IDEA - Part B, Formula	84.027	14660001220910	16,606
*IDEA - Part B, Discretionary	84.027	13660006220910	84,752
Total CFDA Number 84.027			599,472
*IDEA - Part B, Preschool	84.173	13661001220910	4,756
*IDEA - Part B, Preschool	84.173	14661001220910	332
Total CFDA Number 84.173			5,088
Total Special Education Cluster (IDEA)			604,560
Career and Technical - Basic Grant	84.048	13420006220910	52,742
Title III, Part A - English Language Acquisition	84.365A	13671001220910	53,342
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13694501220910	95,922
Summer School LEP	84.369	69551202	3,346
Total Passed Through State Department of Education			\$ 1,759,978
<b>TOTAL DEPARTMENT OF EDUCATION</b>			\$ 1,759,978
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553		\$ 283,366
*National School Lunch Program - Cash Assistance	10.555		1,093,343
*National School Lunch Prog. - Non-Cash Assistance	10.555		104,420
Total CFDA Number 10.555			1,197,763
*Summer Feeding Program - Cash Assistance	10.559		18,066
Total Child Nutrition Cluster			1,499,195
Total Passed Through the State Department of Agriculture			\$ 1,499,195
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			\$ 1,499,195
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 3,259,173

\*Clustered Programs

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

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's "Financial Accountability System Resource Guide." Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds, if any, are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Special Revenue Fund that is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in fund balance.

The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, if any, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.
4. The District participates in numerous Federal grant programs that 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 collectability of 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 provisions have been recorded in the accompanying financial statements for such contingencies.

SCHOOLS FIRST QUESTIONNAIRE

LAKE WORTH INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2013

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	\$7,920,309