

**ODEM-EDROY  
INDEPENDENT  
SCHOOL DISTRICT**

*Annual Financial Report*

*For the Year Ended August 31, 2010*

**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, 2010

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>INTRODUCTORY SECTION</b>		
Certificate of Board.....	1	
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report on Financial Statements.....	3	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
<u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	10	A-1
Statement of Activities.....	11	B-1
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets.....	14	C-1R
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	C-2
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	C-3
Statement of Net Assets - Internal Service Fund.....	17	D-1
Statement of Revenues, Expenses, and Changes in		
Fund Net Assets - Internal Service Fund.....	18	D-2
Statement of Cash Flows - Proprietary Funds.....	19	D-3
Statement of Fiduciary Net Assets - Fiduciary Funds.....	20	E-1
Notes to the Financial Statements .....	21	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedules:		
General Fund.....	33	G-1
<u>Combining Statements and Budgetary Comparison Schedules as Supplementary Information:</u>		
Combining Balance Sheet - All Nonmajor Governmental Funds.....	35	H-1
Combining Statement of Revenues, Expenditures and Changes in		
Fund Balances - All Nonmajor Governmental Funds.....	36	H-2
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	37	H-3
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	42	H-4

Odem-Edroy Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2010

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
Enterprise Funds:		
Budgetary Comparison Schedule:		
National School Breakfast and Lunch Program.....	47	H-5
OTHER SUPPLEMENTARY INFORMATION SECTION		
Schedule of Delinquent Taxes Receivable.....	48	J-1
Indirect Cost Computation Schedule .....	50	J-2
Fund Balance and Cash Flow Calculation Worksheet (Unaudited)-General Fund.....	51	J-3
Budgetary Comparison Schedules Required by the Texas Education Agency:		
Debt Service Fund.....	52	J-4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	53	
Report on Compliance with Requirements Applicable To each Major Program and Internal Control over Compliance In Accordance With OMB Circular A-133.....	55	
Schedule of Findings and Questioned Costs .....	57	
Summary Schedule of Prior Audit Findings.....	59	
Corrective Action Plan.....	60	
Schedule of Expenditures of Federal Awards .....	61	K-1
Notes to the Schedule of Expenditures of Federal Awards.....	62	
Schedule of Required Responses to Selected School First Indicators.....	63	K-2

## *Introductory Section*

CERTIFICATE OF BOARD

Odem-Edroy Independent School District  
Name of School District

San Patricio  
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, 2010, at a meeting of the board of trustees of such school district on the 10<sup>th</sup> day of JANUARY 2011.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

## *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  
Ryan Johnston  
Erika Post  
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, 2010, 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, 2010, 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.

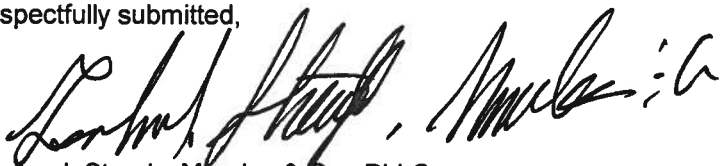
In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2011, on our consideration of Odem-Edroy Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts 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, except for that portion marked "unaudited" on which we express no opinion, 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,

A handwritten signature in black ink, appearing to read "David M. Streaty", followed by a comma and another handwritten mark.

Gowland, Streaty, Morales & Co., PLLC

January 5, 2011



## 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 \$3,767,559 at August 31, 2010.
- During the year, the District's expenses were \$891,905 more than the \$12,479,449 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased \$249,631 from last year.
- The general fund reported a fund balance this year of \$831,430.
- The District did not issue any bonds during the fiscal year ending August 31, 2010.

### 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

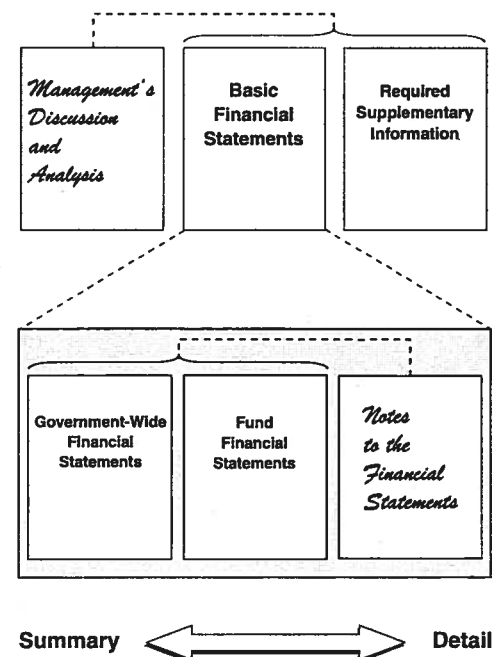


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of 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	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
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 \$3,767,559 at August 31, 2010. (See Table A-1).

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

	Governmental Activities 2010	Business Type 2010	Total 2010	Total 2,009	Change 2010-2009
<b>Current assets:</b>					
Cash and cash equivalents	\$ 214,056	\$ (13,055)	\$ 201,001	\$ 1,581,047	\$ (1,380,046)
Property Taxes Receivable	263,573		263,573	375,532	(111,959)
Due from Other Governments	1,074,644	13,639	1,088,283	188,287	899,996
Other receivables	23,489		23,489	23,886	(397)
Inventories	3,111	22,586	25,697	34,119	(8,422)
Deferred expenses	170,675		170,675	285,743	(115,068)
Total current assets:	<u>1,749,548</u>	<u>23,170</u>	<u>1,772,718</u>	<u>2,488,614</u>	<u>(715,896)</u>
<b>Noncurrent assets:</b>					
Land	145,973		145,973	145,973	0
Bldg, Furniture and equipment	8,777,181	9,397	8,786,578	8,609,960	176,618
Total noncurrent assets	<u>8,923,154</u>	<u>9,397</u>	<u>8,932,551</u>	<u>8,755,933</u>	<u>176,618</u>
Total Assets	<u>10,672,702</u>	<u>32,567</u>	<u>10,705,269</u>	<u>11,244,547</u>	<u>(539,278)</u>
<b>Current liabilities:</b>					
Accounts payable and accrued liabilities	456,029	11,261	467,290	424,243	43,047
Deferred revenue			0	184,333	(184,333)
Total current liabilities	<u>456,029</u>	<u>11,261</u>	<u>467,290</u>	<u>608,576</u>	<u>(141,286)</u>
<b>Noncurrent Liabilities:</b>					
Due within one year	325,000		325,000	300,000	25,000
Due in more than one year	6,145,421		6,145,421	6,034,997	110,424
Total Liabilities	<u>6,926,450</u>	<u>11,261</u>	<u>6,937,711</u>	<u>6,943,573</u>	<u>(11,261)</u>
<b>Net Assets:</b>					
Invested in capital assets	2,888,157		2,888,157	2,405,886	482,271
Restricted for State and Federal Programs	4,565		4,565	55,697	(51,132)
Restricted for Debt Service	87,893		87,893	99,204	(11,311)
Restricted for Scholarships			0	506,316	(506,316)
Unrestricted	765,637	21,307	786,944	1,233,871	(446,927)
Total Net Assets	<u>\$ 3,746,252</u>	<u>\$ 21,307</u>	<u>\$ 3,767,559</u>	<u>\$ 4,300,974</u>	<u>\$ (533,415)</u>

**Changes in net assets.** The District's total revenues were \$12,479,449. A significant portion, 22 percent, of the District's revenue comes from taxes. 51 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 \$13,371,354.

#### Governmental Activities

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

	Governmental Activities 2010	Business-Type Activities 2010	Total 2010	Total 2,009	Change 2010-2009
Program Revenues:					
Charges for Services	\$ 41,224	\$ 119,858	\$ 161,082	252,277	(91,195)
Operating Grants and Contributions	2,840,550	440,414	3,280,964	2,135,014	1,145,950
General Revenues					
Property Taxes	2,689,096		2,689,096	2,907,964	(218,868)
State Aid – Formula	6,377,083		6,377,083	6,753,427	(376,344)
Investment Earnings	10,695		10,695	30,578	(19,883)
Other	(39,471)		(39,471)	68,279	(107,750)
Total Revenues	<u>11,919,177</u>	<u>560,272</u>	<u>12,479,449</u>	<u>12,147,539</u>	<u>331,910</u>
Instruction	6,447,913		6,447,913	6,466,318	(18,405)
Instructional Resources and Media Services	302,017		302,017	301,844	173
Curriculum Dev. And Instructional Staff Dev.	505,938		505,938	538,417	(32,479)
Instructional Leadership	170,568		170,568	54,283	116,285
School Leadership	691,510		691,510	599,715	91,795
Guidance, Counseling and Evaluation Services	353,468		353,468	281,472	71,996
Health Services	119,029		119,029	117,069	1,960
Student (Pupil) Transportation	315,700		315,700	397,625	(81,925)
Food Services	17,223	568,659	585,882	524,214	61,668
Curricular/Extracurricular Activities	655,186		655,186	524,163	131,023
General Administration	692,744		692,744	672,020	20,724
Plant Maintenance & Oper.	1,811,049		1,811,049	1,963,876	(152,827)
Security and Monitoring Services	10,533		10,533	17,505	(6,972)
Data Processing Services	83,866		83,866	71,760	12,106
Community Service	51,831		51,831		51,831
Interest on Long-term Debt	283,229		283,229	256,005	27,224
Bond Fees	2,170		2,170	2,369	(199)
Member Dist. – SSA	244,439		244,439	323,141	(78,702)
Other Intergovernmental Charges	44,282		44,282	9,927	34,355
Total Expenses	<u>\$ 12,802,695</u>	<u>\$ 568,659</u>	<u>\$ 13,371,354</u>	<u>13,121,723</u>	<u>249,631</u>
Change in Net Assets	<u>\$ (883,518)</u>	<u>\$ (8,387)</u>	<u>\$ (891,905)</u>	<u>(974,184)</u>	<u>82,279</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 \$12,802,695.
- However, the amount that our taxpayers paid for these activities through property taxes was \$2,689,096.
- Some of the cost was paid by those who directly benefited from the programs \$161,082, or
- By grants and contributions \$3,280,963.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2010	2009		2010	2009	
Instruction	\$ 6,447,913	\$ 6,466,318	-0.29%	\$ 4,651,602	\$ 5,282,957	-13.57%
School Leadership	691,510	599,715	13.27%	642,946	575,465	10.50%
General Administration	692,744	672,020	2.99%	644,095	656,817	-1.98%
Plant Maintenance & Operations	1,811,049	1,963,876	-8.44%	1,681,903	1,900,860	-13.02%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$12,121,360, an increase of 5.47% over the preceding year \$11,491,965.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget to account for increased revenue received and to appropriate additional funds to pay for student travel to compete at the state and national level. Actual expenditures were \$110,902 above final budget amounts. This was primarily because of underestimation of payroll accruals.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2010, the District had invested \$17,568,411 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$176,618.

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

	Government Activities		Additions	Deletions	Total 2010
	2009				
Land	\$ 145,973	\$	\$	\$	145,973
Buildings and improvements	14,414,991		210,723		14,625,714
Equipment & Vehicles	2,668,469		144,925	(16,670)	2,796,724
Totals at historical cost	17,229,433		355,648	(16,670)	17,568,411
Total accumulated depreciation	8,473,500		179,030	(16,670)	8,635,860
Net capital assets	\$ 8,755,933	\$	176,618	\$ -	\$ 8,932,551

The District's expenditures for capital projects in fiscal year 2010 consisted of: completion of the new agriculture barn; installation of a new football scoreboard and district marquee; and purchase of new band uniforms. 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 \$5,584,997 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	
	2010	2009
Bonds Payable	\$ 5,584,997	\$ 5,784,997
Accretion Payable	435,424	414,960
Maintenance Notes	450,000	550,000
	<u>\$ 6,470,421</u>	<u>\$ 6,749,957</u>

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

- The District's general fund balance decreased \$916,522 in 2010 to \$831,430.
- The District's refined average daily attendance has declined over the past 3 years but is expected to stabilize.
- The taxable value of the district for school tax purposes increased 26% in 2010 to \$275,425,463. This change is expected to result in an increase of \$375,877 in tax levy for 2010-2011.
- State program revenue is expected to decrease by .4% for 2010-2011.
- General operating expenditures are expected to decrease by \$992,000.
- General operating fund spending per student is expected to decrease from \$10,115 to \$9,163.

Estimated revenue available for appropriation in the general fund budget for 2010-2011 is \$9,776,730, an increase of less than 4.7% from the final 2009-2010 receipts of \$9,334,465.

Expenditures are budgeted to decrease 9.4% to \$9,548,040 for 2010-2011. The District has added no major new programs or initiatives to the 2010-2011 budget.

If these estimates are realized, the District's budgetary general fund balance should be increased approximately \$200,000 at close of 2010-2011.

### 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.

## *Basic Financial Statements*

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET ASSETS**

AUGUST 31, 2010

Data Control Codes	1 Governmental Activities	2 Business-type Activities	3 Total
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 214,056	\$ (13,054)	\$ 201,002
1225 Property Taxes Receivable (Net)	263,573	—	263,573
1240 Due from Other Governments	1,074,644	13,639	1,088,283
1290 Other Receivables (Net)	23,489	—	23,489
1300 Inventories	3,111	22,586	25,697
1410 Deferred Expenses	170,675	—	170,675
Capital Assets:			
1510 Land	145,973	—	145,973
1520 Buildings and Improvements, Net	8,331,477	—	8,331,477
1530 Furniture and Equipment, Net	445,704	9,397	455,101
1000 Total Assets	<u>10,672,702</u>	<u>32,568</u>	<u>10,705,270</u>
<b>LIABILITIES:</b>			
2110 Accounts Payable	34,293	756	35,049
2120 Short-Term Debt Payable	105,000	—	105,000
2165 Accrued Liabilities	350,053	10,505	360,558
2180 Due to Other Governments	71,683	—	71,683
Noncurrent Liabilities:			
2501 Due Within One Year	220,000	—	220,000
2502 Due in More Than One Year	6,145,421	—	6,145,421
2000 Total Liabilities	<u>6,926,450</u>	<u>11,261</u>	<u>6,937,711</u>
<b>NET ASSETS</b>			
3200 Invested in Capital Assets, Net of Related Debt	2,888,157	—	2,888,157
Restricted For:			
3820 Federal and State Programs	4,565	—	4,565
3850 Debt Service	87,893	—	87,893
3900 Unrestricted	765,637	21,307	786,944
3000 Total Net Assets	<u>\$ 3,746,252</u>	<u>\$ 21,307</u>	<u>\$ 3,767,559</u>

The accompanying notes are an integral part of this statement.



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Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (4,651,602)		\$ (4,651,602)
(280,807)		(280,807)
(290,865)		(290,865)
(5,615)		(5,615)
(642,946)		(642,946)
(312,764)		(312,764)
(110,670)		(110,670)
(293,529)		(293,529)
(6,206)		(6,206)
(609,174)		(609,174)
(644,095)		(644,095)
(1,681,903)		(1,681,903)
(9,794)		(9,794)
(77,976)		(77,976)
(48,191)		(48,191)
(105,107)		(105,107)
(2,170)		(2,170)
(106,441)		(106,441)
(41,066)		(41,066)
<u>(9,920,921)</u>		<u>(9,920,921)</u>
 —	 \$ (8,387)	 (8,387)
<u>(9,920,921)</u>	<u>(8,387)</u>	<u>(9,929,308)</u>
 2,433,220	 —	 2,433,220
255,876	—	255,876
10,695	—	10,695
6,377,083	—	6,377,083
(39,471)	—	(39,471)
<u>9,037,403</u>	<u>—</u>	<u>9,037,403</u>
<u>(883,518)</u>	<u>(8,387)</u>	<u>(891,905)</u>
4,574,586	29,694	4,604,280
55,184	—	55,184
4,629,770	29,694	4,659,464
<u>\$ 3,746,252</u>	<u>\$ 21,307</u>	<u>\$ 3,767,559</u>

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

AUGUST 31, 2010

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 217,704	\$ (109,706)	\$ 107,998
1225 Taxes Receivable, Net	238,588	24,985	263,573
1240 Due from Other Governments	726,725	347,919	1,074,644
1260 Due from Other Funds	12,560	7,401	19,961
1290 Other Receivables	21,611	1,878	23,489
1300 Inventories	3,111	—	3,111
1410 Deferred Expenditures	168,782	1,893	170,675
1000 Total Assets	<u>\$ 1,389,081</u>	<u>\$ 274,370</u>	<u>\$ 1,663,451</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ 25,388	\$ 8,905	\$ 34,293
2150 Payroll Deductions & Withholdings	768	6,874	7,642
2160 Accrued Wages Payable	281,520	60,891	342,411
2170 Due to Other Funds	11,387	8,574	19,961
2180 Due to Other Governments	—	71,683	71,683
2300 Unearned Revenue	238,588	24,985	263,573
2000 Total Liabilities	<u>557,651</u>	<u>181,912</u>	<u>739,563</u>
<b>FUND BALANCES:</b>			
Reserved Fund Balances:			
3420 Debt Service	—	87,893	87,893
3490 Other Reserves of Fund Balance	—	4,565	4,565
3600 Unreserved	831,430	—	831,430
3000 Total Fund Balances	<u>831,430</u>	<u>92,458</u>	<u>923,888</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,389,081</u>	<u>\$ 274,370</u>	<u>\$ 1,663,451</u>

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, 2010**

Total fund balances - governmental funds balance sheet	\$ 923,888
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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.	8,923,154
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	263,573
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	106,059
Payables for bond principal which are not due in the current period are not reported in the funds.	(5,584,997)
Payables for notes which are not due in the current period are not reported in the funds.	(450,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(435,424)
Rounding difference	(1)

Net assets of governmental activities - Statement of Net Assets	\$ <u>3,746,252</u>
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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, 2010**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 2,647,851	\$ 259,109	\$ 2,906,960
5800 <i>State Program Revenues</i>	6,773,635	224,006	6,997,641
5900 <i>Federal Program Revenues</i>	300,519	1,916,240	2,216,759
5020 <b>Total Revenues</b>	<u>9,722,005</u>	<u>2,399,355</u>	<u>12,121,360</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	4,787,519	1,451,818	6,239,337
0012 <i>Instructional Resources and Media Services</i>	292,074	—	292,074
0013 <i>Curriculum and Staff Development</i>	295,681	193,601	489,282
0021 <i>Instructional Leadership</i>	—	164,953	164,953
0023 <i>School Leadership</i>	668,744	—	668,744
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	324,707	17,124	341,831
0033 <i>Health Services</i>	115,110	—	115,110
0034 <i>Student Transportation</i>	305,307	—	305,307
0035 <i>Food Service</i>	6,081	10,575	16,656
0036 <i>Cocurricular/Extracurricular Activities</i>	674,378	—	674,378
0041 <i>General Administration</i>	669,938	—	669,938
0051 <i>Plant Maintenance and Operations</i>	2,092,986	2,114	2,095,100
0052 <i>Security and Monitoring Services</i>	10,186	—	10,186
0053 <i>Data Processing Services</i>	81,105	—	81,105
0061 <i>Community Services</i>	50,125	—	50,125
0071 <i>Principal on Long-term Debt</i>	100,000	200,000	300,000
0072 <i>Interest on Long-term Debt</i>	20,363	242,402	262,765
0073 <i>Bond Issuance Costs and Fees</i>	800	1,370	2,170
0093 <i>Payments to Shared Service Arrangements</i>	111,806	132,633	244,439
0099 <i>Other Intergovernmental Charges</i>	44,282	—	44,282
6030 <b>Total Expenditures</b>	<u>10,651,192</u>	<u>2,416,590</u>	<u>13,067,782</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>(929,187)</u>	<u>(17,235)</u>	<u>(946,422)</u>
Other Financing Sources and (Uses):			
7912 <i>Sale of Real or Personal Property</i>	12,665	—	12,665
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>12,665</u>	<u>—</u>	<u>12,665</u>
1200 <b>Net Change in Fund Balances</b>	<u>(916,522)</u>	<u>(17,235)</u>	<u>(933,757)</u>
0100 <b>Fund Balances - Beginning</b>	1,277,808	109,693	1,387,501
1300 <b>Prior Period Adjustment</b>	470,144	—	470,144
<b>Fund Balances - Beginning, as Restated</b>	1,747,952	109,693	1,857,645
<b>3000 Fund Balances - Ending</b>	<u>\$ 831,430</u>	<u>\$ 92,458</u>	<u>\$ 923,888</u>

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, 2010**

Net change in fund balances - total governmental funds	\$ (933,757)
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Amounts reported for governmental activities in the Statement of Activities  
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	384,435
The depreciation of capital assets used in governmental activities is not reported in the funds.	(402,583)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.	(102,888)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(111,960)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	200,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	100,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(20,464)
The net revenue (expense) of internal service funds is reported with governmental activities.	<u>3,699</u>

Change in net assets of governmental activities - Statement of Activities	\$ <u>(883,518)</u>
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The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET ASSETS****INTERNAL SERVICE FUND**

AUGUST 31, 2010

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		National Breakfast/Lunch Program	Insurance Fund
	<b>ASSETS:</b>		
	Current Assets:		
1110	Cash and Cash Equivalents	\$ (13,055)	\$ 106,059
	Receivables:		
1240	Due from Other Governments	13,639	--
1310	Inventories, at Cost	22,586	--
	Total Current Assets	23,170	106,059
	Noncurrent Assets:		
	Capital Assets:		
1530	Furniture and Equipment	104,680	--
1570	Accumulated Depreciation	(95,283)	--
	Total Noncurrent Assets	9,397	--
1000	Total Assets	\$ 32,567	\$ 106,059
	<b>LIABILITIES:</b>		
	Current Liabilities:		
2110	Accounts Payable	\$ 756	\$ --
2160	Accrued Wages Payable	10,505	--
	Total Current Liabilities	11,261	--
2000	Total Liabilities	11,261	--
	<b>NET ASSETS:</b>		
3800	Restricted Net Assets	21,306	--
3900	Unrestricted Net Assets	--	106,059
3000	Total Net Assets	\$ 21,306	\$ 106,059

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, 2010

Data Control Codes		Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
		National Breakfast/Lunch Program	Insurance Fund
	<b>OPERATING REVENUES:</b>		
5700	Local and Intermediate Sources	\$ 151,207	\$ 53,832
5800	State Program Revenues	4,060	—
5020	Total Revenues	<u>155,267</u>	<u>53,832</u>
	<b>OPERATING EXPENSES:</b>		
6100	Payroll Costs	274,178	6,421
6200	Professional and Contracted Services	8,065	33,453
6300	Supplies and Materials	278,994	—
6400	Other Operating Costs	7,422	10,259
6030	Total Expenses	<u>568,659</u>	<u>50,133</u>
	Operating Income (Loss)	<u>(413,392)</u>	<u>3,699</u>
	<b>NON-OPERATING REVENUES (EXPENSES):</b>		
7952	National School Breakfast Program	75,399	—
7953	National School Lunch Program	297,702	—
7954	USDA Donated Commodities	31,903	—
8030	Total Non-operating Revenues (Expenses)	<u>405,004</u>	<u>—</u>
1300	Change in Net Assets	(8,388)	3,699
0100	Total Net Assets - Beginning	29,694	102,360
3300	Total Net Assets - Ending	<u>\$ 21,306</u>	<u>\$ 106,059</u>

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, 2010

	Nonmajor Enterprise Fund National Breakfast/Lunch Program	Nonmajor Internal Service Fund Insurance Fund
<b>Cash Flows from Operating Activities:</b>		
Cash Received from User Charges	\$ 148,401	\$
Cash Received from Grants	4,060	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	—	53,832
Cash Payments to Employees for Services	(274,480)	(6,421)
Cash Payments to Other Suppliers for Goods and Services	(304,416)	(43,712)
Cash Payments for Grants to Other Organizations	—	—
Other Operating Cash Receipts (Payments)	—	—
Net Cash Provided (Used) by Operating Activities	(426,435)	3,699
<b>Cash Flows from Non-capital Financing Activities:</b>		
Transfers From (To) Primary Government	—	—
Transfers From (To) Other Funds	—	—
Net Cash Provided (Used) by Non-capital Financing Activities	—	—
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition or Construction of Capital Assets	—	—
Proceeds from Sale of Capital Assets	—	—
Contributed Capital	—	—
Net Cash Provided (Used) for Capital & Related Financing Activities	—	—
<b>Cash Flows from Investing Activities:</b>		
Non-Operating Revenue	405,004	
Proceeds from Sale and Maturities of Securities	—	—
Interest and Dividends on Investments	—	—
Net Cash Provided (Used) for Investing Activities	405,004	—
Net Increase (Decrease) in Cash and Cash Equivalents	(21,431)	3,699
Cash and Cash Equivalents at Beginning of Year	8,376	102,360
Cash and Cash Equivalents at End of Year	\$ (13,055)	\$ 106,059
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$ (413,392)	\$ 3,699
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	5,653	
Provision for Uncollectible Accounts	—	
<b>Change in Assets and Liabilities:</b>		
Decrease (Increase) in Receivables	(2,806)	
Decrease (Increase) in Inventories	7,030	
Decrease (Increase) in Prepaid Expenses	—	
Increase (Decrease) in Accounts Payable	(22,617)	
Increase (Decrease) in Payroll Deductions	834	
Increase (Decrease) in Accrued Wages Payable	(1,137)	
Increase (Decrease) in Interfund Payables	—	
Increase (Decrease) in Unearned Revenue	—	—
Total Adjustments	(13,043)	—
Net Cash Provided (Used) by Operating Activities	\$ (426,435)	\$ 3,699

The accompanying notes are an integral part of this statement.



**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****AUGUST 31, 2010**

		Agency Fund
Data Control Codes		
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 587,182
1000	Total Assets	\$ 587,182
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	Due to Student Groups	\$ 77,985
2400	Payable from Restricted Assets	509,197
2000	Total Liabilities	587,182
<b>NET ASSETS</b>		
3000	Total Net Assets	\$ -

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, 2010**

**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, 2010**

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.

**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 unrestricted resources first, then restricted 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, 2010**

**3. Financial Statement Amounts**

**a. Cash and Cash Equivalents**

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

**b. Property Taxes**

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

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

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 567,871	\$ 59,635	\$ 627,506
Allowance for Uncollectible Accounts	(329,283)	(34,650)	(363,933)
Net Taxes	<u>\$ 238,588</u>	<u>\$ 24,985</u>	<u>\$ 263,573</u>

**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, 2010**

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.

**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:

Violation

Expenditures exceeded budget:

		<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:				
0011	Instruction	\$ 4,710,000	\$ 4,787,519	(77,519)
0012	Instructional Resources and Media	290,000	292,074	(2,074)
0013	Curriculum and Staff Development	290,000	295,681	(5,681)
0023	School Leadership	661,000	668,744	(7,744)
0031	Guidance & Counseling	319,000	324,707	(5,707)
0033	Health Services	115,000	115,110	(110)
0036	Cocurricular/Extracurricular Activities	650,000	674,378	(24,378)
0041	General Administration	659,000	669,938	(10,938)
0051	Plant Maintenance	2,075,000	2,092,986	(17,986)

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

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

Program:	55% of Allocation	Actual Amount Spent	Variance
25 Bilingual Education	\$ 10,001	\$ 1,668	\$ (8,333)

**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.

**1. Cash Deposits:**

At August 31, 2010, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$788,183 and the bank balance was \$1,064,758. The District's cash deposits at August 31, 2010 and during the year ended August 31, 2010, were not entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: First State Bank of Odem
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$1,019,945.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$1,822,453 and occurred during the month of September, 2009.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$750,000.

**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.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

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.

**3. Analysis of Specific Deposit and Investment Risks**

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

**a. Credit Risk**

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

**b. Custodial Credit Risk**

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

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

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

**c. Concentration of Credit Risk**

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

**d. Interest Rate Risk**

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

**e. Foreign Currency Risk**

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

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, 2010, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 145,973	\$ --	\$ --	\$ 145,973
Total capital assets not being depreciated	145,973	--	--	145,973
<i>Capital assets being depreciated:</i>				
Buildings and improvements	14,351,541	274,173	--	14,625,714
Equipment	1,697,516	110,263	--	1,807,779
Vehicles	900,935	--	16,670	884,265
Total capital assets being depreciated	16,949,992	384,436	16,670	17,317,758
Less accumulated depreciation for:				
Buildings and improvements	(6,031,335)	(262,902)	--	(6,294,237)
Equipment	(1,525,100)	(84,847)	--	(1,609,947)
Vehicles	(598,229)	(54,834)	(16,670)	(636,393)
Total accumulated depreciation	(8,154,664)	(402,583)	(16,670)	(8,540,577)
Total capital assets being depreciated, net	8,795,328	(18,147)	--	8,777,181
Governmental activities capital assets, net	\$ 8,941,301	\$ (18,147)	\$ --	\$ 8,923,154
<u>Business-type activities:</u>				
<i>Capital assets being depreciated:</i>				
Equipment	104,680	--	--	104,680
Total capital assets being depreciated	104,680	--	--	104,680



**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

Less accumulated depreciation for:				
Equipment	(89,631)	(5,652)	--	(95,283)
Total accumulated depreciation	(89,631)	(5,652)	--	(95,283)
Total capital assets being depreciated, net	15,049	(5,652)	--	9,397
Business-type activities capital assets, net	\$ 15,049	\$ (5,652)	\$ --	\$ 9,397

Depreciation was charged to functions as follows:

Instruction	\$ 212,275
Instructional Resources and Media Services	9,943
Curriculum and Staff Development	16,656
Instructional Leadership	5,615
School Leadership	22,766
Guidance, Counseling, & Evaluation Services	11,637
Health Services	3,919
Student Transportation	10,393
Food Services	567
Extracurricular Activities	21,570
General Administration	22,806
Plant Maintenance and Operations	59,622
Security and Monitoring Services	347
Data Processing Services	2,761
Community Services	1,706
	<u>\$ 402,583</u>

**E. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2010, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund (Payroll)	\$ 3,986	Short-term loans
General Fund	Other Governmental Funds	8,574	Short-term loans
Other Governmental Funds	General Fund	7,401	Short-term loans
	Total	<u>\$ 19,961</u>	

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

**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.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**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, 2010, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Unlimited Tax Refunding					
Bonds, Series 2006, 4.0%	\$ 4,679,997	\$ —	\$ 40,000	\$ 4,639,997	\$ 45,000
Unlimited Tax Refunding					
Bonds, Series 2001, 6.25%	980,000		100,000	880,000	110,000
Schoolhouse Bonds					
Series 1999 5.6%	125,000		60,000	65,000	65,000
Total Bonds	5,784,997	—	200,000	5,584,997	220,000
<u>Maintenance Tax Notes</u>					
Series 2009 3.83%	550,000		100,000	450,000	105,000
<u>Capital Appreciation Bonds:</u>					
Accretion on 2006					
Refunding Bonds	\$ 414,960	\$ 20,464	\$ —	\$ 435,424	
Total Long-term Liabilities	\$ 6,749,957	\$ 20,464	\$ 300,000	\$ 6,470,421	\$ 325,000
				325,000	
				6,145,421	

**2. Debt Service Requirements**

Debt service requirements on Bonds at August 31, 2010, are as follows:

<u>Year Ending August 31.</u>	Bonds		
	Governmental Activities		
	Principal	Interest	Total
2011	\$ 220,000	\$ 231,493	\$ 451,493
2012	225,000	220,570	445,570
2013	235,000	201,282	436,282
2014	245,000	201,522	446,522
2015	255,000	191,223	446,223
2016-2020	759,997	1,475,780	2,235,777
2021-2025	1,605,000	630,202	2,235,202
2026-2030	1,785,000	272,503	2,057,503
2031-2035	255,000	10,838	265,838
Totals	\$ 5,584,997	\$ 3,435,413	\$ 9,020,410

<u>Year Ending August 31.</u>	Maintenance Tax Notes		
	Governmental Activities		
	Principal	Interest	Total
2011	\$ 105,000	\$ 17,235	\$ 122,235
2012	110,000	13,214	123,214
2013	115,000	12,001	127,001
2014	120,000	4,597	124,597
Totals	\$ 450,000	\$ 47,047	\$ 497,047

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**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 2010, 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 (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

**2. Funding Policy**

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.644% of the District's covered payroll. The District's employees' contributions to the System for the years ending August 31, 2010 was \$476,112, and was equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the year ending August 31, 2010 was \$48,005 and was equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$395,384 for the year ended August 31, 2010.

**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](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**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 2010, 2009 and 2008. 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, 2010, 2009, and 2008, the State's contributions to TRS-Care were \$74,392, \$78,186, and \$73,103, respectively, the active member contributions were \$48,355, \$50,821, and \$47,517, respectively, and the District's contributions were \$40,916, \$43,002, and \$40,207, 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, 2010, 2009, and 2008, the subsidy payments received by TRS-Care on behalf of the District were \$19,105, \$15,959, and \$15,533, respectively.

**J. Employee Health Care Coverage**

During the year ended August 31, 2010, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$225 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. 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 contribution 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.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**L. Shared Services Arrangements**

**Shared Services Arrangement - Fiscal Agent**

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides Distance Learning Grant to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in a special revenue fund and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Odem-Edroy	\$ 10,866
Sinton ISD	78,709
Aransas Pass ISD	43,058
Total	<u>\$ 132,633</u>

**M. Prior Period Adjustments**

**Governmental Funds:**

**General fund:**

A prior period adjustment was made to accrue fourteen days of the 2010 Foundation Allocation at the end of August 31, 2009

\$ 470,144

**Government Wide Financial Statements:**

A prior period adjustment was made to record the Bond Accretion on the 2006 refunding Bonds

(414,960)

**Net Adjustment**

55,184

### *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, 2010

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 2,671,783	\$ 2,625,200	\$ 2,647,851	\$ 22,651
5800	State Program Revenues	6,912,671	6,602,221	6,773,635	171,414
5900	Federal Program Revenues	481,533	101,400	300,519	199,119
5020	Total Revenues	10,065,987	9,328,821	9,722,005	393,184
<b>EXPENDITURES:</b>					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	5,085,557	4,710,000	4,787,519	(77,519)
0012	Instructional Resources and Media Services	316,699	290,000	292,074	(2,074)
0013	Curriculum and Staff Development	220,286	290,000	295,681	(5,681)
	Total Instruction & Instr. Related Services	5,622,542	5,290,000	5,375,274	(85,274)
Instructional and School Leadership:					
0023	School Leadership	629,840	661,000	668,744	(7,744)
	Total Instructional & School Leadership	629,840	661,000	668,744	(7,744)
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	304,139	319,000	324,707	(5,707)
0033	Health Services	125,026	115,000	115,110	(110)
0034	Student (Pupil) Transportation	469,188	342,000	305,307	36,693
0035	Food Services	—	6,090	6,091	9
0036	Cocurricular/Extracurricular Activities	458,493	650,000	674,378	(24,378)
	Total Support Services - Student (Pupil)	1,356,846	1,432,090	1,425,583	6,507
Administrative Support Services:					
0041	General Administration	647,858	659,000	669,938	(10,938)
	Total Administrative Support Services	647,858	659,000	669,938	(10,938)
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,806,696	2,075,000	2,092,986	(17,986)
0052	Security and Monitoring Services	18,900	10,500	10,186	314
0053	Data Processing Services	58,495	82,000	81,105	895
	Total Support Services - Nonstudent Based	1,884,091	2,167,500	2,184,277	(16,777)
Ancillary Services:					
0061	Community Services	—	52,500	50,125	2,375
	Total Ancillary Services	—	52,500	50,125	2,375
Debt Service:					
0071	Principal on Long-Term Debt	—	—	100,000	(100,000)
0072	Interest on Long-Term Debt	—	120,363	20,363	100,000
0073	Bond Issuance Costs and Fees	—	837	800	37
	Total Debt Service	—	121,200	121,163	37
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	110,000	112,000	111,806	194
0099	Other Intergovernmental Charges	10,000	45,000	44,282	718
	Total Intergovernmental Charges	120,000	157,000	156,088	912
6030	Total Expenditures	10,261,177	10,540,290	10,651,192	(110,902)

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(195,190)	(1,211,469)	(929,187)	282,282
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	—	—	12,665	12,665
7080	Total Other Financing Sources and (Uses)	—	—	12,665	12,665
1200	Net Change in Fund Balance	(195,190)	(1,211,469)	(916,522)	294,947
0100	Fund Balance - Beginning	1,277,808	1,277,808	1,277,808	—
1300	Prior Period Adjustment	—	—	470,144	470,144
0100	Fund Balance - Beginning, as Restated	1,277,808	1,277,808	1,747,952	470,144
3000	Fund Balance - Ending	\$ 1,082,618	\$ 66,339	\$ 831,430	\$ 765,091



*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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

AUGUST 31, 2010

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ (199,451)	\$ 89,745	\$ (109,706)
1225	Taxes Receivable, Net	—	24,985	24,985
1240	Due from Other Governments	347,919	—	347,919
1260	Due from Other Funds	6,069	1,332	7,401
1290	Other Receivables	1,878	—	1,878
1410	Deferred Expenditures	1,893	—	1,893
1000	Total Assets	\$ 158,308	\$ 116,062	\$ 274,370
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ 8,905	\$ —	\$ 8,905
2150	Payroll Deductions & Withholdings	6,874	—	6,874
2160	Accrued Wages Payable	60,891	—	60,891
2170	Due to Other Funds	8,574	—	8,574
2180	Due to Other Governments	68,499	3,184	71,683
2300	Unearned Revenue	—	24,985	24,985
2000	Total Liabilities	153,743	28,169	181,912
<b>FUND BALANCES:</b>				
Reserved Fund Balances:				
3420	Debt Service	—	87,893	87,893
3490	Other Reserves of Fund Balance	4,565	—	4,565
3000	Total Fund Balances	4,565	87,893	92,458
4000	Total Liabilities and Fund Balances	\$ 158,308	\$ 116,062	\$ 274,370

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2010

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 Local and Intermediate Sources	\$ --	\$ 259,109	\$ 259,109
5800 State Program Revenues	50,654	173,352	224,006
5900 Federal Program Revenues	1,916,240	—	1,916,240
5020 Total Revenues	<u>1,966,894</u>	<u>432,461</u>	<u>2,399,355</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	1,451,818	--	1,451,818
0013 Curriculum and Staff Development	193,601	--	193,601
0021 Instructional Leadership	164,953	--	164,953
0031 Guidance, Counseling, & Evaluation Services	17,124	--	17,124
0035 Food Service	10,575	--	10,575
0051 Plant Maintenance and Operations	2,114	--	2,114
0071 Principal on Long-term Debt	--	200,000	200,000
0072 Interest on Long-term Debt	--	242,402	242,402
0073 Bond Issuance Costs and Fees	--	1,370	1,370
0093 Payments to Shared Service Arrangements	132,633	--	132,633
6030 Total Expenditures	<u>1,972,818</u>	<u>443,772</u>	<u>2,416,590</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(5,924)</u>	<u>(11,311)</u>	<u>(17,235)</u>
1200 Net Change in Fund Balances	<u>(5,924)</u>	<u>(11,311)</u>	<u>(17,235)</u>
0100 Fund Balances - Beginning	10,489	99,204	109,693
3000 Fund Balances - Ending	<u>\$ 4,565</u>	<u>\$ 87,893</u>	<u>\$ 92,458</u>

255 ESEA Title II Training & Recruiting	262 Enhancing Education through Technology	265 21st Century Community Learning Centers	266 ARRA of 2009 Title XIV State Fiscal Stabilization	270 ESEA, Title VI Part B, Subpart 2 Rural School
\$ (3,135)	\$ (1,204)	\$ (110,643)	\$ 14,486	\$ (4,979)
11,740	1,204	104,927	14,384	10,845
--	--	6,069	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ 8,605</u>	<u>\$ --</u>	<u>\$ 353</u>	<u>\$ 28,870</u>	<u>\$ 5,866</u>
\$ --	\$ --	\$ --	\$ --	\$ 5,866
2,601	--	(73)	1,430	--
6,004	--	426	27,440	--
--	--	--	--	--
--	--	--	--	--
<u>8,605</u>	<u>--</u>	<u>353</u>	<u>28,870</u>	<u>5,866</u>
--	--	--	--	--
--	--	--	--	--
<u>\$ 8,605</u>	<u>\$ --</u>	<u>\$ 353</u>	<u>\$ 28,870</u>	<u>\$ 5,866</u>

289 Distance Learning & Telemedicine Grant	378 Distance Learning & Technology	399 Campus Deregulation and Restructuring	401 Optional Extended Year Program	404 Student Success Initiative
\$ --	\$ --	\$ (6,913)	\$ (3)	\$ 248
8,112	54,908	6,913	3	697
--	--	--	--	--
--	--	--	--	--
<u>\$ 8,112</u>	<u>\$ 54,908</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 945</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	280
--	--	--	--	665
8,112	--	--	--	--
--	54,908	--	--	--
<u>8,112</u>	<u>54,908</u>	<u>--</u>	<u>--</u>	<u>945</u>
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>\$ 8,112</u>	<u>\$ 54,908</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 945</u>

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

AUGUST 31, 2010

Data Control Codes	411 Technology Allotment	480 Wings II	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ --	\$ 4,565	\$ (199,451)
1240 Due from Other Governments	--	--	347,919
1260 Due from Other Funds	--	--	6,069
1290 Other Receivables	--	--	1,878
1410 Deferred Expenditures	--	--	1,893
1000 Total Assets	\$ --	\$ 4,565	\$ 158,308
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ --	\$ --	\$ 8,905
2150 Payroll Deductions & Withholdings	--	--	6,874
2160 Accrued Wages Payable	--	--	60,891
2170 Due to Other Funds	--	--	8,574
2180 Due to Other Governments	--	--	68,499
2000 Total Liabilities	--	--	153,743
<b>FUND BALANCES:</b>			
Reserved Fund Balances:			
3490 Other Reserves of Fund Balance	--	4,565	4,565
3000 Total Fund Balances	--	4,565	4,565
4000 Total Liabilities and Fund Balances	\$ --	\$ 4,565	\$ 158,308

255 ESEA Title II Training & Recruiting	262 Enhancing Education through Technology	265 21st Century Community Learning Centers	266 ARRA of 2009 Title XIV State Fiscal Stabilization	270 ESEA, Title VI Part B, Subpart 2 Rural School
\$ --	\$ --	\$ --	\$ --	\$ --
74,852	2,894	439,136	430,533	28,642
<u>74,852</u>	<u>2,894</u>	<u>439,136</u>	<u>430,533</u>	<u>28,642</u>
74,402	--	290,406	430,533	--
450	2,894	2,372	--	28,642
--	--	146,358	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>74,852</u>	<u>2,894</u>	<u>439,136</u>	<u>430,533</u>	<u>28,642</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

289 Distance Learning & Telemedicine Grant	378 Distance Learning & Technology	399 Campus Deregulation and Restructuring	401 Optional Extended Year Program	404 Student Success Initiative
\$ --	\$ --	\$ 9,023	\$ 3,278	\$ 6,969
8,112	129,879	--	--	--
<u>8,112</u>	<u>129,879</u>	<u>9,023</u>	<u>3,278</u>	<u>6,969</u>
8,112	--	7,981	3,278	6,969
--	--	1,042	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	132,633	--	--	--
<u>8,112</u>	<u>132,633</u>	<u>9,023</u>	<u>3,278</u>	<u>6,969</u>
--	(2,754)	--	--	--
--	<u>(2,754)</u>	--	--	--
--	2,754	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>



**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, 2010**

Data Control Codes	411 Technology Allotment	480 Wings II	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
<b>REVENUES:</b>			
5800 State Program Revenues	\$ 31,384	\$ --	\$ 50,654
5900 Federal Program Revenues	--	--	1,916,240
5020 Total Revenues	<u>31,384</u>	<u>--</u>	<u>1,966,894</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	32,295	2,259	1,451,818
0013 Curriculum and Staff Development	--	--	193,601
0021 Instructional Leadership	--	--	164,953
0031 Guidance, Counseling, & Evaluation Services	--	--	17,124
0035 Food Service	--	--	10,575
0051 Plant Maintenance and Operations	--	--	2,114
0093 Payments to Shared Service Arrangements	--	--	132,633
6030 Total Expenditures	<u>32,295</u>	<u>2,259</u>	<u>1,972,818</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(911)	(2,259)	(5,924)
1200 Net Change in Fund Balances	<u>(911)</u>	<u>(2,259)</u>	<u>(5,924)</u>
0100 Fund Balances - Beginning	911	6,824	10,489
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 4,565</u>	<u>\$ 4,565</u>

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**ENTERPRISE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**EXHIBIT H-5**

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	<b>OPERATING REVENUES:</b>			
5700	Local and Intermediate Sources	\$ 152,512	\$ 151,207	\$ (1,305)
5800	State Program Revenues	4,100	4,060	(40)
5020	Total Revenues	156,612	155,267	(1,345)
	<b>OPERATING EXPENSES:</b>			
6100	Payroll Costs	285,126	274,178	10,948
6200	Professional and Contracted Services	10,953	8,065	2,888
6300	Supplies and Materials	227,500	278,994	(51,494)
6400	Other Operating Costs	4,750	7,422	(2,672)
6030	Total Expenses	528,329	568,659	(40,330)
	Operating Income (Loss)	(371,717)	(413,392)	(41,675)
	<b>NON-OPERATING REVENUES (EXPENSES):</b>			
7952	National School Breakfast Program	80,000	75,399	(4,601)
7953	National School Lunch Program	295,300	297,702	2,402
7954	USDA Donated Commodities	--	31,903	31,903
8030	Total Non-operating Revenues (Expenses)	375,300	405,004	29,704
1300	Change in Net Assets	3,583	(8,388)	(11,971)
0100	Total Net Assets - Beginning	29,694	29,694	--
3300	Total Net Assets - Ending	\$ 33,277	\$ 21,306	\$ (11,971)

Description of the Transaction	Amount		Amount
	Debit	Credit	
1. Increase in cash	100,000		100,000
2. Decrease in cash		100,000	100,000
3. Increase in cash	100,000		100,000
4. Decrease in cash		100,000	100,000
5. Increase in cash	100,000		100,000
6. Decrease in cash		100,000	100,000
7. Increase in cash	100,000		100,000
8. Decrease in cash		100,000	100,000
9. Increase in cash	100,000		100,000
10. Decrease in cash		100,000	100,000

### 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.

10 Beginning Balance 9/1/09	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/10
\$ 177,645	\$ —	\$ 12,914	\$ 1,270	\$ 503	\$ 183,964
25,855	—	3,553	304	(2,297)	19,702
23,061	—	4,004	294	(2,256)	16,507
25,139	—	5,244	386	(2,098)	17,412
28,394	—	3,757	276	(2,146)	22,215
38,209	—	7,160	525	(1,889)	28,635
59,608	—	12,578	1,196	(988)	44,845
79,379	—	19,570	2,057	(664)	57,087
168,597	—	70,315	7,353	(2,801)	88,128
—	2,723,996	2,313,146	241,837	(3)	169,010
<u>\$ 625,887</u>	<u>\$ 2,723,996</u>	<u>\$ 2,452,239</u>	<u>\$ 255,499</u>	<u>\$ (14,639)</u>	<u>\$ 627,506</u>
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2011-2012 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2010

### FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 310,007	\$ 202,746	\$ -	\$ -	\$ 512,753
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	-	-	8,426	-	-	-	8,426
6212	Audit Services	-	-	-	14,425	-	-	14,425
6213	Tax Appraisal and Collection	-	21,924	-	-	-	-	21,924
621X	Other Prof. Services	-	-	-	34,139	-	-	34,139
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	4,500	-	-	-	-	-	4,500
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	3,546	4,413	-	-	7,959
6290	Miscellaneous Contr.	-	-	-	408	-	-	408
6310	Operational Supplies, Materials	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	592	-	-	-	592
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	-	-	10,381	9,484	-	-	19,865
6410	Travel, Subsistence, Stipends	1,060	-	4,567	418	-	-	6,045
6420	Ins. and Bonding Costs	5,686	-	-	1,922	-	-	7,608
6430	Election Costs	4,148	-	-	-	-	-	4,148
6490	Miscellaneous Operating	13,100	-	13,510	12,857	-	-	39,467
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-

Total	\$ 28,494	\$ 21,924	\$ 351,029	\$ 280,812	\$ -	\$ -	\$ 682,259
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Total Expenditures for General and Special Revenue Funds	(9)	\$ 12,624,010
--	-----	---------------

#### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 384,436
Total Debt & Lease (6500)	(11)	\$ 121,163
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,751,427
Food (Function 35, 6341 and 6499)	(13)	\$ 5,525
Stipends (6413)	(14)	\$ -
Column 4 (above) - Total Indirect Cost		\$ 280,812

Subtotal	2,543,363
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Net Allowed Direct Cost	\$ 10,080,647
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#### CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 14,625,714
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)	1,912,459
Historical Cost of Furniture & Equipment over 16 years old	(19)	471,300
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) Note A - \$12,321 in Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)**  
**GENERAL FUND**  
**AS OF AUGUST 31, 2010**

**EXHIBIT J-3**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2010 (Exhibit C-1 object 3000 for the General Fund only)	\$ 831,430
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	--
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	--
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
5	Estimate of one month's average cash disbursements during the regular school session (9/1/10 - 5/31/11)	718,200
6	Estimate of delayed payments from state sources (58XX) including August payment delays	--
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	48,972
8	Estimate of delayed payments from federal sources (59XX)	--
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	767,172
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ 64,258

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive Undesignated Unreserved General Fund Fund Balance:

The fund balance will be needed to cover cash flow deficits in the summer and the start of school.

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2010

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 257,600	\$ 259,109	\$ 1,509
5800 <i>State Program Revenues</i>	173,352	173,352	--
5020 <b>Total Revenues</b>	<u>430,952</u>	<u>432,461</u>	<u>1,509</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	200,000	200,000	--
0072 <i>Interest on Long-Term Debt</i>	242,403	242,402	1
0073 <i>Bond Issuance Costs and Fees</i>	1,398	1,370	28
<b>Total Debt Service</b>	<u>443,800</u>	<u>443,772</u>	<u>28</u>
6030 <b>Total Expenditures</b>	<u>443,800</u>	<u>443,772</u>	<u>28</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	(12,848)	(11,311)	1,537
1200 <b>Net Change in Fund Balance</b>	<u>(12,848)</u>	<u>(11,311)</u>	<u>1,537</u>
0100 <b>Fund Balance - Beginning</b>	99,204	99,204	--
3000 <b>Fund Balance - Ending</b>	<u>\$ 86,356</u>	<u>\$ 87,893</u>	<u>\$ 1,537</u>

# 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  
Ryan Johnston  
Erika Post  
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, 2010, which collectively comprise the Odem-Edroy Independent School District's basic financial statements and have issued our report thereon dated January 5, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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 defined above.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2010-1.

We noted certain matters that we reported to management of Odem-Edroy Independent School District in a separate letter dated January 5, 2011.

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 "David L. Strealy", followed by a stylized flourish or initials.

Gowland, Strealy, Morales & Co., PLLC

January 5, 2011

# 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  
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Ryan Johnston  
Erika Post  
Dudley Gowland CPA

## Independent Auditor's Report

Report on Compliance with Requirements Applicable  
To 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 the compliance of Odem-Edroy Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2010. 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.

As described in item 2010-2 in the accompanying schedule of findings and questioned costs, Odem-Edroy Independent School District did not comply with requirements regarding OMB A-87, Cost Principles that are applicable to its ESEA Title I Cluster. Compliance with such requirements is necessary, in our opinion, for Odem-Edroy Independent School District to comply with the requirements applicable to that program.

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

In our opinion, except for the noncompliance described in the preceding paragraph, Odem-Edroy Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2010.

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 in order to determine our 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.

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

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

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,

A handwritten signature in black ink, appearing to read "Gowland, Strealy, Morales & Co.", is written over a horizontal line.

Gowland, Strealy, Morales & Co., PLLC

January 5, 2011

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**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?        Yes   X   None Reported

Noncompliance material to financial statements noted?   X   Yes        No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
Title I Cluster:	
84.010	ESEA Title I - Part A
84.389	ESEA Title I - Part A, SSA
84.287	Title IV Prt B 21st Century
84.394	ARRA Title XIV Fiscal Stabilization

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, 2010**

**B. Financial Statement Findings**

2010-1

**Purchasing and Encumbrances**

Condition: The budget was over spent in several function areas as noted in the notes to the financial statements. During our testing of expenses we noted invoices that were dated prior to the purchase order date. This indicates purchases are being made without the required prior approval and the recording of timely encumbrances.

Criteria: Encumbrances represent commitments related to contracts not yet performed (executory contracts), and are used to control expenditures for the year and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance.

Effect: Budgets were over spent at the function level.

Recommendation: We suggest the District emphasize to all personnel the importance of complying with Policy concerning purchasing. Purchases should not be made without the prior approval and recording of an encumbrance.

**C. Federal Award Findings and Questioned Costs**

2010-2

**84.010 ESEA Title I - Part A**

Condition: Fourteen employees were selected from the January, 2010 Title I payroll. We examined the employees time and effort for compliance with OMB A-87, Cost Principles. We determined Time and Effort reports were completed for the Fall and Spring Semesters until November, 2010.

Criteria: OMB A-87 requires employees working in Federal Programs to comply with Time and Effort Standards. Employees working 100% in the program must prepare semi-annual certification and employees split-funded must prepare monthly time sheets which reflect the work completed.

Effect: Time and Effort standards were not implemented until after the year ended August 31, 2010.

Cause: The lack of compliance training early in the year and the lack of written policies and procedures resulted in non-compliance with payroll time and effort.

Recommendation: Compliance training along with written policies and procedures should be implemented to to ensure compliance with time and effort documentation for Federal Program employees.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
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None Required - N/A

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

2010-1

**Purchasing and Encumbrances**

Corrective Action: The District has already held a meeting of all administrator, supervisors and directors to emphasize the importance of following district written procedures in the purchase of all goods and services and that prior approval and recording of encumbrances must occur before the purchase is made. The administrator, supervisors and directors were directed to disseminate this information to all employees. There have already been some sanctions against three employees for failure to follow procedures.

2010-2

84.010 ESEA Title 1 - Part A

84.287 Title IV Part B 21st Century

Corrective Action: The proper procedure was implemented but after- the- fact. District personnel now have the correct forms for recording Time and Effort as required for individuals working full or part-time in Federal Programs. The Business Manager and the Federal Programs Director will monitor the documentation process to assure that proper procedures are being followed.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2010**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through State Department of Education:			
Medicaid *	93.778	205-905	\$ 8,684
Total U. S. Department of Health and Human Services			<u>8,684</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Direct Programs:			
Distance Learning and Telemedicine Grant Program	10.855	TX 715-C16	8,112
Distance Learning & Technology	10.855	TX 715-C16	132,633
Total Direct Programs			<u>140,745</u>
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	10610101205905	286,307
ESEA Title I Part A - Improving Basic Programs *	84.010a	11610101205905	22,348
Total CFDA Number 84.010a			<u>308,655</u>
IDEA-B Formula *	84.027	106600012059066601	106,166
Career and Technical - Basic Grant	84.048	10420006178950	2,875
Title IV Part B21st Century Community Learning Centers	84.287	10695013770035	425,022
Title IV Part B21st Century Community Learning Centers	84.287	11695013770035	14,114
Total CFDA Number 84.287			<u>439,136</u>
Title II Part D Enhancing Education Through Technology *	84.318x	10630001205905	2,894
GEAR UP	84.334s	10511001711007	127,580
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	10696001205905	28,642
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	10694501205905	74,852
ARRA - Title II Part D Subpart 1-Enhancing Education Through Tech	84.386	10553001205905	111,949
ARRA - ESEA, Title I, Part A - Improving Basic Programs *	84.389	10551001205905	63,317
ARRA - IDEA-Part B Formula *	84.391	10554001205906	79,923
ARRA of 2009 Title XIV State Fiscal Stabilization Fund *	84.394	10557001205905	430,533
Total Passed Through State Department of Education			<u>1,776,523</u>
Total U. S. Department of Education			<u>1,917,268</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	714009	75,399
National School Lunch Program *	10.555	713010	297,702
National School Lunch Program (Non-cash) *	10.555	205-905	31,903
Total CFDA Number 10.555			<u>329,605</u>
Summer Food Service Program *	10.559	205-905	12,689
Total Passed Through State Department of Education			<u>417,693</u>
Total U. S. Department of Agriculture			\$ <u>417,693</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 2,343,645</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, 2010**

1. 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	\$	2,343,645
Add Federal Revenue not Included:		
E-Rate		19,941
School Health & Related Services (SHARS)		260,931
Less:		
Expenditures exceeded revenue in fund 438		(2,754)
National School Breakfast and Lunch Program in Enterprise Fund		(405,004)
TOTAL FEDERAL PROGRAM REVENUES EXHIBIT C-2		<u>2,216,759</u>

2. Subrecipients

Of the federal expenditures presented in the schedule, Odem-Edroy Independent School District provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Distance Learning and Technology	10.855	\$ 132,633

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2010*

<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?	\$ 435,424