

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2011

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ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2011

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CERTIFICATE OF BOARD

Westwood Independent School District  
Name of School District

Anderson  
County

001-908  
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2011 at a meeting of the board of school trustees of such school district on the \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
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)

SMITH, LAMBRIGHT & ASSOCIATES, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA  
J. W. Lambright, CPA  

---

Cheri E. Kirkland, CPA

P. O. Box 912  
505 E. Tyler  
Athens, Texas 75751  
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smithlambright.com

UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION  
AND OTHER SUPPLEMENTARY INFORMATION  
INCLUDING THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

Board of School Trustees  
Westwood Independent School District  
P. O. Box 260  
Palestine , Texas 75802

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Westwood Independent School District (the "District"), as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011, and the respective changes in financial position and , where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

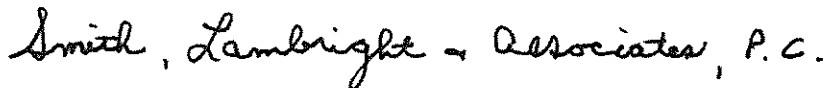
In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2011 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Budgetary Comparison Schedule - General Fund and combining and individual nonmajor 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 of the District. The Budgetary Comparison Schedule - General Fund and combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 (Fund Balance and Cash Flow Calculation Worksheet) 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.

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants

November 10, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS



## **“Building a Foundation of Excellence”**

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Dr. Ed Lyman, Superintendent

Tricia Wardell, Finance Director

### **WESTWOOD INDEPENDENT SCHOOL DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the managers of Westwood Independent School District, discuss and analyze the District’s financial performance for the fiscal year ended August 31, 2011. Please read it in conjunction with our transmittal letter, the independent auditors’ report, and the District’s Basic Financial Statements.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-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 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 a basis for tax levies and the appropriations budget. The fiduciary statement provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds in the Required Supplementary Information section contain additional information about the District’s individual funds. The sections labeled Other Supplementary Information and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

P.O. Box 260 . Palestine, TX 75802 . 903/729-1776



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

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

The analysis of the District's overall financial condition and operations is contained in the independent auditor's report. 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 Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities include all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenue 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 from outside the district and grants provided by the U. S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues) and revenues provided by the taxpayers or by TEA in equalization funding process (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 year.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, one should consider nonfinancial 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 Assets and the Statement of Activities, we present the District's one kind of basic activity:

Governmental activities - All of the District's basic services are reported here, including the 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.

## **Reporting the District's Most Significant Funds**

### ***Fund Financial Statements***

The fund financial statements, found in the independent auditor's report, 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 under the No Child Left Behind Act from the U. S. Department of Education. The District's administration establishes many other funds to help control and manage money for particular purposes (such as campus activities).

Governmental funds—The District’s basic services are reported in governmental funds. These use the modified accrual basis of 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 difference between governmental activities (reported in the Statement of Net Assets 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 separate Statements of Fiduciary Net Assets. We exclude these resources from the District’s other financial statement 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 assets (Table I) and changes in net assets (Table II) of the District’s governmental activities.

Net assets of the District’s governmental activities increased from \$21,833,112 to \$23,186,775. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – were \$8,377,803 at August 31, 2011.

The District’s total revenues were \$13,386,224. The cost of all governmental programs and services this year was \$14,289,518 compared to \$13,260,129 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through the District taxes was only \$5,058,371 because some of the costs were paid by those who directly benefitted from the programs (\$ 533,297), by other governments and organizations that subsidized certain programs with grants and contributions (\$1,723,660), by State equalization funding (\$7,751,348), or by investment earning and other miscellaneous revenue (\$576,505).

## **THE DISTRICT’S FUNDS**

As the District completed the year, its governmental funds (as presented on the balance sheet in the independent auditor’s report) reported a combined fund balance of \$8,570,402, which is less than last year’s total of \$9,193,986. Included in this year’s total change in fund balance is a decrease of \$503,065 in the District’s general fund.

The District's General Fund balance of \$7,753,446 reported in the audit differs from the General Fund's budgetary fund balance of \$6,695,911 reported in the budgetary comparison schedule. This is primarily because our revenues increased due to the increased tax rate of \$1.17 per \$100 property valuation.

Over the course of the year, the Board of Trustees revised the District's budget several times primarily due to the actual revenue realized and cost incurred by the District being higher or lower than original estimates. The most significant budget amendments were Facilities Construction changes.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At the end of fiscal year 2011, the District had \$23,566,175 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. The total accumulated depreciation was \$ 9,574,159.

This year's major additions included:

Facilities Construction	\$ 2,069,343
School buses	-0-
Computer equipment and software	-0-
Total	<u>\$ 2,069,343</u>

**DEBT**

The District had no long-term debt during the year ended August 31, 2011.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The District's elected officials considered many factors when setting the fiscal-year 2012 budget and tax rates. One of those factors is the community the District serves. In the fiscal year 2010-2011 the taxable base of the District increased 5% compared to the previous fiscal year. The increase was due to the increased property values in the area.

Other factors considered include the State property tax rules, which interact with the TEA Foundation revenue rules to calculate a substantial part of the funding received for the operation of most school functions.

The District's maintenance and operating property tax rate for the fiscal year ended August 31, 2011, was \$1.17 per \$100 property valuation. For the year ending August 31, 2012, the District has maintained the tax rate of \$1.17. The District's budgeted general fund expenditures for 2011-12 are \$13,624,100.

The decrease in the budget with careful stewardship by the District's management is expected to enable the District to keep its facilities in good operating form and yet maintain an adequate General fund balance for future District growth and maintenance needs, including unforeseen emergency situations that can occur.

## **CONTACTING THE DISTRICT'S FINANCIAL MANGAGMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at WESTWOOD INDEPENDENT SCHOOL DISTRICT, P.O. Box 260, Palestine, Texas 75802.

Table I  
Westwood Independent School District  
Net Assets

<b>Governmental Activities</b>	<b>2010-2011</b>	<b>2009-2010</b>
Current and Other Assets	9,650,914	10,437,852
Capital Assets	13,992,016	12,035,961
<b>Total Assets</b>	<b>23,642,930</b>	<b>22,473,813</b>
Long-term Liabilities	-0-	-0-
Other Liabilities	456,155	640,701
<b>Total Liabilities</b>	<b>456,155</b>	<b>640,701</b>
<b>Net Assets</b>		
Investment in capital assets	13,992,016	12,035,961
Restricted Assets	816,956	937,475
Unrestricted Assets	8,377,803	8,859,676
<b>Total Net Assets</b>	<b>23,186,775</b>	<b>21,833,112</b>

Table II  
Westwood Independent School District  
Statement of Activities

<b>Governmental Activities</b>	<b>2010-2011</b>	<b>2009-2010</b>
Revenues		
Program Revenues:		
Charges for Services	533,297	515,405
Operating Grants and Contributions	1,723,660	2,219,524
Capital Grants and Contributions	-0-	-0-
General Revenue:		
Maintenance and Operations Taxes	5,058,371	4,332,093
State Aid – Formula Grants	7,751,348	6,898,447
Investment Earnings	22,755	24,181
Grants and Contributions not Restricted and Miscellaneous	553,750	823,891
Total General Revenue	<u>13,386,224</u>	<u>12,078,612</u>
Expenses:		
Instructional, Curriculum, Media	8,413,870	7,933,466
Instructional/School Leadership	870,797	783,466
Student Support Services	1,041,000	902,561
Child Nutrition	838,272	736,577
Cocurricular Activities	609,958	585,540
General Administration	592,940	452,720
Plant Maintenance, Security, Data Processing	1,568,438	1,501,494
Facilities Acquisition & Construction	0	31,416
Payments to Fiscal Agents	265,171	249,153
Other Intergovernmental Charges	89,072	83,736
Total Expenses	<u>14,289,518</u>	<u>13,260,129</u>
Change in Net Assets	1,353,663	1,553,412
Net Assets @ September 1	<u>21,833,112</u>	<u>20,279,700</u>
Net Assets @ August 31	<u>23,186,775</u>	<u>21,833,112</u>

**BASIC FINANCIAL STATEMENTS**

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET ASSETS  
AUGUST 31, 2011

EXHIBIT A-1

Data Control Codes	Primary Government  Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 80,323
1120 Current Investments	8,281,080
1220 Property Taxes Receivable (Delinquent)	657,218
1230 Allowance for Uncollectible Taxes	(32,861)
1240 Due from Other Governments	619,031
1290 Other Receivables, net	24,170
1300 Inventories	21,953
Capital Assets:	
1510 Land	419,954
1520 Buildings, Net	12,333,277
1530 Furniture and Equipment, Net	1,238,785
1000 Total Assets	23,642,930
<b>LIABILITIES</b>	
2110 Accounts Payable	65,028
2150 Payroll Deductions & Withholdings	22
2160 Accrued Wages Payable	391,105
2000 Total Liabilities	456,155
<b>NET ASSETS</b>	
3200 Invested in Capital Assets, Net of Related Debt	13,992,016
3820 Restricted for Federal and State Programs	213,684
3870 Restricted for Campus Activities	114,916
3890 Restricted for Other Purposes	488,356
3900 Unrestricted Net Assets	8,377,803
3000 Total Net Assets	\$ 23,186,775

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



WESTWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 8,070,948	\$ 60,542	\$ 866,773	\$ (7,143,633)
12 Instructional Resources and Media Services	188,245	-	55,612	(132,633)
13 Curriculum and Staff Development	154,677	-	62,260	(92,417)
23 School Leadership	870,797	-	36,160	(834,637)
31 Guidance, Counseling and Evaluation Services	256,627	-	10,602	(246,025)
33 Health Services	89,430	-	5,398	(84,032)
34 Student (Pupil) Transportation	694,943	-	20,278	(674,665)
35 Food Services	838,272	251,646	612,357	25,731
36 Extracurricular Activities	609,958	221,109	7,824	(381,025)
41 General Administration	592,940	-	14,681	(578,259)
51 Plant Maintenance and Operations	1,411,633	-	26,284	(1,385,349)
52 Security and Monitoring Services	13,957	-	-	(13,957)
53 Data Processing Services	142,848	-	5,431	(137,417)
93 Payments related to Shared Services Arrangements	265,171	-	-	(265,171)
99 Other Intergovernmental Charges	89,072	-	-	(89,072)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<u>\$ 14,289,518</u>	<u>\$ 533,297</u>	<u>\$ 1,723,660</u>	<u>(12,032,561)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			5,058,371
SF	State Aid - Formula Grants			7,751,348
GC	Grants and Contributions not Restricted			336,484
IE	Investment Earnings			22,755
MI	Miscellaneous Local and Intermediate Revenue			217,266
TR	<b>Total General Revenues</b>			<u>13,386,224</u>
CN	Change in Net Assets			1,353,663
NB	Net Assets--Beginning			21,833,112
NE	Net Assets--Ending			<u>\$ 23,186,775</u>

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

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 387,858	\$ (307,535)	\$ 80,323
1120	Investments - Current	7,204,438	1,076,642	8,281,080
1220	Property Taxes - Delinquent	657,218	-	657,218
1230	Allowance for Uncollectible Taxes (Credit)	(32,861)	-	(32,861)
1240	Receivables from Other Governments	541,604	77,427	619,031
1290	Other Receivables	24,170	-	24,170
1300	Inventories	21,953	-	21,953
1000	<b>Total Assets</b>	<u>\$ 8,804,380</u>	<u>\$ 846,534</u>	<u>\$ 9,650,914</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
2110	Accounts Payable	\$ 65,028	\$ -	\$ 65,028
2150	Payroll Deductions and Withholdings Payable	22	-	22
2160	Accrued Wages Payable	361,527	29,578	391,105
2300	Deferred Revenues	624,357	-	624,357
2000	<b>Total Liabilities</b>	<u>1,050,934</u>	<u>29,578</u>	<u>1,080,512</u>
Fund Balances:				
Nonspendable Fund Balance:				
3410	Inventories	21,953	-	21,953
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	213,684	213,684
3490	Other Restricted Fund Balance	-	488,356	488,356
Committed Fund Balance:				
3510	Construction	685,000	-	685,000
3530	Capital Expenditures for Equipment	3,287,300	-	3,287,300
Assigned Fund Balance:				
3590	Other Assigned Fund Balance	-	114,916	114,916
3600	Unassigned Fund Balance	3,759,193	-	3,759,193
3000	<b>Total Fund Balances</b>	<u>7,753,446</u>	<u>816,956</u>	<u>8,570,402</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 8,804,380</u>	<u>\$ 846,534</u>	<u>\$ 9,650,914</u>

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

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS

AUGUST 31, 2011

<b>Total Fund Balances - Governmental Funds</b>	<u>\$ 8 570 402</u>
 <b>Amounts reported for governmental activities in the Statement of Net Assets are different because:</b>	
 <u>Data</u>	
<u>Control</u>	
<u>Codes</u>	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$20,785,099 and the accumulated depreciation was \$8,749,138. 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 long-term debt was \$0. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	<u>12 035 961</u>
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	<u>2 790 960</u>
3 The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	<u>(832 564)</u>
4 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue 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 (decrease) net assets.	<u>622 016</u>
<b>19 Net Assets of Governmental Activities</b>	<u><u>\$ 23 186 775</u></u>

The accompanying notes are an integral part of this statement.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 5,384,727	\$ 428,111	\$ 5,812,838
5800 State Program Revenues	8,223,998	118,643	8,342,641
5900 Federal Program Revenues	-	1,468,851	1,468,851
5020 Total Revenues	<u>13,608,725</u>	<u>2,015,605</u>	<u>15,624,330</u>
EXPENDITURES:			
Current:			
0011 Instruction	7,266,102	533,560	7,799,662
0012 Instructional Resources and Media Services	123,926	51,831	175,757
0013 Curriculum and Instructional Staff Development	96,016	58,661	154,677
0023 School Leadership	670,083	185,811	855,894
0031 Guidance, Counseling and Evaluation Services	256,627	-	256,627
0033 Health Services	88,430	1,000	89,430
0034 Student (Pupil) Transportation	582,592	800	583,392
0035 Food Services	-	919,154	919,154
0036 Extracurricular Activities	514,664	-	514,664
0041 General Administration	576,705	-	576,705
0051 Facilities Maintenance and Operations	1,412,022	382	1,412,404
0052 Security and Monitoring Services	7,130	-	7,130
0053 Data Processing Services	142,848	-	142,848
Capital Outlay:			
0081 Facilities Acquisition and Construction	2,068,843	336,484	2,405,327
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	265,171	-	265,171
0099 Other Intergovernmental Charges	89,072	-	89,072
6030 Total Expenditures	<u>14,160,231</u>	<u>2,087,683</u>	<u>16,247,914</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(551,506)</u>	<u>(72,078)</u>	<u>(623,584)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	57,606	9,165	66,771
8911 Transfers Out (Use)	<u>(9,165)</u>	<u>(57,606)</u>	<u>(66,771)</u>
7080 Total Other Financing Sources (Uses)	<u>48,441</u>	<u>(48,441)</u>	<u>-</u>
1200 Net Change in Fund Balances	(503,065)	(120,519)	(623,584)
0100 Fund Balance - September 1 (Beginning)	<u>8,256,511</u>	<u>937,475</u>	<u>9,193,986</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 7,753,446</u>	<u>\$ 816,956</u>	<u>\$ 8,570,402</u>

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

WESTWOOD 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, 2011

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ <u>(623 584)</u></b>
 <b>Amounts reported for governmental activities in the Statement of Activities are different because:</b>	
1 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 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	<u>2 790 960</u>
2 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 assets.	<u>(832 564)</u>
3 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying 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 increase (decrease) net assets.	<u>18 851</u>
<b>19 Change in Net Assets of Governmental Activities</b>	<b>\$ <u><u>1 353 663</u></u></b>

The accompanying notes are an integral part of this statement.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2011

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 2,047	\$ 26,498
Total Assets	2,047	\$ 26,498
<b>LIABILITIES</b>		
Accounts Payable	500	\$ -
Due to Student Groups	-	26,498
Total Liabilities	500	\$ 26,498
<b>NET ASSETS</b>		
Restricted for Scholarships	1,547	
Total Net Assets	\$ 1,547	

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

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2011

EXHIBIT E-2

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 3,230
Total Additions	<u>3,230</u>
DEDUCTIONS:	
Professional and Contracted Services	3,000
Total Deductions	<u>3,000</u>
Change in Net Assets	230
Total Net Assets - September 1 (Beginning)	<u>1,317</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 1,547</u></u>

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

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Westwood Independent School District (“The District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

**A. REPORTING ENTITY**

The Board of Trustees (the “Board”) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 14, “The Financial Reporting Entity.” There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the District’s nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the governmental fund Balance Sheet and proprietary fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the proprietary fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and enterprise funds remain on the government-wide statements and appear on the government-wide Statement of Net Assets as internal balances and on the Statement of Activities as interfund transfers. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.



WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

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

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. 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.

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

The proprietary fund types and fiduciary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**D. FUND ACCOUNTING**

The District reports the following fund types:

Governmental Funds:

**1. General Fund** - The general fund is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

Fiduciary Funds:

**3. Private Purpose Trust Funds** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the Orange and White Scholarship Program.

**4. Agency Fund** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the student activity fund and clearing accounts.

**E. CASH AND CASH EQUIVALENTS**

For the purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

**F. INVENTORIES**

Inventory of supplies reported on the balance sheet is stated at actual cost. The District records supplies as expenditures when they are consumed.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**G. CAPITAL ASSETS**

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	15
Buildings	50
Building Improvements	15
Vehicles (other than Buses)	5
Buses	10
Computer Equipment	5
Office and other Equipment	7

**H. LONG TERM DEBT**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**I. FUND BALANCE**

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
2. Restricted Fund Balance - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
3. Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. Assigned Fund Balance - includes amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.
5. Unassigned Fund Balance - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

**J. DATA CONTROL CODES**

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education 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.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

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

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. 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. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of the year</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Assets</u>
Land	\$ 419 954	\$	\$ 419 954	
Buildings & Improvements	17 769 156	7 553 736	10 215 420	
Furniture & Equipment	2 378 658	1 195 402	1 183 256	
Construction in Progress	<u>217 331</u>	<u></u>	<u>217 331</u>	
Totals	<u>\$ 20 785 099</u>	<u>\$ 8 749 138</u>		
Change in Net Assets				\$ 12 035 961
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
N/A			<u>\$ 0</u>	
Change in Net Assets				<u>0</u>
Net Adjustment to Net Assets				<u>\$ 12 035 961</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 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 assets 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 asset balance and the change in net assets. The details of this adjustment are as follows:

	Amount	Adjustments to Changes in Net Assets	Adjustments to Net Assets
Current Year Capital Outlay:			
Land	\$		
Buildings & Improvements	483 957		
Furniture & Equipment	345 849		
Construction in Progress	1 961 154		
Total Capital Outlay	2 790 960	2 790 960	2 790 960
Debt Principal Payments:			
N/A	0		
Total Principal Payments	\$ 0	0	0
Total Adjustment to Net Assets		\$ 2 790 960	\$ 2 790 960

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

**C. EXPLANATION OF OTHER DIFFERENCES**

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 152 905	\$ (152 905)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	174 097	174 097	174 097
Uncollected Taxes (assumed collectible) from Prior Year Levy	450 260		450 260
Capital Asset Adjustments:			
Prior Periods	2 341	<u>(2 341)</u>	<u>(2 341)</u>
Total		<u>\$ 18 851</u>	<u>\$ 622 016</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

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

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund and the Food Service Fund (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 report is in Exhibit J-4.

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

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.
4. Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function /object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	August 31, 2011
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 213 234
Nonappropriated Budget Funds	<u>603 722</u>
All Special Revenue Funds	<u>\$ 816 956</u>

**B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The District made expenditures in excess of the budgeted amount in functional areas of the General Fund that were immaterial to the total budget.



WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**C. ENCUMBRANCE ACCOUNTING**

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders or contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31, and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at August 31, 2011 that were subsequently provided for in the 2011 - 2012 budget.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

The Public funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar - weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

State statutes and Board policy authorize the District to invest in 1) Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009.; 2) Certificates of deposit and share certificates as permitted by Government Code 2256.010.; 3) Fully collateralized repurchase agreements permitted by Government Code 2256.011.; 4) A securities lending program as permitted by Government Code 2256.0115.; 5) Banker's acceptances as permitted by Government Code 2256.012.; 6) Commercial paper as permitted by Government Code 2256.013.; 7) No load money market mutual funds and no load mutual funds as permitted by Government Code 2256.014.; 8) A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015.; and 9) Public funds investment pools as permitted by Government Code 2256.016.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

- a. **Custodial Credit Risk - Deposits:** This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2010-2011 the District's combined deposits were not fully insured for several weeks by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$4,267,055 and occurred on January 26, 2011. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$3,614,950. The total amount of FDIC coverage at the time of the highest combined balance was \$500,000

- b. **Custodial Credit Risk - Investments:** 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. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

- c. Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d. Concentration of Credit Risk: Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

CASH DEPOSITS

At August 31, 2011, the amount of the District's cash balance in interest bearing checking accounts was \$108,068. The cash balance in savings, time and certificate of deposit accounts was \$2,021,181. Cash on hand was \$800.

INVESTMENTS

The District's investments at August 31, 2011, are shown below:

<u>Investment Type</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 2 021 181	\$ 2 021 181	.081007
First Public / Lone Star Investment Pool	<u>6 259 899</u>	<u>6 260 062</u>	.104110
Total Investments	<u>\$ 8 281 080</u>	<u>\$ 8 281 243</u>	

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

For the purpose of the statement of cash flows for proprietary fund types, if any, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Delinquent taxes not paid by June 30 are subject to penalty and interest charges plus 15% delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Concentration - The District's property tax base includes one taxpayer whose taxable value comprises approximately 26% of the base.

Delinquent taxes are prorated between maintenance and debt service, when necessary, based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

The assessed value of the property tax roll upon which the levy for the 2010-2011 fiscal year was based, was \$421,727,798. The tax rate assessed for the year ended August 31, 2011 to finance General Fund operations was \$1.17 per \$100 valuation. Current tax collections for the year ended August 31, 2011 were 96.4% of the year end adjusted tax levy. As of August 31, 2011, property taxes receivable totaled \$657,218 for the General Fund.

**C. DUE FROM OTHER GOVERNMENTS**

The District participates in variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2011 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

	General Fund	Other Funds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
State Entitlements	\$ 537 807	\$	\$ 537 807
Other State Grants		7 061	7 061
Federal Grants		70 366	70 366
Region VII ESC	<u>3 797</u>		<u>3 797</u>
Totals	<u>\$ 541 604</u>	<u>\$ 77 427</u>	<u>\$ 619 031</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2011 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund:		
Special Revenue Fund	\$ _____	\$ _____
Special Revenue Fund:		
General Fund	\$ _____	\$ _____
Totals	<u>\$ _____</u> <u>0</u>	<u>\$ _____</u> <u>0</u>

Interfund transfers for the year ended August 31, 2011 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Fund	\$ 57 606	\$ 9 165
Special Revenue Fund:		
General Fund	\$ 9 165	\$ 57 606
Totals	<u>\$ 66 771</u>	<u>\$ 66 771</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2011, were as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 657 218	\$	\$ 657 218
Other Governments	541 604	77 427	619 031
Other Funds	<u>24 170</u>	<u></u>	<u>24 170</u>
Totals	<u>\$ 1 222 992</u>	<u>\$ 77 427</u>	<u>\$ 1 300 419</u>

Payables at August 31, 2011, were as follows:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Payable	\$ 65 028	\$	\$ 65 028
Accrued Wages	361 527	29 578	391 105
Payroll Deductions	<u>22</u>	<u></u>	<u>22</u>
Totals	<u>\$ 426 577</u>	<u>\$ 29 578</u>	<u>\$ 456 155</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Adjustments</u>	<u>Ending Balance</u>
Governmental Activities:					
Land	\$ 419 954	\$	\$		\$ 419 954
Buildings & Improvements	17 769 156	483 957		2 178 645	20 431 758
Furniture & Equipment	2 378 658	345 849	(10 044)		2 714 463
Construction in Progress	217 331	1 961 154		(2 178 645)	0
				<u>160</u>	
Total at Historical Cost	<u>20 785 099</u>	<u>2 790 960</u>	<u>(10 044)</u>	<u>160</u>	<u>23 566 175</u>
Less Accumulated Depreciation for:					
Buildings & Improvements	7 553 736	544 745			8 098 481
Furniture and Equipment	<u>1 195 402</u>	<u>287 819</u>	<u>(7 543)</u>		<u>1 475 678</u>
Total Accumulated Depreciation	<u>8 749 138</u>	<u>832 564</u>	<u>(7 543)</u>	<u>0</u>	<u>9 574 159</u>
Governmental Activities Capital Assets, Net	<u>\$ 12 035 961</u>	<u>\$ 1 958 396</u>	<u>\$ (2 501)</u>	<u>160</u>	<u>\$ 13 992 016</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 413 035
12	Instructional Resources and Media Services	12 488
23	School Leadership	14 903
34	Student (Pupil) Transportation	188 659
35	Food Services	20 398
36	Cocurricular/Extracurricular Activities	103 654
41	General Administration	16 235
51	Plant Maintenance and Operations	56 365
52	Security and Monitoring Services	<u>6 827</u>
	Total Depreciation Expense	<u>\$ 832 564</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**G. DEFERRED REVENUE**

Deferred revenue at year-end consisted of the following:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Net Tax Revenue	\$ 624 357	\$	\$ 624 357
Totals	<u>\$ 624 357</u>	<u>\$ 0</u>	<u>\$ 624 357</u>



WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**H. FUND BALANCE**

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the District are:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Nonspendable:			
Inventory	\$ 21 953	\$	\$ 21 953
Total Nonspendable	<u>21 953</u>		<u>21 953</u>
Restricted:			
Federal Grants		213 234	213 234
State Grants		450	450
Other		<u>488 356</u>	<u>488 356</u>
Total Restricted		<u>702 040</u>	<u>702 040</u>
Committed:			
Construction	685 000		685 000
Equipment	<u>3 287 300</u>		<u>3 287 300</u>
Total Committed	<u>3 972 300</u>		<u>3 972 300</u>
Assigned:			
Campus Activity		<u>114 916</u>	<u>114 916</u>
Total Assigned		<u>114 916</u>	<u>114 916</u>
Unassigned	<u>3 759 193</u>		<u>3 759 193</u>
Total Fund Balances	<u>\$ 7 753 446</u>	<u>\$ 816 956</u>	<u>\$ 8 570 402</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2011

**I. LOCAL AND INTERMEDIATE SOURCES OF REVENUES**

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

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 5 037 179	\$	\$ 5 037 179
Penalties, Interest & Other Tax Related Income	122 108		122 108
Food Sales		251 646	251 646
Investment Income	22 755		22 755
Co-curricular Student Activities	57 841	163 268	221 109
Other	<u>144 844</u>	<u>13 197</u>	<u>158 041</u>
Total	<u>\$ 5 384 727</u>	<u>\$ 428 111</u>	<u>\$ 5 812 838</u>

**I. COMMITMENTS UNDER OPERATING LEASES**

Westwood ISD entered into an operating lease agreement for ten copiers. Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of August 31, 2011, as follows:

<u>Year Ended August 31</u>	<u>Total</u>
2012	\$ 34 750
2013	25 304
2014	9 026
2015	<u>2 581</u>
Total Minimum Rentals	<u>\$ 71 661</u>
Rental Expenditures in Fiscal Year 2011	<u>\$ 35 442</u>

The District has other operating leases of one year or less, or on a month to month basis.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**J. JOINT VENTURE SHARED SERVICE ARRANGEMENT**

The District participates in a shared services arrangement for special education services with five other school districts. Although a portion of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the district have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District made payments to the fiscal agent of \$265,171.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**K. PENSION PLAN**

Plan Description

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

Funding Policy

The state contribution rate is 6.644% and the member contribution rate is 6.4%. In certain instances the District is required to make all or a portion of the state's 6.644% contribution. Contribution requirements are not actuarially determined but are legally established each biennium by the Legislature of the State of Texas.

The District's employees' contributions to the System for the years ending August 31, 2009, 2010 and 2011 were \$452,608, \$488,754 and \$515,422, respectively. Other contributions made from federal and private grants and from the district for salaries above the statutory minimum for the years ending August 31, 2009, 2010 and 2011 were \$108,190, \$103,445 and \$135,224, respectively.

The on behalf amounts contributed by the State, \$472,650, are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

**L. HEALTH CARE**

During the year ended August 31, 2011 employees of the Westwood Independent School District were covered by the state sponsored health insurance plan. The district paid premiums of \$250 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

All premiums were paid to TRS-ActiveCare, the statewide health coverage program for public education employees administered by Blue Cross and Blue Shield of Texas and Medco Health. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and TRS ActiveCare (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the most recent year and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**M. SCHOOL DISTRICT 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 supplementary 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 Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, 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 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2011, 2010, 2009. Per Texas Insurance Code, Chapters 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.

The District is allocated a portion of the Medicare Part D retiree drug subsidy that TRS-Care receives. The amount allocated on behalf for the year ended August 31, 2011 is estimated by TRS at \$18,893. This amount is reflected in the financial statements in accordance with Governmental Accounting Standards Board Statement No. 24.

**N. 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. The District provides four local days per year of personal leave in addition to the State minimum personal leave. The local days do not accumulate and are not carried over to succeeding school years if unused. These days are forfeited at the employee's termination. Therefore, no liability has been accrued in the accompanying general purpose financial statements. Any unused local leave days are paid during the year. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying general purpose financial statements.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2011

**O. SELF-INSURED WORKERS' COMPENSATION**

During the year ended August 31, 2011 the Westwood Independent School District was a participant in the East Texas Educational Insurance Association's Workers' Compensation Self-insurance Joint Fund pursuant to Texas Labor Code Annotated Section 504 and Texas Government Code Ch. 791 (the Interlocal Cooperation Act).

The Board of Trustees of the plan and the plan supervisor, Claims Administrative Services, Inc., shall establish the proportionate contribution of each participant annually upon the actual loss experience and claims of the District, the experience rating modification of the District, the prorata costs or savings to the plan from the loss experience of all participants, and all reasonable and necessary administrative expenses of the plan. The proportionate contributions of all participants shall be combined into a self-insurance joint fund.

The District paid a fixed cost of \$41,729 to the plan supervisor for administration of claims, loss control, record keeping, and the cost of excess insurance. The loss fund maximum set aside in a separate account for claims not covered by excess insurance was established to be \$102,156 for the fiscal year. The self insurance retention maximum was \$250,000.

During the fiscal year, the District paid net claims of \$17,315 covering eighteen plan periods ending August 31, 2011, and has accrued \$2,950 as a liability for unpaid claims determined by the claims administrator.

**P. SALE OF WADA (WEIGHTED AVERAGE DAILY ATTENDANCE)**

In prior years the District participated with a high-wealth Texas school District, under Chapter 41 of the Texas Education Code. The use of the funds resulting from the accumulated gain from the participation agreement is restricted by TEA guidelines. Therefore the accumulated funds have been reported in special revenue Fund 499 - Sale of WADA.

**Q. CONSTRUCTION AND OTHER COMMITMENTS AND CONTINGENCIES**

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at August 31, 2011 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**R. 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 disaster. During fiscal year 2011 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.

REQUIRED SUPPLEMENTAL INFORMATION

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 4,898,000	\$ 4,926,587	\$ 5,384,727	\$ 458,140
5800	State Program Revenues	8,356,000	7,832,000	8,223,998	391,998
5020	Total Revenues	13,254,000	12,758,587	13,608,725	850,138
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	7,853,000	7,261,587	7,266,102	(4,515)
0012	Instructional Resources and Media Services	213,000	119,400	123,926	(4,526)
0013	Curriculum and Instructional Staff Development	110,000	110,000	96,016	13,984
0023	School Leadership	619,700	657,200	670,083	(12,883)
0031	Guidance, Counseling and Evaluation Services	298,700	263,700	256,627	7,073
0033	Health Services	110,000	89,000	88,430	570
0034	Student (Pupil) Transportation	562,000	598,500	582,592	15,908
0036	Extracurricular Activities	574,000	521,000	514,664	6,336
0041	General Administration	582,100	571,100	576,705	(5,605)
0051	Facilities Maintenance and Operations	1,444,500	1,444,500	1,412,022	32,478
0052	Security and Monitoring Services	14,500	7,500	7,130	370
0053	Data Processing Services	175,500	150,500	142,848	7,652
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	2,170,000	2,068,843	101,157
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	265,200	265,200	265,171	29
0095	Payments to Juvenile Justice Alternative Ed. Prg.	59,400	-	-	-
0099	Other Intergovernmental Charges	90,000	90,000	89,072	928
6030	Total Expenditures	12,971,600	14,319,187	14,160,231	158,956
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	282,400	(1,560,600)	(551,506)	1,009,094
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	53,000	57,606	4,606
8911	Transfers Out (Use)	-	(53,000)	(9,165)	43,835
7080	Total Other Financing Sources (Uses)	-	-	48,441	48,441
1200	Net Change in Fund Balances	282,400	(1,560,600)	(503,065)	1,057,535
0100	Fund Balance - September 1 (Beginning)	8,256,511	8,256,511	8,256,511	-
3000	Fund Balance - August 31 (Ending)	\$ 8,538,911	\$ 6,695,911	\$ 7,753,446	\$ 1,057,535



## COMBINING STATEMENTS

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (3,497)	\$ 205,380	\$ -	\$ (27,859)
1120	Investments - Current	-	-	-	-
1240	Receivables from Other Governments	14,434	22,128	-	27,859
1000	Total Assets	<u>\$ 10,937</u>	<u>\$ 227,508</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2160	Accrued Wages Payable	\$ 10,937	\$ 14,274	\$ -	\$ -
2000	Total Liabilities	<u>10,937</u>	<u>14,274</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	213,234	-	-
3490	Other Restricted Fund Balance	-	-	-	-
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>213,234</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,937</u>	<u>\$ 227,508</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT H-1 (Cont'd)

266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants
\$ -	\$ (71)	\$ (1,507)	\$ -	\$ 450	\$ (7,061)	\$ -	\$ -
-	-	-	-	-	-	-	-
-	71	1,507	4,367	-	7,061	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,367</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
-	-	-	4,367	-	-	-	-
-	-	-	-	450	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	450	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,367</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2011

EXHIBIT H-1

Data Control Codes	429 Rural School Technology	461 Campus Activity Funds	499 Sale Of WADA	Total Nonmajor Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ 114,916	\$ (588,286)	\$ (307,535)
1120	Investments - Current	-	-	1,076,642	1,076,642
1240	Receivables from Other Governments	-	-	-	77,427
1000	<b>Total Assets</b>	<u>\$ -</u>	<u>\$ 114,916</u>	<u>\$ 488,356</u>	<u>\$ 846,534</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2160	Accrued Wages Payable	\$ -	\$ -	\$ -	\$ 29,578
2000	<b>Total Liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,578</u>
<b>Fund Balances:</b>					
<b>Restricted Fund Balance:</b>					
3450	Federal or State Funds Grant Restriction	-	-	-	213,684
3490	Other Restricted Fund Balance	-	-	488,356	488,356
<b>Assigned Fund Balance:</b>					
3590	Other Assigned Fund Balance	-	114,916	-	114,916
3000	<b>Total Fund Balances</b>	<u>-</u>	<u>114,916</u>	<u>488,356</u>	<u>816,956</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ -</u>	<u>\$ 114,916</u>	<u>\$ 488,356</u>	<u>\$ 846,534</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 252,651	\$ -	\$ -
5800	State Program Revenues	-	15,273	-	-
5900	Federal Program Revenues	271,232	586,908	18,144	85,172
5020	Total Revenues	<u>271,232</u>	<u>854,832</u>	<u>18,144</u>	<u>85,172</u>
EXPENDITURES:					
Current:					
0011	Instruction	221,401	-	18,144	21,485
0012	Instructional Resources and Media Services	49,831	-	-	-
0013	Curriculum and Instructional Staff Development	-	-	-	58,661
0023	School Leadership	-	-	-	5,026
0033	Health Services	-	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	919,154	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	<u>271,232</u>	<u>919,154</u>	<u>18,144</u>	<u>85,172</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(64,322)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	9,165	-	-
8911	Transfers Out (Use)	-	(57,606)	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>(48,441)</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	(112,763)	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>325,997</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 213,234</u>	<u>\$ -</u>	<u>\$ -</u>

266 Title XIV ARRA State Stabilization	279 Title II, D ARRA - Ed. Technology	285 ESEA I, A Improving Basic Program	287 Education Jobs Fund	397 Advanced Placement Incentives	404 Student Success Initiative	411 Technology Allotment	415 Kindergarten and Pre-K Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	450	16,502	47,730	38,688
471,484	71	31,473	4,367	-	-	-	-
<u>471,484</u>	<u>71</u>	<u>31,473</u>	<u>4,367</u>	<u>450</u>	<u>16,502</u>	<u>47,730</u>	<u>38,688</u>
132,000	71	31,473	4,367	332	14,802	49,834	38,688
2,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	900	-	-
1,000	-	-	-	-	-	-	-
-	-	-	-	-	800	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
336,484	-	-	-	-	-	-	-
<u>471,484</u>	<u>71</u>	<u>31,473</u>	<u>4,367</u>	<u>332</u>	<u>16,502</u>	<u>49,834</u>	<u>38,688</u>
-	-	-	-	118	-	(2,104)	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	118	-	(2,104)	-
-	-	-	-	332	-	2,104	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	429 Rural School Technology	461 Campus Activity Funds	499 Sale Of WADA	Total Nonmajor Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ 175,460	\$ -	\$ 428,111
5800	State Program Revenues	-	-	-	118,643
5900	Federal Program Revenues	-	-	-	1,468,851
5020	Total Revenues	<u>-</u>	<u>175,460</u>	<u>-</u>	<u>2,015,605</u>
EXPENDITURES:					
Current:					
0011	Instruction	963	-	-	533,560
0012	Instructional Resources and Media Services	-	-	-	51,831
0013	Curriculum and Instructional Staff Development	-	-	-	58,661
0023	School Leadership	-	179,885	-	185,811
0033	Health Services	-	-	-	1,000
0034	Student (Pupil) Transportation	-	-	-	800
0035	Food Services	-	-	-	919,154
0051	Facilities Maintenance and Operations	-	382	-	382
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	-	336,484
6030	Total Expenditures	<u>963</u>	<u>180,267</u>	<u>-</u>	<u>2,087,683</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(963)</u>	<u>(4,807)</u>	<u>-</u>	<u>(72,078)</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	-	9,165
8911	Transfers Out (Use)	-	-	-	(57,606)
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(48,441)</u>
1200	Net Change in Fund Balance	(963)	(4,807)	-	(120,519)
0100	Fund Balance - September 1 (Beginning)	<u>963</u>	<u>119,723</u>	<u>488,356</u>	<u>937,475</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 114,916</u>	<u>\$ 488,356</u>	<u>\$ 816,956</u>

REQUIRED TEA SCHEDULES



WESTWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	1.399000	0.000000	283,528,449
2004	1.399000	0.000000	280,002,144
2005	1.337000	0.000000	342,685,340
2006	1.337000	0.000000	346,828,422
2007	1.225000	0.000000	380,719,673
2008	1.005000	0.000000	369,283,781
2009	1.040000	0.000000	389,879,888
2010	1.040000	0.000000	420,227,146
2011 (School year under audit)	1.170000	0.000000	421,727,798
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 145,632	\$ -	\$ 13,298	\$ -	\$ (13,485)	\$ 118,849
36,977	-	3,802	-	(1,632)	31,543
40,951	-	4,155	-	(1,582)	35,214
42,994	-	4,753	-	(3,182)	35,059
36,076	-	5,364	-	(3,509)	27,203
42,874	-	10,479	-	(801)	31,594
36,495	-	8,785	-	(785)	26,925
91,243	-	24,193	-	(1,609)	65,441
161,669	-	56,379	-	(3,160)	102,130
-	4,934,215	4,905,971	-	155,016	183,260
<u>\$ 634,911</u>	<u>\$ 4,934,215</u>	<u>\$ 5,037,179</u>	<u>\$ -</u>	<u>\$ 125,271</u>	<u>\$ 657,218</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2011

**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	\$ -	\$ 373	\$ 194,957	\$ 150,673	\$ 1,344	\$ -	\$ 347,347
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	16,736	-	-	-	-	-	16,736
6212	Audit Services	-	-	-	18,000	-	-	18,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	95,296	-	-	-	-	95,296
621X	Other Professional Services	-	-	2,473	-	-	-	2,473
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	600	10,006	-	-	10,606
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	2,529	3,041	-	-	5,570
6290	Miscellaneous Contr.	269	-	2,090	90,669	-	-	93,028
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	433	-	4,004	15,111	2,312	-	21,860
6410	Travel, Subsistence, Stipends	11,100	-	1,961	1,501	558	-	15,120
6420	Ins. and Bonding Costs	5,378	-	200	200	-	-	5,778
6430	Election Costs	6,743	-	-	-	-	-	6,743
6490	Miscellaneous Operating	5,727	-	19,421	1,782	290	-	27,220
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 46,386	\$ 95,669	\$ 228,235	\$ 290,983	\$ 4,504	\$ -	\$ 665,777

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 16,247,913

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,785,236
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	1,361,492
Food (Function 35, 6341 and 6499)	(13)	352,190
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		290,983

SubTotal:

4,789,901

Net Allowed Direct Cost

\$ 11,458,012

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 20,431,759
Historical Cost of Building over 50 years old	(16)	\$ 1,480,142
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 2,714,463
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 981,901
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.

\$89,072 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2011

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/11 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 7,753,446
2	Total Non-Spendable Fund Balance (from Exhibit C-I - for the General Fund Only)	\$ 21,953	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	3,972,300	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	500,000	
7	Estimate of two month's average cash disbursements during the fiscal year.	3,000,000	
8	Estimate of delayed payments from state sources (58xx).	248,918	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	46,888	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>7,790,059</u>
13	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 13)		<u>\$ (36,613)</u>

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2011

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	\$ 240,000	\$ 240,000	\$ 252,651	\$ 12,651
5800 State Program Revenues	10,000	21,000	15,273	(5,727)
5900 Federal Program Revenues	435,000	430,000	586,908	156,908
5020 Total Revenues	685,000	691,000	854,832	163,832
<b>EXPENDITURES:</b>				
0035 Food Services	944,000	944,000	919,154	24,846
6030 Total Expenditures	944,000	944,000	919,154	24,846
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(259,000)	(253,000)	(64,322)	188,678
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	9,165	9,165
7961 Transfers Out (Use)	-	-	(57,606)	(57,606)
7080 Total Other Financing Sources (Uses)	-	-	(48,441)	(48,441)
1200 Net Change in Fund Balances	(259,000)	(253,000)	(112,763)	140,237
0100 Fund Balance - September 1 (Beginning)	325,997	325,997	325,997	-
3000 Fund Balance - August 31 (Ending)	\$ 66,997	\$ 72,997	\$ 213,234	\$ 140,237

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

# SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA  
J. W. Lambright, CPA  

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Cheri E. Kirkland, CPA

P. O. Box 912  
505 E. Tyler  
Athens, Texas 75751  
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## 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*

### Independent Auditor's Report

Board of School Trustees  
Westwood Independent School District  
P. O. Box 260  
Palestine , Texas 75802

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

The management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain matters that we reported to the Board of Trustees and management of the District in a separate letter dated November 10, 2011.

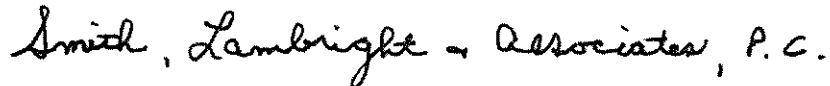
Compliance and Other Matters

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as Reference Number 2011-01.

We noted certain matters that we reported to the Board of Trustees and management of the District in a separate letter dated November 10, 2011.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants

November 10, 2011



**SMITH, LAMBRIGHT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA  
J. W. Lambright, CPA  

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Cheri E. Kirkland, CPA

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

Board of School Trustees  
Westwood Independent School District  
P. O. Box 260  
Palestine , Texas 75802

Members of the Board of Trustees:

Compliance

We have audited the District 's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 Government, and Non-Profit Organizations*. Those standards and OMB *Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

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, 2011.

### Internal Control Over Compliance

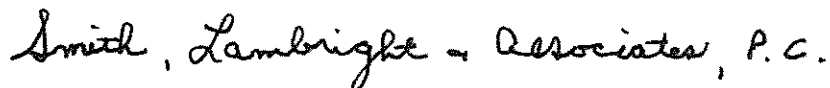
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB *Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Trustees, audit committee, management, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

Respectfully submitted,



SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants

November 10, 2011

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2011

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes  X  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section \_\_\_\_ .510 (a), OMB Circular A-133? \_\_\_\_\_ yes  X  no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
	Title I Cluster:
84.010	Title I Part A ESEA
84.389	Title I Part A Recovery Act
84.394	Title XIV ARRA
	Child Nutrition Cluster:
10.533	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low risk auditee?  X  yes \_\_\_\_\_ no

District Contact Person Dr. Ed Lyman  
Superintendent

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2011

II. Financial Statement Findings

Reference Number 2011 - 01:

Bank Depository

Condition: The District's funds at the depository bank were not fully secured for several weeks by the depository bank.

Criteria: The Depository Contract Law requires that funds of the District must be fully insured by FDIC or pledged securities.

Cause: The amount of the bank balance was not totally monitored in order to respond to the need for additional pledged securities.

Effect: District funds were not fully insured at the depository bank for several weeks.

Recommendation: Additional securities should be pledged by the depository bank. The bank pledged additional securities in March 2011 to fully cover all funds of the District.

Auditee Response: The District agrees with the finding.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no findings required to be reported.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2011

N/A

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2011

Reference Number 2011 - 01:

Additional securities were pledged by the depository bank in March, 2011 to fully cover all funds of the District for the remainder of the fiscal year.

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2011

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) 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	11-610101001908	\$ 260,295
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	12-610101001908	10,937
Total CFDA Number 84.010A			271,232
*ESEA, Title I, A - ARRA -Improving Basic Programs	84.389	10-551001001908	31,473
Total Title I, Part A Cluster			302,705
Career and Technical - Basic Grant	84.048	11-420006001908	18,144
Title II D Enhancing Ed Through Technology - ARRA	84.386	10-553001001908	71
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	11-694501001908	85,172
Title XIV, State Fiscal Stabilization Fund - ARRA	84.394	11-557001001908	471,484
Education Jobs Fund	84.410	12-550101001908	4,367
Total Passed Through State Department of Education			\$ 881,943
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 881,943</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553		\$ 125,854
**National School Lunch Program-Cash Assistance	10.555		409,301
**National School Lunch Prog.-Non-Cash Assistance	10.555		51,753
Total CFDA Number 10.555			461,054
Total Child Nutrition Cluster			586,908
Total Passed Through the State Department of Agriculture			\$ 586,908
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 586,908</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,468,851</b>

\*Clustered Programs

\*\*Clustered Programs

WESTWOOD INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2011

Basis of Presentation:

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