

**ODEM-EDROY
INDEPENDENT
SCHOOL DISTRICT**

*Annual Financial Report
For the Year Ended August 31, 2012*

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company

Certified Public Accountants

5934 S. Staples, Suite 201

Corpus Christi, Texas 78413

Odem-Edroy Independent School District
Annual Financial Report
For The Year Ended August 31, 2012

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CERTIFICATE OF BOARD

Odem-Edroy Independent School District
Name of School District

Nueces
County

205-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2012, at a meeting of the board of trustees of such school district on the 10th day of December, 2012.



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)

Financial Section

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Streatly CPA
David Morales CPA
Jerry D. Spence CPA

Professional Associates & Senior Advisor:
Peggy Sidler CPA
Betty Morales CPA
Thomas Withers CPA
Wren Malvino
Erika M. Post
Greg Morales
Dudley Gowland CPA

Independent Auditor's Report on Financial Statements

Board of Trustees
Odem-Edroy Independent School District
One Owl Square
Odem, Texas 78370

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Odem-Edroy Independent School 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, the business-type activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District as of August 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

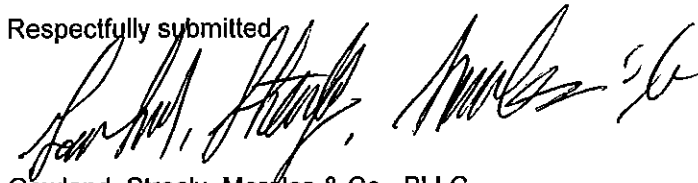
In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of Odem-Edroy Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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Members of the American Institute and Texas Society of Certified Public Accountants

The Management's Discussion and Analysis and the budgetary comparison information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are 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 performed for the purpose of forming opinions on the financial statements which collectively comprise the Odem-Edroy Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* and the combining financial statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

Three handwritten signatures in black ink, likely representing the audit firm Gowland, Strealy, Morales & Co., PLLC.

Gowland, Strealy, Morales & Co., PLLC

November 19, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Odem-Edroy Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2010. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$3,300,106 at August 31, 2012.
- During the year, the District's expenses were \$51,233 more than the \$11,457,134 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased \$1,328,618 from last year.
- The general fund reported a fund balance this year of \$653,709.
- The District issued 2012 Tax Maintenance notes for \$295,000 during the fiscal year ending August 31, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

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

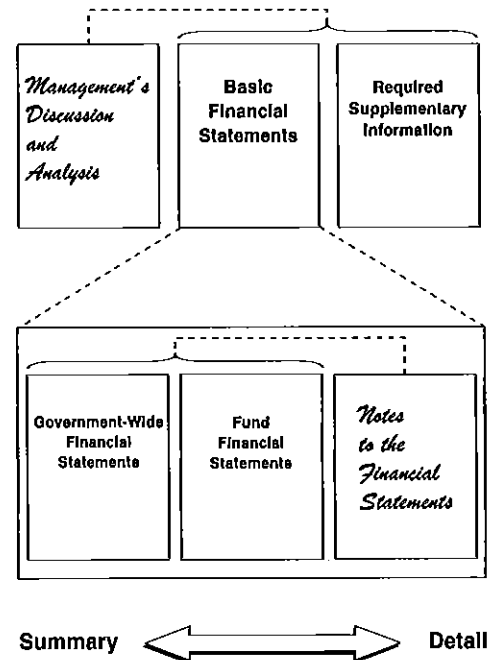


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

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

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

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

The District has 2 kinds of funds:

- **Governmental funds**—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets

The District's combined net assets were approximately \$3,300,106 at August 31, 2012. (See Table A-1).

Table A-1
Odem-Edroy Independent School District's Net Assets
(In actual dollars)

	Governmental Activities		Total Change
	2012	2011	2012-2011
Current assets:			
Cash and cash equivalents	\$ 413,791	\$ 898,093	\$ (484,302)
Property Taxes Receivable	186,127	238,640	(52,513)
Due from Other Governments	725,683	632,909	92,774
Due from Fiduciary	56,213	53,449	2,764
Other receivables	85,948	30,197	55,751
Inventories	14,184	24,446	(10,262)
Deferred expenses	116,459	101,724	14,735
Total current assets:	<u>1,598,405</u>	<u>1,979,458</u>	<u>(381,053)</u>
Noncurrent assets:			
Land	145,973	145,973	-
Bldg, Furniture and equipment	8,272,524	8,437,286	(164,762)
Total noncurrent assets	<u>8,418,497</u>	<u>8,583,259</u>	<u>(164,762)</u>
Total Assets	<u>10,016,902</u>	<u>10,562,717</u>	<u>(545,815)</u>
Current liabilities:			
Accounts payable and accrued liabilities	563,366	516,119	47,247
Deferred revenue	4,425	461,323	(456,898)
Total current liabilities	<u>567,791</u>	<u>977,442</u>	<u>(409,651)</u>
Noncurrent Liabilities:			
Due within one year	405,000	335,000	70,000
Due in more than one year	5,744,005	5,831,758	(87,753)
Total Liabilities	<u>6,716,796</u>	<u>7,144,200</u>	<u>(427,404)</u>
Net Assets:			
Invested in capital assets	2,748,500	2,856,798	(108,298)
Restricted for State and Federal Programs	48,091	69,263	(21,172)
Restricted for Debt Service	77,484	128,331	(50,847)
Unrestricted	426,031	364,125	61,906
Total Net Assets	<u>\$ 3,300,106</u>	<u>\$ 3,418,517</u>	<u>\$ (118,411)</u>

Changes in net assets. The District's total revenues were \$11,389,959. A significant portion, 27 percent, of the District's revenue comes from taxes. 48 percent comes from State Aid – formula grants. The remainder comes from state and federal programs, investment earnings, charges for services, and miscellaneous other services.

The total cost of all programs and services was \$11,508,367.

Governmental Activities

Table A-2
Changes in Odem-Edroy Independent School District's Net Assets
(In actual dollars)

	Governmental Activities		Change
	2012	2011	2012-2011
Program Revenues:			
Charges for Services	\$ 203,527	\$ 176,883	\$ 26,644
Operating Grants and Contributions	2,527,110	2,986,368	(459,258)
General Revenues			
Property Taxes	3,083,515	3,425,378	(341,863)
State Aid – Formula	5,493,387	5,689,349	(195,962)
Investment Earnings	4,317	21,060	(16,743)
Other	78,103	100,198	(22,095)
Total Revenues	<u>11,389,959</u>	<u>12,399,236</u>	<u>(1,009,277)</u>
Instruction	5,543,609	6,178,705	(635,096)
Instructional Resources and Media Services	160,952	285,238	(124,286)
Curriculum Dev. And Instructional Staff Dev.	298,432	419,276	(120,844)
Instructional Leadership	237,946	205,573	32,373
School Leadership	612,662	634,777	(22,115)
Guidance, Counseling and Evaluation Services	333,347	351,516	(18,169)
Health Services	120,237	122,386	(2,149)
Student (Pupil) Transportation	347,432	326,360	21,072
Food Services	564,132	535,470	28,662
Curricular/Extracurricular Activities	625,734	672,269	(46,535)
General Administration	573,817	777,008	(203,191)
Plant Maintenance & Oper.	1,701,651	1,746,933	(45,282)
Security and Monitoring Services	9,584	8,695	889
Data Processing Services	65,344	92,095	(26,751)
Community Service	0	57,928	(57,928)
Interest on Long-term Debt	256,031	270,065	(14,034)
Bond Fees	28,693	1,793	26,900
Member Dist. – SSA	0	117,000	(117,000)
Other Intergovernmental Charges	28,764	33,898	(5,134)
Total Expenses	<u>\$ 11,508,367</u>	<u>\$ 12,836,985</u>	<u>\$ (1,328,618)</u>
Change in Net Assets	\$ (118,408)	\$ (437,749)	\$ 319,341
Transfers In	67,175	0	67,175
Net Assets Beginning	3,351,339	3,746,249	(394,910)
Prior Period Adjustment		42,839	(42,839)
Net Assets - Beginning as Restated	<u>3,351,339</u>	<u>3,789,088</u>	<u>(437,749)</u>
Net Assets Ending	<u>\$ 3,300,106</u>	<u>\$ 3,351,339</u>	<u>\$ (51,233)</u>

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$11,508,367.
- However, the amount that our taxpayers paid for these activities through property taxes was \$3,083,515.
- Some of the cost was paid by those who directly benefited from the programs \$203,527, or
- By grants and contributions \$2,527,110

Table A-3
Net Cost of Selected District Functions
(in actual dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2012	2011		2012	2011	
Instruction	\$ 5,543,609	\$ 6,178,705	-11.46%	\$ 4,165,399	\$ 4,467,944	-7.26%
School Leadership	612,662	634,777	-3.61%	570,120	592,131	-3.86%
General Administration	573,817	777,008	-35.41%	533,972	724,876	-35.75%
Plant Maintenance & Operations	1,701,651	1,746,933	-2.66%	1,582,561	1,625,366	-2.70%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$11,148,732, a decrease of 6.3% over the preceding year \$11,901,828.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget to account for decreased revenue received. However, the actual revenue received was \$25,803 or 0.29% less than the final estimated revenue. Appropriations had been decreased in anticipation of reduced revenue. The actual final expenditures were less than the appropriations by \$144,846. This resulted in an increase of the general fund balance.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, the District had invested \$17,768,330 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$164,760.

Table A-4
District's Capital Assets
(in actual dollars)

	Government Activities		Additions	Deletions	Total 2012
	2011				
Land	\$ 145,973	\$	\$	\$	145,973
Buildings and improvements	14,625,714		187,943		14,813,657
Equipment & Vehicles	2,808,700				2,808,700
Totals at historical cost	17,580,387		187,943	-	17,768,330
Total accumulated depreciation	8,997,130		352,703		9,349,833
Net capital assets	\$ 8,583,257	\$	(164,760)	\$	\$ 8,418,497

The District's expenditures for capital projects in fiscal year 2012 consisted of resurfacing the running track. More detailed information about the District's capital assets is presented in Note 1 to the financial statements.

Long Term Debt

At year-end the District had \$5,139,997 in bonds outstanding as shown in Table A-5. More detailed information about the District debt is presented in the Notes to the Financial Statements.

Table A-5
District's Long Term Debt
(in actual dollars)

	Governmental Activities	
	2012	2011
Bonds Payable	\$ 5,139,997	\$ 5,364,997
Accretion Payable	479,008	456,761
Maintenance Notes	530,000	345,000
	<u>\$ 6,149,005</u>	<u>\$ 6,166,758</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's general fund balance increased \$144,617 in 2012 to \$653,709.
- The District's refined average daily attendance has declined over the past 5 years and continues with a 2.45% decline in the 2011-2012 school year.
- The taxable value of the district for school tax purposes increased 13.2% in 2013 to \$239,341,352. However, this increase caused the district to roll back the M&O tax rate from \$1.17 per hundred value to \$1.04 per hundred value. This change is expected to result in an increase of \$73,288 in tax levy for 2012-2013.
- Additional revenue from a Chapter 313 agreement is expected to be \$227,714 in lieu of taxes.
- State program revenue is expected to decrease by 9.2% for 2012-2013.
- General operating expenditures are expected to decrease by \$95,107.
- General operating fund spending per student is expected to increase from \$9,397 to \$9,476.

Estimated revenue available for appropriation in the general fund budget for 2012-2013 is \$9,078,087, a decrease of less than 2.8% from the final 2011-2012 receipts of \$9,335,705.

Expenditures are budgeted to decrease 1.4% to \$9,065,981 for 2012-2013. The District has added no major new programs or initiatives to the 2012-2013 budget.

If these estimates are realized, the District's budgetary general fund balance should be increased approximately \$12,106 at close of 2012-2013.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2012

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 413,791
1225	Property Taxes Receivable (Net)	186,127
1240	Due from Other Governments	725,683
1267	Due from Fiduciary	56,213
1290	Other Receivables (Net)	85,948
1300	Inventories	14,184
1410	Deferred Expenses	116,459
Capital Assets:		
1510	Land	145,973
1520	Buildings and Improvements, Net	7,982,650
1530	Furniture and Equipment, Net	289,874
1000	Total Assets	<u>10,016,902</u>
LIABILITIES:		
2110	Accounts Payable	159,796
2165	Accrued Liabilities	396,592
2180	Due to Other Governments	6,512
2190	Due to Student Groups	466
2300	Unearned Revenue	4,425
Noncurrent Liabilities:		
2501	Due Within One Year	405,000
2502	Due in More Than One Year	5,744,005
2000	Total Liabilities	<u>6,716,796</u>
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	2,748,500
Restricted For:		
3820	Federal and State Programs	48,091
3850	Debt Service	77,484
3900	Unrestricted	426,031
3000	Total Net Assets	<u>\$ 3,300,106</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Functions/Programs	1	3	4
		Expenses	Program Revenues Charges for Services	Operating Grants and Contributions
	Governmental Activities:			
11	<i>Instruction</i>	\$ 5,543,609	\$ 35,798	\$ 1,342,412
12	<i>Instructional Resources and Media Services</i>	160,952	1,299	9,974
13	<i>Curriculum and Staff Development</i>	298,432	1,356	137,143
21	<i>Instructional Leadership</i>	237,946	583	165,440
23	<i>School Leadership</i>	612,662	4,949	37,593
31	<i>Guidance, Counseling, & Evaluation Services</i>	333,347	1,943	104,908
33	<i>Health Services</i>	120,237	971	7,378
34	<i>Student Transportation</i>	347,432	2,483	19,766
35	<i>Food Service</i>	564,132	129,575	426,203
36	<i>Cocurricular/Extracurricular Activities</i>	625,734	5,055	38,395
41	<i>General Administration</i>	573,817	4,636	35,209
51	<i>Plant Maintenance and Operations</i>	1,701,651	13,690	105,400
52	<i>Security and Monitoring Services</i>	9,584	77	588
53	<i>Data Processing Services</i>	65,344	528	4,009
72	<i>Interest on Long-term Debt</i>	256,031	345	90,875
73	<i>Bond Issuance Costs and Fees</i>	28,693	--	--
99	<i>Other Intergovernmental Charges</i>	28,764	239	1,817
TG	Total Governmental Activities	<u>11,508,367</u>	<u>203,527</u>	<u>2,527,110</u>
	Business-type Activities:			
TP	Total Primary Government	<u>\$ 11,508,367</u>	<u>\$ 203,527</u>	<u>\$ 2,527,110</u>
	General Revenues:			
MT	<i>Property Taxes, Levied for General Purposes</i>			
DT	<i>Property Taxes, Levied for Debt Service</i>			
IE	<i>Investment Earnings</i>			
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>			
MI	<i>Miscellaneous</i>			
FR	<i>Transfers</i>			
TR	Total General Revenues			
CN	Change in Net Assets			
NB	Net Assets - Beginning			
PA	Prior Period Adjustment			
	Net Assets - Beginning, as Restated			
NE	Net Assets - Ending			

The accompanying notes are an integral part of this statement.

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8

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,165,399)		\$ (4,165,399)
(149,679)		(149,679)
(159,933)		(159,933)
(71,923)		(71,923)
(570,120)		(570,120)
(226,496)		(226,496)
(111,888)		(111,888)
(325,183)		(325,183)
(8,354)		(8,354)
(582,284)		(582,284)
(533,972)		(533,972)
(1,582,561)		(1,582,561)
(8,919)		(8,919)
(60,807)		(60,807)
(164,811)		(164,811)
(28,693)		(28,693)
(26,708)		(26,708)
<u>(8,777,730)</u>		<u>(8,777,730)</u>
<u>(8,777,730)</u>	<u>--</u>	<u>(8,777,730)</u>
2,776,660	--	2,776,660
306,855	--	306,855
4,317	--	4,317
5,493,387	--	5,493,387
78,103	--	78,103
67,175	(67,175)	--
<u>8,726,497</u>	<u>(67,175)</u>	<u>8,659,322</u>
(51,233)	(67,175)	(118,408)
3,367,803	67,175	3,434,978
(16,464)	--	(16,464)
3,351,339	67,175	3,418,514
<u>\$ 3,300,106</u>	<u>\$ --</u>	<u>\$ 3,300,106</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2012

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 Cash and Cash Equivalents	\$ 283,017	\$ 65,585	\$ 348,602
1225 Taxes Receivable, Net	168,332	17,795	186,127
1240 Due from Other Governments	621,931	103,752	725,683
1260 Due from Other Funds	173,003	660	173,663
1290 Other Receivables	85,948	--	85,948
1300 Inventories	2,396	11,788	14,184
1410 Deferred Expenditures	116,444	15	116,459
1000 Total Assets	\$ 1,451,071	\$ 199,595	\$ 1,650,666
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 157,024	\$ 2,772	\$ 159,796
2150 Payroll Deductions & Withholdings	27,197	1,991	29,188
2160 Accrued Wages Payable	332,075	35,329	367,404
2170 Due to Other Funds	107,843	9,607	117,450
2180 Due to Other Governments	--	6,512	6,512
2190 Due to Student Groups	466	--	466
2300 Deferred Revenue	172,757	17,795	190,552
2000 Total Liabilities	797,362	74,006	871,368
FUND BALANCES:			
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	48,091	48,091
3480 Retirement of Long-Term Debt	--	77,484	77,484
3490 Other Restrictions of Fund Balance	--	14	14
3600 Unassigned	653,709	--	653,709
3000 Total Fund Balances	653,709	125,589	779,298
4000 Total Liabilities and Fund Balances	\$ 1,451,071	\$ 199,595	\$ 1,650,666

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2012

Total fund balances - governmental funds balance sheet	\$ 779,298
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	8,418,497
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	186,127
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	65,189
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,139,997)
Payables for notes which are not due in the current period are not reported in the funds.	(530,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(479,008)
Net assets of governmental activities - Statement of Net Assets	\$ <u>3,300,106</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS****FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 2,691,703	\$ 437,903	\$ 3,129,606
5800 State Program Revenues	5,853,860	166,432	6,020,292
5900 Federal Program Revenues	201,403	1,797,431	1,998,834
5020 Total Revenues	8,746,966	2,401,766	11,148,732
EXPENDITURES:			
Current:			
0011 Instruction	4,303,545	1,072,583	5,376,128
0012 Instructional Resources and Media Services	156,207	105	156,312
0013 Curriculum and Staff Development	162,983	126,846	289,829
0021 Instructional Leadership	70,074	161,013	231,087
0023 School Leadership	595,001	--	595,001
0031 Guidance, Counseling, & Evaluation Services	233,588	90,150	323,738
0033 Health Services	116,771	--	116,771
0034 Student Transportation	298,476	908	299,384
0035 Food Service	2,710	558,329	561,039
0036 Cocurricular/Extracurricular Activities	607,696	--	607,696
0041 General Administration	557,276	--	557,276
0051 Plant Maintenance and Operations	1,833,705	1,419	1,835,124
0052 Security and Monitoring Services	9,308	--	9,308
0053 Data Processing Services	63,460	--	63,460
0071 Principal on Long-term Debt	110,000	225,000	335,000
0072 Interest on Long-term Debt	13,214	220,570	233,784
0073 Bond Issuance Costs and Fees	28,310	383	28,693
0099 Other Intergovernmental Charges	28,764	--	28,764
6030 Total Expenditures	9,191,088	2,457,306	11,648,394
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(444,122)	(55,540)	(499,662)
Other Financing Sources and (Uses):			
7914 Issuance of Non-Current Debt	295,000	--	295,000
7915 Transfers In	--	67,175	67,175
7949 Other Resources	293,739	--	293,739
7080 Total Other Financing Sources and (Uses)	588,739	67,175	655,914
1200 Net Change in Fund Balances	144,617	11,635	156,252
0100 Fund Balances - Beginning	509,092	130,418	639,510
1300 Prior Period Adjustment	--	(16,464)	(16,464)
Fund Balances - Beginning, as Restated	509,092	113,954	623,046
3000 Fund Balances - Ending	\$ 653,709	\$ 125,589	\$ 779,298

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012

Net change in fund balances - total governmental funds	\$ 156,252
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	187,943
The depreciation of capital assets used in governmental activities is not reported in the funds.	(352,703)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(52,512)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	225,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	110,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(22,247)
The net revenue (expense) of internal service funds is reported with governmental activities.	(7,966)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(295,000)
Change in net assets of governmental activities - Statement of Activities	\$ <u>(51,233)</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET ASSETS****INTERNAL SERVICE FUND****AUGUST 31, 2012**

Data Control Codes			Nonmajor Internal Service Fund
			Insurance Fund
	ASSETS:		
	Current Assets:		
1110	Cash and Cash Equivalents	\$	65,189
	Total Current Assets		65,189
1000	Total Assets	\$	65,189
	LIABILITIES:		
2000	Total Liabilities		--
	NET ASSETS:		
3900	Unrestricted Net Assets	\$	65,189
3000	Total Net Assets	\$	65,189

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET ASSETS - INTERNAL SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2012**

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		National Breakfast/Lunch Program	Insurance Fund
	OPERATING REVENUES:		
5700	<i>Local and Intermediate Sources</i>	\$ --	\$ 49,065
5020	Total Revenues	--	49,065
	OPERATING EXPENSES:		
6100	<i>Payroll Costs</i>	--	5,666
6200	<i>Professional and Contracted Services</i>	--	28,077
6400	<i>Other Operating Costs</i>	--	23,288
6030	Total Expenses	--	57,031
	Income (Loss) before Contributions and Transfers	--	(7,966)
8911	<i>Transfers Out</i>	(67,175)	--
1300	Change in Net Assets	(67,175)	(7,966)
1300	Change in Net Assets	(67,175)	(7,966)
0100	Total Net Assets - Beginning	67,175	73,155
3300	Total Net Assets - Ending	\$ --	\$ 65,189

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2012**

	Nonmajor Enterprise Fund National Breakfast/Lunch Program	Nonmajor Internal Service Fund Insurance Funds
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 17,293	\$ --
Cash Received from Grants	--	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	--	49,065
Cash Payments to Employees for Services	(13,019)	(5,666)
Cash Payments to Other Suppliers for Goods and Services	21,024	(51,365)
Cash Payments for Grants to Other Organizations	--	--
Other Operating Cash Receipts (Payments)	--	--
Net Cash Provided (Used) by Operating Activities	25,298	(7,966)
Cash Flows from Non-capital Financing Activities:		
Transfers From (To) Other Funds	(67,175)	--
Net Cash Provided (Used) by Non-capital Financing Activities	(67,175)	--
Cash Flows from Capital and Related Financing Activities:		
Transfer of Assets to Governmental Fund	16,463	--
Net Cash Provided (Used) for Capital & Related Financing Activities	16,463	--
Cash Flows from Investing Activities:		
Interest and Dividends on Investments	--	--
Net Cash Provided (Used) for Investing Activities	--	--
Net Increase (Decrease) in Cash and Cash Equivalents	(25,414)	(7,966)
Cash and Cash Equivalents at Beginning of Year	25,414	73,155
Cash and Cash Equivalents at End of Year	\$ --	\$ 65,189
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ --	\$ (7,966)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Change in Assets and Liabilities:		
Decrease (Increase) in Receivables	17,293	--
Decrease (Increase) in Inventories	21,272	--
Decrease (Increase) in Prepaid Expenses	--	--
Increase (Decrease) in Accounts Payable	(248)	--
Increase (Decrease) in Payroll Deductions	--	--
Increase (Decrease) in Accrued Wages Payable	(13,019)	--
Increase (Decrease) in Interfund Payables	--	--
Increase (Decrease) in Accrued Expenses	--	--
Increase (Decrease) in Unearned Revenue	--	--
Total Adjustments	25,298	--
Net Cash Provided (Used) by Operating Activities	\$ 25,298	\$ (7,966)

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****AUGUST 31, 2012**

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 608,141	\$ 76,252
1000	Total Assets	<u>\$ 608,141</u>	<u>\$ 76,252</u>
	LIABILITIES:		
	Current Liabilities:		
2170	<i>Due to Other Funds</i>	\$	\$ 56,213
2190	<i>Due to Student Groups</i>		20,039
2400	<i>Payable from Restricted Assets</i>	606,111	
2000	Total Liabilities	<u>606,111</u>	<u>76,252</u>
	NET ASSETS		
3800	<i>Held in Trust</i>	2,030	
3000	Total Net Assets	<u>\$ 2,030</u>	<u>\$</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2012**

	Private- Purpose Trusts
Additions:	
Investment Income	\$ --
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Total Additions	<u>--</u>
Deductions:	
Scholarship Awards	--
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>--</u>
Change in Net Assets	--
Net Assets-Beginning of the Year	2,030
Net Assets-End of the Year	<u>\$ 2,030</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

The District reports the following major enterprise funds:

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 418,394	\$ 44,229	\$ 462,623
Allowance for Uncollectible Accounts	(250,062)	(26,434)	(276,496)
Net Taxes	<u>\$ 168,332</u>	<u>\$ 17,795</u>	<u>\$ 186,127</u>

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	10
Office Equipment	7
Computer Equipment	7

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

e. **Receivable and Payable Balances**

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

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

f. **Interfund Activity**

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

g. **Use of Estimates**

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

h. **Data Control Codes**

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

i. **Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

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

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

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

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

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

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Expenditures exceeded budget:

	Budget	Actual	Variance
General Fund:			
0023 School Leadership	\$ 589,000	595,001	\$ (6,001)
0052 Security and Monitoring Services	8,600	9,308	(708)
0073 Bond Issuance Costs and Fees	800	28,310	(27,510)
National School Breakfast and Lunch Program			
0035 Food Service	545,000	547,530	(2,530)

Variances with requirement to spend funds allocated by the Texas Education Agency:

Program:	Allocation	Actual Amount Spent	Variance
21 Gifted & Talented	\$ 19,087	\$ 521	\$ (18,566)
25 Bilingual Education	\$ 8,116	\$ 3,390	(4,726)

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

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

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

1. Cash Deposits:

At August 31, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$925,718 and the bank balance was \$1,205,409. The District's cash deposits at August 31, 2012 and during the year ended August 31, 2012, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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

The District's investments at August 31, 2012 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Included with Cash:		--
TexPool	N/A	\$ 10
Lone Star Investment Pool	N/A	172,459
Total Investments		<u>\$ 172,469</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

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

c. **Concentration of Credit Risk**

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

d. **Interest Rate Risk**

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

e. **Foreign Currency Risk**

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

Investment Accounting Policy

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

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

D. Capital Assets

Capital asset activity for the year ended August 31, 2012, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 145,973	\$ --	\$ --	\$ 145,973
Total capital assets not being depreciated	145,973	--	--	145,973

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

Capital assets being depreciated:

Buildings and improvements	14,625,714	187,943	--	14,813,657
Equipment	1,924,435	--	--	1,924,435
Vehicles	884,265	--	--	884,265
Total capital assets being depreciated	17,434,414	187,943	--	17,622,357
Less accumulated depreciation for:				
Buildings and improvements	(6,562,622)	(268,385)	--	(6,831,007)
Equipment	(1,747,947)	(36,269)	--	(1,784,216)
Vehicles	(686,561)	(48,048)	--	(734,609)
Total accumulated depreciation	(8,997,130)	(352,702)	--	(9,349,832)
Total capital assets being depreciated, net	8,437,284	(164,759)	--	8,272,525
Governmental activities capital assets, net	\$ 8,583,257	\$ (164,760)	\$ --	\$ 8,418,498

Depreciation was charged to functions as follows:

Instruction	\$ 159,515
Instructional Resources and Media Services	4,640
Curriculum and Staff Development	8,603
Instructional Leadership	6,859
School Leadership	17,661
Guidance, Counseling, & Evaluation Services	9,609
Health Services	3,466
Student Transportation	48,048
Food Services	3,093
Extracurricular Activities	18,038
General Administration	16,541
Plant Maintenance and Operations	54,470
Security and Monitoring Services	276
Data Processing Services	1,884
	<u>\$ 352,703</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2012, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	General Fund-Payroll	107,183	Short-term loans
General Fund	Other Governmental Funds	9,608	Short-term loans
General Fund	Trust & Agency Fund	56,212	Short-term loans
Other Governmental Funds	General Fund-Payroll	660	Short-term loans
	Total	\$ 173,663	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2012, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Enterprise Fund	Other Governmental Funds	\$ 67,175	Close Enterprise Fund
	Total	\$ 67,175	

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2012, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Unlimited Tax Refunding Bonds, Series 2006, 4.0%	\$ 4,594,997	\$ --	\$ 110,000	\$ 4,484,997	\$ 115,000
Unlimited Tax Refunding Bonds, Series 2001, 6.25%	770,000		115,000	655,000	120,000
Total Bonds	<u>5,364,997</u>	<u>--</u>	<u>225,000</u>	<u>5,139,997</u>	<u>235,000</u>
Maintenance Tax Notes Series 2009 3.83%	345,000		110,000	235,000	115,000
Series 2012 .085%		295,000		295,000	55,000
Capital Appreciation Bonds: Accretion on 2006 Refunding Bonds	\$ 456,761	\$ 22,247	\$ --	\$ 479,008	
Total Long-term Liabilities	<u>\$ 6,166,758</u>	<u>\$ 317,247</u>	<u>\$ 335,000</u>	<u>\$ 6,149,005</u>	<u>\$ 405,000</u>
				<u>405,000</u>	
				<u><u>5,744,005</u></u>	

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2012, are as follows:

Year Ending August 31,	Governmental Activities Bonds		
	Principal	Interest	Total
2013	\$ 235,000	\$ 201,282	\$ 436,282
2014	245,000	201,522	446,522
2015	255,000	191,224	446,224
2016	265,000	180,372	445,372
2017	160,647	288,316	448,963
2018-2022	934,351	1,296,787	2,231,138
2023-2027	1,740,000	497,392	2,237,392
2028-2032	1,305,000	126,455	1,431,455
Totals	<u>\$ 5,139,997</u>	<u>\$ 2,983,350</u>	<u>\$ 8,123,347</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

<u>Year Ending August 31,</u>	<u>Governmental Activities Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 170,000	\$ 16,429	\$ 186,429
2014	180,000	8,485	188,485
2015	60,000	3,270	63,270
2016	60,000	2,454	62,454
2017	60,000	1,302	61,302
Totals	<u>\$ 530,000</u>	<u>\$ 31,940</u>	<u>\$ 561,940</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2012, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
Bond Series 1999	1,480,000
Bond Series 2001	2,905,000
Total	<u>4,385,000</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2012, 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.

H. Pension Plan

1. Plan Description

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2011, 2010, and 2009, and a state contribution rate of 6.644% for fiscal years 2011-2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009 and increased to 6.644% for the period of January 2010 through August 2011. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2012, 2011 and 2010 were \$360,473, \$447,639 and \$476,112, respectively. The District paid additional state contributions for the years ending August 31, 2012, 2011 and 2010 in the amount of \$74,505, \$47,126 and \$48,005, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

I. Retiree Health Care Plan

1. Plan Description

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

2. 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 2012, 2011 and 2010. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$60,079, \$69,944, and \$74,392, respectively, the active member contributions were \$42,260, \$45,464, and \$48,355, respectively, and the District's contributions were \$35,758, \$38,469, and \$40,916, respectively, which equaled the required contributions each year.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2012, 2011, and 2010, the subsidy payments received by TRS-Care on behalf of the District were \$17,046, \$16,617, and \$19,105, respectively.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2012

J. Employee Health Care Coverage

During the year ended August 31, 2012, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, and terms of coverage and premium costs are included in the contractual provisions.

K. Commitments and Contingencies

1. Contingencies

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

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for the Carl Perkins grant and the 21st Century Grant with the following school districts:

Member Districts

Carl Perkins Grant - Region II Education Service Center
21st Century Grant - Robstown ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, school name, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Prior Period Adjustment

Special Revenue Fund - Food Service

In prior years the District operated the Food Service Fund as an Enterprise Fund. In 2012 the fund was moved to the Special Revenue Fund 240. The assets were capitalized and depreciated in the Enterprise Fund. The book balance of the fixed assets were charged to fund balance in the Special Revenue Fund.

\$ 16,464

Required Supplementary Information

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

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Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,044,086	\$ 2,655,700	\$ 2,691,703	\$ 36,003
5800	State Program Revenues	5,944,520	5,920,069	5,853,860	(66,209)
5900	Federal Program Revenues	103,000	197,000	201,403	4,403
5020	Total Revenues	9,091,606	8,772,769	8,746,966	(25,803)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,054,931	4,379,070	4,303,545	75,525
0012	Instructional Resources and Media Services	194,637	163,000	156,207	6,793
0013	Curriculum and Staff Development	187,950	174,000	162,983	11,017
	Total Instruction & Instr. Related Services	4,437,518	4,716,070	4,622,735	93,335
Instructional and School Leadership:					
0021	Instructional Leadership	86,563	72,000	70,074	1,926
0023	School Leadership	599,516	589,000	595,001	(6,001)
	Total Instructional & School Leadership	686,079	661,000	665,075	(4,075)
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	311,187	242,000	233,588	8,412
0033	Health Services	119,042	118,000	116,771	1,229
0034	Student (Pupil) Transportation	332,892	340,000	298,476	41,524
0035	Food Services	6,000	6,000	2,710	3,290
0036	Cocurricular/Extracurricular Activities	621,793	609,000	607,696	1,304
	Total Support Services - Student (Pupil)	1,390,914	1,315,000	1,259,241	55,759
Administrative Support Services:					
0041	General Administration	505,599	563,000	557,276	5,724
	Total Administrative Support Services	505,599	563,000	557,276	5,724
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,678,607	1,853,999	1,833,705	20,294
0052	Security and Monitoring Services	10,600	8,600	9,308	(708)
0053	Data Processing Services	41,231	65,000	63,460	1,540
	Total Support Services - Nonstudent Based	1,730,438	1,927,599	1,906,473	21,126
Debt Service:					
0071	Principal on Long-Term Debt	110,000	110,000	110,000	--
0072	Interest on Long-Term Debt	12,235	13,701	13,214	487
0073	Bond Issuance Costs and Fees	800	800	28,310	(27,510)
	Total Debt Service	123,035	124,501	151,524	(27,023)
0099	Other Intergovernmental Charges	56,500	28,764	28,764	--
	Total Intergovernmental Charges	56,500	28,764	28,764	--
6030	Total Expenditures	8,930,083	9,335,934	9,191,088	144,846
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	161,523	(563,165)	(444,122)	119,043
Other Financing Sources (Uses):					
7914	Issuance of Non-Current Debt	--	--	295,000	295,000

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
7949	Other Resources	--	561,739	293,739	(268,000)
7080	Total Other Financing Sources and (Uses)	--	561,739	588,739	27,000
1200	Net Change in Fund Balance	161,523	(1,426)	144,617	146,043
0100	Fund Balance - Beginning	509,092	509,092	509,092	--
3000	Fund Balance - Ending	\$ 670,615	\$ 507,666	\$ 653,709	\$ 146,043

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS****AUGUST 31, 2012**

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:				
1110	Cash and Cash Equivalents	\$ (15,900)	\$ 81,485	\$ 65,585
1225	Taxes Receivable, Net	--	17,795	17,795
1240	Due from Other Governments	103,752	--	103,752
1260	Due from Other Funds	660	--	660
1300	Inventories	11,788	--	11,788
1410	Deferred Expenditures	15	--	15
1000	Total Assets	\$ 100,315	\$ 99,280	\$ 199,595
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 2,772	\$ --	\$ 2,772
2150	Payroll Deductions & Withholdings	1,991	--	1,991
2160	Accrued Wages Payable	35,329	--	35,329
2170	Due to Other Funds	5,606	4,001	9,607
2180	Due to Other Governments	6,512	--	6,512
2300	Deferred Revenue	--	17,795	17,795
2000	Total Liabilities	52,210	21,796	74,006
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	48,091	--	48,091
3480	Retirement of Long-Term Debt	--	77,484	77,484
3490	Other Restrictions of Fund Balance	14	--	14
3000	Total Fund Balances	48,105	77,484	125,589
4000	Total Liabilities and Fund Balances	\$ 100,315	\$ 99,280	\$ 199,595

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 129,677	\$ 308,226	\$ 437,903
5800 <i>State Program Revenues</i>	79,552	86,880	166,432
5900 <i>Federal Program Revenues</i>	1,797,431	--	1,797,431
5020 Total Revenues	<u>2,006,660</u>	<u>395,106</u>	<u>2,401,766</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	1,072,583	--	1,072,583
0012 <i>Instructional Resources and Media Services</i>	105	--	105
0013 <i>Curriculum and Staff Development</i>	126,846	--	126,846
0021 <i>Instructional Leadership</i>	161,013	--	161,013
0031 <i>Guidance, Counseling, & Evaluation Services</i>	90,150	--	90,150
0034 <i>Student Transportation</i>	908	--	908
0035 <i>Food Service</i>	558,329	--	558,329
0051 <i>Plant Maintenance and Operations</i>	1,419	--	1,419
0071 <i>Principal on Long-term Debt</i>	--	225,000	225,000
0072 <i>Interest on Long-term Debt</i>	--	220,570	220,570
0073 <i>Bond Issuance Costs and Fees</i>	--	383	383
6030 Total Expenditures	<u>2,011,353</u>	<u>445,953</u>	<u>2,457,306</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(4,693)</u>	<u>(50,847)</u>	<u>(55,540)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	67,175	--	67,175
7080 Total Other Financing Sources and (Uses)	<u>67,175</u>	<u>--</u>	<u>67,175</u>
1200 Net Change in Fund Balances	<u>62,482</u>	<u>(50,847)</u>	<u>11,635</u>
0100 Fund Balances - Beginning	2,087	128,331	130,418
1300 Prior Period Adjustment	(16,464)	--	(16,464)
Fund Balances - Beginning, as Restated	<u>(14,377)</u>	<u>128,331</u>	<u>113,954</u>
3000 Fund Balances - Ending	<u>\$ 48,105</u>	<u>\$ 77,484</u>	<u>\$ 125,589</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2012

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant
ASSETS:			
1110 Cash and Cash Equivalents	\$ (267)	\$ (2,063)	\$ (5)
1240 Due from Other Governments	10,951	17,607	65
1260 Due from Other Funds	--	--	--
1300 Inventories	--	--	--
1410 Deferred Expenditures	--	15	--
1000 Total Assets	\$ 10,684	\$ 15,559	\$ 60
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ --	\$ --	\$ --
2150 Payroll Deductions & Withholdings	882	907	--
2160 Accrued Wages Payable	9,802	9,570	--
2170 Due to Other Funds	--	4,507	60
2180 Due to Other Governments	--	575	--
2000 Total Liabilities	10,684	15,559	60
FUND BALANCES:			
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	--	--
3490 Other Restrictions of Fund Balance	--	--	--
3000 Total Fund Balances	--	--	--
4000 Total Liabilities and Fund Balances	\$ 10,684	\$ 15,559	\$ 60

240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	265 21st Century Community Learning Centers	285 ESEA Title 1 Part A Improving Basic Programs - ARRA	288 Gear Up
\$ 43,025	\$ (4,820)	\$ (4,386)	\$ 1,039	\$ (11,349)
9,479	7,550	8,323	--	12,689
--	--	--	--	660
11,788	--	--	--	--
--	--	--	--	--
<u>\$ 64,292</u>	<u>\$ 2,730</u>	<u>\$ 3,937</u>	<u>\$ 1,039</u>	<u>\$ 2,000</u>
\$ 2,772	\$ --	\$ --	\$ --	\$ --
202	--	--	--	--
13,227	2,730	--	--	--
--	--	--	1,039	--
--	--	3,937	--	2,000
<u>16,201</u>	<u>2,730</u>	<u>3,937</u>	<u>1,039</u>	<u>2,000</u>
48,091	--	--	--	--
--	--	--	--	--
<u>48,091</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 64,292</u>	<u>\$ 2,730</u>	<u>\$ 3,937</u>	<u>\$ 1,039</u>	<u>\$ 2,000</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS****AUGUST 31, 2012**

Data Control Codes		289 Texas Literacy INIT	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
ASSETS:				
1110	Cash and Cash Equivalents	\$ (37,088)	\$ 14	\$ (15,900)
1240	Due from Other Governments	37,088	--	103,752
1260	Due from Other Funds	--	--	660
1300	Inventories	--	--	11,788
1410	Deferred Expenditures	--	--	15
1000	Total Assets	\$ --	\$ 14	\$ 100,315
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ 2,772
2150	Payroll Deductions & Withholdings	--	--	1,991
2160	Accrued Wages Payable	--	--	35,329
2170	Due to Other Funds	--	--	5,606
2180	Due to Other Governments	--	--	6,512
2000	Total Liabilities	--	--	52,210
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	48,091
3490	Other Restrictions of Fund Balance	--	14	14
3000	Total Fund Balances	--	14	48,105
4000	Total Liabilities and Fund Balances	\$ --	\$ 14	\$ 100,315

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 129,677
5800 <i>State Program Revenues</i>	--	--	--	3,677
5900 <i>Federal Program Revenues</i>	270,084	195,331	2,722	411,556
5020 Total Revenues	<u>270,084</u>	<u>195,331</u>	<u>2,722</u>	<u>544,910</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	243,999	96,222	2,622	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	26,085	8,959	100	--
0021 <i>Instructional Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	90,150	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	--	547,530
0051 <i>Plant Maintenance and Operations</i>	--	--	--	--
6030 Total Expenditures	<u>270,084</u>	<u>195,331</u>	<u>2,722</u>	<u>547,530</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>--</u>	<u>--</u>	<u>--</u>	<u>(2,620)</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	--	67,175
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>67,175</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>64,555</u>
0100 Fund Balances - Beginning	--	--	--	--
1300 Prior Period Adjustment	--	--	--	(16,464)
Fund Balances - Beginning, as Restated	--	--	--	(16,464)
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 48,091</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	265 21st Century Community Learning Centers	285 ESEA Title 1 Part Improving Basic Programs - ARRA
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
12,218	8,969	60,619	410,739	2,941
12,218	8,969	60,619	410,739	2,941
--	8,969	60,619	252,063	--
--	--	--	--	--
--	--	--	2,489	--
--	--	--	156,187	2,941
--	--	--	--	--
--	--	--	--	--
10,799	--	--	--	--
1,419	--	--	--	--
12,218	8,969	60,619	410,739	2,941
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	287 Education Jobs Fund	288 Gear Up	289 Texas Literacy INIT
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --
5800 <i>State Program Revenues</i>	--	--	--
5900 <i>Federal Program Revenues</i>	209,574	149,709	62,969
5020 Total Revenues	<u>209,574</u>	<u>149,709</u>	<u>62,969</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	209,574	96,787	24,834
0012 <i>Instructional Resources and Media Services</i>	--	--	--
0013 <i>Curriculum and Staff Development</i>	--	52,922	36,250
0021 <i>Instructional Leadership</i>	--	--	1,885
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--
0034 <i>Student Transportation</i>	--	--	--
0035 <i>Food Service</i>	--	--	--
0051 <i>Plant Maintenance and Operations</i>	--	--	--
6030 Total Expenditures	<u>209,574</u>	<u>149,709</u>	<u>62,969</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
1300 Prior Period Adjustment	--	--	--
Fund Balances - Beginning, as Restated	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

409 Texas High School Project	410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ --	\$ --	\$ 129,677
908	74,821	146	--	79,552
--	--	--	--	1,797,431
908	74,821	146	--	2,006,660
--	74,821	--	2,073	1,072,583
--	--	105	--	105
--	--	41	--	126,846
--	--	--	--	161,013
--	--	--	--	90,150
908	--	--	--	908
--	--	--	--	558,329
--	--	--	--	1,419
908	74,821	146	2,073	2,011,353
--	--	--	(2,073)	(4,693)
--	--	--	--	67,175
--	--	--	--	67,175
--	--	--	(2,073)	62,482
--	--	--	2,087	2,087
--	--	--	--	(16,464)
--	--	--	2,087	(14,377)
\$ --	\$ --	\$ --	\$ 14	\$ 48,105

Other Supplementary Information

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE****FOR THE YEAR ENDED AUGUST 31, 2012**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2003 and Prior Years	\$	Various	\$	Various	\$	Various
2004		1.50		.1103		134,175,312
2005		1.50		.1103		150,048,722
2006		1.50		.1103		165,225,471
2007		1.37		.1303		173,369,260
2008		1.17		.123		199,132,400
2009		1.17		.1224		227,398,836
2010		1.17		.1224		218,806,343
2011		1.1209		.1056		276,490,929
2012 (School Year Under Audit)		1.17		.1225		248,250,000

1000 Totals

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

10 Beginning Balance 9/1/11	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/12
\$ 194,957	\$ --	\$ 4,177	\$ 316	\$ (86,012)	\$ 104,453
16,701	--	1,685	124	(190)	14,702
16,886	--	1,630	120	(418)	14,718
20,898	--	2,663	196	(468)	17,571
34,040	--	5,778	550	(2,739)	24,973
40,409	--	12,224	1,285	(1,387)	25,513
56,143	--	28,216	2,952	9,998	34,973
82,191	--	29,191	3,054	2,679	52,625
142,229	--	56,640	5,336	(17,463)	62,790
--	3,202,851	2,352,549	240,788	(499,208)	110,306
<u>\$ 604,454</u>	<u>\$ 3,202,851</u>	<u>\$ 2,494,754</u>	<u>\$ 254,720</u>	<u>\$ (595,208)</u>	<u>\$ 462,623</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2013-2014

GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2012

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supl's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 207,675	\$ 121,001	\$ --	\$ --	\$ 328,676
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	19,918	--	--	--	19,918
6212	Audit Services	--	--	--	15,241	--	--	15,241
6213	Tax Appraisal and Collection	--	11,872	--	--	--	--	11,872
621X	Other Prof. Services	--	--	550	98,213	--	--	98,763
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	12,065	--	--	--	--	--	12,065
6240	Contr. Maint. and Repair	--	--	--	--	175	--	175
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	5,572	7,980	--	--	13,552
6290	Miscellaneous Contr.	--	--	--	165	--	--	165
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	140	--	--	--	140
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	10,083	4,371	--	--	14,454
6410	Travel, Subsistence, Stipends	2,307	--	8,658	1,320	--	--	12,285
6420	Ins. and Bonding Costs	5,774	--	--	1,000	--	--	6,774
6430	Election Costs	--	--	--	--	--	--	--
6490	Miscellaneous Operating	8,458	--	12,590	13,823	--	--	34,871
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 28,604 \$ 11,872 \$ 265,186 \$ 263,114 \$ 175 \$ -- \$ 568,951

Total Expenditures for General and Special Revenue Funds (9) \$ 11,202,441

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 187,943
Total Debt & Lease (6500)	(11)	\$ 151,524
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,647,181
Food (Function 35, 6341 and 6499)	(13)	\$ 234,299
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 263,114

Subtotal 2,484,061

Net Allowed Direct Cost \$ 8,718,380

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 14,813,657
Historical Cost of Buildings over 50 years old	(16)	1,206,525
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	2,808,700
Historical Cost of Furniture & Equipment over 16 years old	(19)	794,860
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$11,675 in Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT J-3

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 126,000	\$ 129,677	\$ 3,677
5800	State Program Revenues	4,000	3,677	(323)
5900	Federal Program Revenues	399,000	411,556	12,556
5020	Total Revenues	529,000	544,910	15,910
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	545,000	547,530	(2,530)
	Total Support Services - Student (Pupil)	545,000	547,530	(2,530)
6030	Total Expenditures	545,000	547,530	(2,530)
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(16,000)	(2,620)	13,380
	Other Financing Sources (Uses):			
7915	Transfers In	--	67,175	67,175
7080	Total Other Financing Sources and (Uses)	--	67,175	67,175
1200	Net Change in Fund Balance	(16,000)	64,555	80,555
0100	Fund Balance - Beginning	--	--	--
1300	Prior Period Adjustment	--	(16,464)	(16,464)
0100	Fund Balance - Beginning, as Restated	--	(16,464)	(16,464)
3000	Fund Balance - Ending	\$ (16,000)	\$ 48,091	\$ 64,091

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 304,076	\$ 308,226	\$ 4,150
5800	State Program Revenues	77,494	86,880	9,386
5020	Total Revenues	381,570	395,106	13,536
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	225,000	225,000	--
0072	Interest on Long-Term Debt	220,570	220,570	--
0073	Bond Issuance Costs and Fees	5,000	383	4,617
	Total Debt Service	450,570	445,953	4,617
6030	Total Expenditures	450,570	445,953	4,617
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(69,000)	(50,847)	18,153
1200	Net Change in Fund Balance	(69,000)	(50,847)	18,153
0100	Fund Balance - Beginning	128,331	128,331	--
3000	Fund Balance - Ending	\$ 59,331	\$ 77,484	\$ 18,153

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Streatly CPA
David Morales CPA
Jerry D. Spence CPA

Professional Associates & Senior Advisor:

Peggy Sidler CPA
Betty Morales CPA
Thomas Withers CPA
Wren Malvino
Erika M. Post
Greg Morales
Dudley Gowland CPA

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees
Odem-Edroy Independent School District
One Owl Square
Odem, Texas 78370

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District as of and for the year ended August 31, 2012, which collectively comprise the Odem-Edroy Independent School District's basic financial statements and have issued our report thereon dated November 19, 2012. 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

Management of Odem-Edroy Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Odem-Edroy Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Odem-Edroy Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Odem-Edroy Independent School 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be 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

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defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item(s) 2012-1, that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

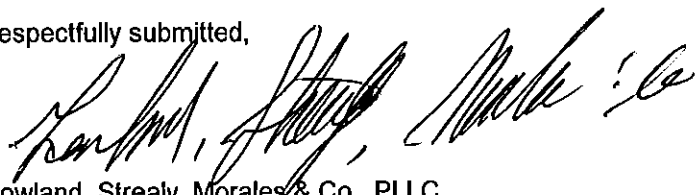
Compliance and Other Matters

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

We noted certain matters that we reported to management of Odem-Edroy Independent School District in a separate letter dated November 19, 2012.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Robert L. Streatly", written over a horizontal line.

Gowland, Streatly, Morales & Co., PLLC

November 19, 2012

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Strealy CPA
David Morales CPA
Jerry D. Spence CPA

Professional Associates & Senior Advisor:

Peggy Sidler CPA
Betty Morales CPA
Thomas Withers CPA
Wren Malvino
Erika M. Post
Greg Morales
Dudley Gowland CPA

Independent Auditor's Report

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

Board of Trustees
Odem-Edroy Independent School District
One Owl Square
Odem, Texas 78370

Members of the Board of Trustees:

Compliance

We have audited Odem-Edroy Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Odem-Edroy Independent School District's major federal programs for the year ended August 31, 2012. Odem-Edroy Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Odem-Edroy Independent School District's management. Our responsibility is to express an opinion on Odem-Edroy Independent School 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 Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Odem-Edroy Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Odem-Edroy Independent School District's compliance with those requirements.

In our opinion, Odem-Edroy Independent School 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, 2012.

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Internal Control Over Compliance

Management of Odem-Edroy Independent School 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 Odem-Edroy Independent School District's internal control over compliance with the 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 Odem-Edroy Independent School District's internal control over compliance.

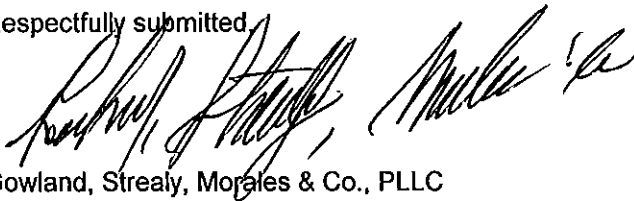
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-1 to be significant deficiencies.

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

Respectfully submitted,



Gowland, Streaty, Morales & Co., PLLC

November 19, 2012

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

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

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Food Service Cluster:	
10.553	School Breakfast
10.555	School Lunch
10.555	School Lunch-Non Cash
10.559	Summer School Service Program
Other Programs	
84.287	Title IV Part B - 21st Century
84.410	Education Jobs Fund

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

Auditee qualified as low-risk auditee? X Yes No

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

B. Financial Statement Findings

2012-1

Purchasing and Encumbrances

Condition: Our testing of expenditures noted that 42 out of 98 either did not contain a purchase order or the purchase order was dated after the invoice.

Criteria: Encumbrance accounting requires an approved purchase order prior to ordering the goods or services.

Effect: Budgets can be over spent at the function level.

Recommendation: All purchases should be approved prior to ordering the goods or services. This may require the use of open purchase orders.

C. Federal Award Findings and Questioned Costs

2012-1

See Above

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2011-1 Purchasing and Encumbrances</p> <p>Condition: The budget was over spent in several function areas as noted in the notes to the financial statements. This was caused by year end adjustments that had to be made that created additional expenses.</p>		<p>There was an improvement over the prior year, but as indicated in the notes there were still some budgets overspent</p>
<p>2011-2 Condition: The Campus and District Improvement plans did not include Supplemental Financial Resources.</p>	Implemented	
<p>2011-3 Condition: The District needs stronger internal control over the reconciliation of accounts in the general ledger. Entries were made to correct accrued payroll and adjust receivable from state accounts.</p>	Implemented	

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012

2012-1

Purchasing and Encumbrances

Recommendation: All purchases should be approved prior to ordering the goods or services. This may require the use of open purchase orders.

The district is using open purchase orders for situations where immediate repairs are needed outside the normal business day to protect the district's facilities and/or maintain a safe environment. Open purchase orders are beginning to be used for monthly recurring expenses such as electricity and copier rentals.

Staff is being retrained in the district's purchasing procedures, which require the approval of a purchase order prior to ordering any goods or services. If necessary, disciplinary actions may be taken with staff violating the district's administrative procedures.

Johnny Johnson, Business Manager, will be responsible for the continued implementation of the corrective action.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education:			
Medicaid *	93.778	205-905	\$ 2,387
Total U. S. Department of Health and Human Services			<u>2,387</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	12610101205905	265,112
ESEA Title I Part A - Improving Basic Programs *	84.010a	13610101205905	10,950
Total CFDA Number 84.010a			<u>276,063</u>
IDEA-B Formula *	84.027	12660001205905660C	189,101
IDEA-B Formula *	84.027	13660001205905600C	10,737
Total CFDA Number 84.027			<u>199,838</u>
Career and Technical - Basic Grant	84.048	12420006178950	8,969
IDEA-B Preschool *	84.173	12661001205905600C	2,782
2 Title IV Part B21st Century Community Learning Centers	84.287	126950177110049	402,416
Title IV Part B21st Century Community Learning Centers	84.287	136950177110049	8,323
Total CFDA Number 84.287			<u>410,739</u>
Gear-UP	84.334S	115110017110004	18,420
Gear UP	84.334S	12511001710006	131,289
Total CFDA Number 84.334S			<u>149,709</u>
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	12694501205905	59,087
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	13694501205905	2,730
Total CFDA Number 84.367a			<u>61,817</u>
Texas Literacy Init	84.371C	126460037110021	62,969
ARRA - ESEA, Title I, Part A - Improving Basic Programs *	84.389	10551001205905	2,941
Education Jobs Fund	84.410	11550101205905	209,574
Total Passed Through State Department of Education			<u>1,385,401</u>
Total U. S. Department of Education			<u>1,385,401</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401201	76,081
National School Lunch Program *	10.555	71301201	299,243
National School Lunch Program (Non-cash) *	10.555	205-905	36,232
Total CFDA Number 10.555			<u>335,474</u>
Summer Food Service Program *	10.559	205-905	\$ 12,218
Total Passed Through State Department of Education			<u>\$ 423,773</u>
Total U. S. Department of Agriculture			<u>423,773</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>1,811,561</u></u>

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

The accompanying notes are an integral part of this schedule.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

Basis of Presentation

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

TOTAL EXPENDITURES OF FEDERAL AWARDS	\$	1,811,561
Federal Revenue not Included:		
E-Rate		33,663
School Health and Related Services		<u>153,610</u>
TOTAL FEDERAL PROGRAM REVENUES EXHIBIT C	\$	<u><u>1,998,834</u></u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2012*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 479,008