

**ODEM-EDROY
INDEPENDENT
SCHOOL DISTRICT**

*Annual Financial Report
For the Year Ended August 31, 2015*

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, 2015

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Introductory Section

CERTIFICATE OF BOARD

Odem-Edroy Independent School District
Name of School District

Nueces
County

205-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2015, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

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, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Strealy CPA

David Morales CPA

Jerry D. Spence CPA

Professional Associates & Senior Advisor:

Betty Morales, CPA

Amy Twardowski, CPA

Erika M. Post

Greg Morales

Daniel Ibarra

Dudley Gowland, CPA (1917-2015)

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Odem-Edroy Independent School District ("the District") as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

5934 S. Staples, Suite 201 Corpus Christi, Texas 78413

Phone: (361) 993-1000 Fax: (361) 991-2880 www.gowland-cpa.com

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District as of August 31, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2015, Odem-Edroy Independent School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

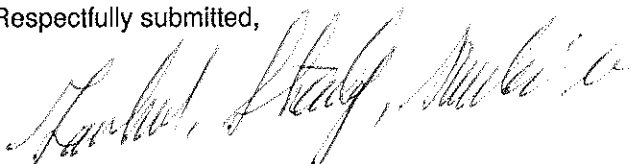
The combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Odem-Edroy Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Gowland, Strealy, Morales & Co.", is written over the typed name.

Gowland, Strealy, Morales & Co., PLLC

Corpus Christi, Texas
January 12, 2016

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, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined Net Position were \$2,881,312 at August 31, 2015 of which the unrestricted portion is a negative \$(1,886,472) of this \$1,240,236 was due to the booking of GASB 68 liability which became effective for financial statements for fiscal year ending August 31, 2015.
- The general fund reported a fund balance this year of \$1,446,171 an increase of \$616,044. This increase in fund balance was due to the passing of a T.R.E. (tax ratification election) in November 2013.
- During 2014-2015, the District's General Fund increased its fund balance by \$616,044. The District's final approved budget was a decrease to fund balance of \$20,000 which is a prior year donation which closed to fund balance instead of rolling over to the current year.
- The District issued 2015 Unlimited Tax School Building Bonds, Series 2015 for 23,080,000.

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

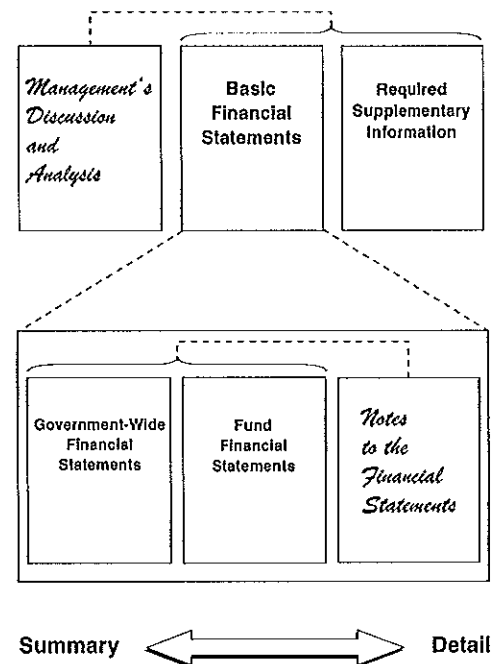


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of 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 Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	* Statement of net position	* Balance sheet	* Statement of net position	* Statement of fiduciary net position
	* Statement of activities	* Statement of revenues, expenditures & changes in fund balances	* Statement of revenues, expenses and changes in fund net assets	* Statement of changes in fiduciary net assets
			* Statement of cash flows	
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 Position and how they have changed. Net Position—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 Position 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 Position and a statement of changes in fiduciary Net Position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined Net Position was approximately \$2,881,312 at August 31, 2015. (See Table A-1).

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

	Governmental Activities		Total Change
	2015	2014	2015-2014
Current assets:			
Cash and cash equivalents	\$ 25,443,548	\$ 950,346	\$ 24,493,202
Investments	600,000		600,000
Other Current Assets	869,960	947,721	(77,761)
Total current assets:	<u>26,913,508</u>	<u>1,898,067</u>	<u>25,015,441</u>
Noncurrent assets:			
Land	145,973	145,973	-
Bldg, Furniture and equipment	7,625,164	7,902,507	(277,343)
Total noncurrent assets	<u>7,771,137</u>	<u>8,048,480</u>	<u>(277,343)</u>
Total Assets	<u>34,684,645</u>	<u>9,946,547</u>	<u>24,738,098</u>
Deferred Outflows of Resources	<u>286,730</u>	<u>0</u>	<u>286,730</u>
Current liabilities:			
Accounts payable and accrued liabilities	530,738	526,288	4,450
Deferred revenue	-	130,699	(130,699)
Total current liabilities	<u>530,738</u>	<u>656,987</u>	<u>(126,249)</u>
Noncurrent Liabilities:			
Due within one year	484,766	373,369	111,397
Due in more than one year	29,454,931	5,111,151	24,343,780
Net Pension Liability	1,240,236	0	1,240,236
Total Liabilities	<u>31,710,671</u>	<u>6,141,507</u>	<u>25,569,164</u>
Deferred Inflows Related to Pensions	<u>379,392</u>	<u>0</u>	<u>379,392</u>
Net Assets:			
Invested in capital assets	4,607,048	3,090,348	1,516,700
Restricted Net Assets	160,736	151,739	8,997
Unrestricted	(1,886,472)	559,953	(2,446,425)
Total Net Assets	<u>\$ 2,881,312</u>	<u>\$ 3,802,040</u>	<u>\$ (920,728)</u>

Changes in Net Position. The District's total revenues were \$12,153,806. A significant portion, 34 percent, of the District's revenue comes from taxes. 45 percent comes from State Aid – formula grants. The remainder comes from state and federal programs, investment earnings, charges for services, and miscellaneous other services.

The total cost of all programs and services was \$11,849,704.

Governmental Activities

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

	Governmental Activities		Total Change 2015-2014
	2015	2014	
Program Revenues:			
Charges for Services	\$ 162,284	\$ 222,883	\$ (60,599)
Operating Grants and Contributions	2,212,568	2,053,697	158,871
General Revenues			
Property Taxes	4,172,213	3,760,585	
State Aid-Formula	5,427,523	5,946,521	(518,998)
Investment Earnings	2,432	1,242	1,190
Other	176,786	61,663	115,123
Total Revenues	<u>12,153,806</u>	<u>12,046,591</u>	<u>107,215</u>
Instruction	5,169,899	5,352,013	(182,114)
Instructional Resources and Media Services	145,951	133,847	12,104
Curriculum Dev. And Instructional Staff Dev.	568,442	387,111	181,331
Instructional Leadership	198,175	271,986	(73,811)
School Leadership	690,609	599,254	91,355
Guidance, Counseling and Evaluation Services	322,355	303,816	18,539
Health Services	86,950	119,894	(32,944)
Student (Pupil) Transportation	273,473	334,947	(61,474)
Food Services	590,676	568,136	22,540
Curricular/Extracurricular Activities	768,365	627,284	141,081
General Administration	615,680	591,551	24,129
Plant Maintenance & Oper.	1,609,621	1,596,238	13,383
Security and Monitoring Services	30,652	29,888	764
Data Processing Services	183,142	147,747	35,395
Interest on Long-term Debt	222,543	234,557	(12,014)
Bond Fees	300,870	1,697	299,173
Other Intergovernmental Charges	72,301	68,266	4,035
Total Expenses	<u>\$ 11,849,704</u>	<u>\$ 11,368,232</u>	<u>\$ 481,472</u>
Special Items	156,849	164,257	(7,408)
Change in Net Position	460,951	842,616	(381,665)
Net Position Beginning	3,805,040	2,962,424	842,616
Prior Period Adjustment	(1,384,679)	0	(1,384,679)
Net Position-Beginning, as Restated	<u>2,420,361</u>	<u>2,962,424</u>	<u>(542,063)</u>
Net Assets Ending	<u>\$ 2,881,312</u>	<u>\$ 3,805,040</u>	<u>\$ (923,728)</u>

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

- The cost of all *governmental* activities this year was \$11,849,704.
- However, the amount that our taxpayers paid for these activities through property taxes was \$4,172,213.
- Some of the cost was paid by those who directly benefited from the programs \$162,284, or
- By grants and contributions \$2,212,568

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

	Total Cost of Services			Net Cost of Services		
	2015	2014	% Change	2015	2014	% Change
Instruction	\$ 5,169,899	\$ 5,352,013	-3.52%	\$ 4,293,970	\$ 4,189,851	-2.93%
School Leadership	690,609	599,254	13.23%	643,417	566,327	11.98%
General Administration	615,680	591,551	3.92%	573,739	559,047	2.56%
Plant Maintenance & Operations	1,609,621	1,596,238	0.83%	1,500,198	1,508,529	-0.56%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$12,141,884, an increase of 1.1% over the preceding year \$12,008,429. This increase in revenue was due to the passing of a T.R.E. (tax ratification election) in 2013.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget to account for increased revenue received. However, the actual revenue received was \$324,819 or 3.30% more than the final estimated revenue. The increase in revenue was due to the passing of the TRE (tax ratification election in 2013). The actual final expenditures were less than the appropriations by \$123,763. The district needed to intentionally increase the fund balance and be prepared for potential district emergency needs such as HVAC systems and roofs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, the District had invested a net of \$7,771,137 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net decrease (including additions and deductions) of \$277,343.

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

	Government Activities		Additions	Deletions	Total 2015
	2014				
Land	\$ 145,973	\$	\$	\$	145,973
Buildings and improvements	14,813,657		57,888		14,871,545
Equipment & Vehicles	3,043,103		47,051		3,090,154
Totals at historical cost	18,002,733		104,939	0	18,107,672
Total accumulated depreciation	9,954,253		382,282		10,336,535
Net capital assets	\$ 8,048,480	\$	(277,343)	\$ 0	\$ 7,771,137

The District's expenditures for capital projects in fiscal year 2015 consisted of road improvements and a new phone system. 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 \$27,484,997 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	
	2015	2014
Bonds Payable	\$ 27,484,997	\$ 4,659,998
Accretion Payable	551,603	526,388
Bond Premium	1,723,331	
Capital Lease Payable	59,766	118,134
Maintenance Notes	120,000	180,000
	<u>\$ 29,939,697</u>	<u>\$ 5,484,520</u>

Net Pension Liability

The District implemented GASB Statement No. 68 during the year ended August 31, 2015. A prior period adjustment of \$1,384,679 was required to record the beginning balance of the pension liability for the year ended August 31, 2014. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental non-employer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's general fund balance increased \$616,044 in 2015 to \$1,446,171. The increase was due mainly to the passing of a TRE (tax ratification election) in November 2013 and an increase in tax collections.
- The District's refined average daily attendance has declined over the past 5 years.
- Additional revenue from a Chapter 313 agreement is expected to be \$250,000 in lieu of taxes.
- State program revenue is expected to remain the same for 2015-2016 due to a tax rate increase approved by voters in November 2013.
- General operating expenditures are expected to increase slightly to \$9,730,761.

Estimated revenue available for appropriation in the general fund budget for 2015-2016 is \$9,842,249, an increase of 1%.

Expenditures are budgeted to decrease to \$9,730,761 for 2015-2016.

If these estimates are realized, the District's budgetary general fund balance should be increased approximately \$111,488 at close of 2015-2016.

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 POSITION**

AUGUST 31, 2015

Data Control Codes		1	Governmental Activities
ASSETS:			
1110	Cash and Cash Equivalents	\$	25,443,548
1120	Current Investments		600,000
1225	Property Taxes Receivable (Net)		225,447
1240	Due from Other Governments		512,039
1300	Inventories		15,770
1410	Unrealized Expenses		116,704
Capital Assets:			
1510	Land		145,973
1520	Buildings and Improvements, Net		7,159,828
1530	Furniture and Equipment, Net		465,336
1000	Total Assets		<u>34,684,645</u>
DEFERRED OUTFLOWS OF RESOURCES:			
1700	Total Deferred Outflows of Resources		<u>286,730</u>
LIABILITIES:			
2110	Accounts Payable		110,964
2165	Accrued Liabilities		419,774
Noncurrent Liabilities:			
2501	Due Within One Year		484,766
2502	Due in More Than One Year		29,454,931
2540	Net Pension Liability		1,240,236
2000	Total Liabilities		<u>31,710,671</u>
DEFERRED INFLOWS OF RESOURCES:			
2605	Deferred Inflow Related to Pensions		379,392
2600	Total Deferred Inflows of Resources		<u>379,392</u>
NET POSITION:			
3200	Net Investment in Capital Assets		4,607,048
Restricted For:			
3820	Federal and State Programs		14,146
3850	Debt Service		126,077
3870	Campus Activities		20,513
3900	Unrestricted		(1,886,472)
3000	Total Net Position	\$	<u>2,881,312</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
11	Governmental Activities:				
12	Instruction	\$ 5,169,899	\$ 28,162	\$ 847,767	\$ (4,293,970)
13	Instructional Resources and Media Services	145,951	872	9,086	(135,993)
21	Curriculum and Staff Development	568,442	798	436,519	(131,125)
23	Instructional Leadership	198,175	513	118,086	(79,576)
31	School Leadership	690,609	4,147	43,045	(643,417)
33	Guidance, Counseling, & Evaluation Services	322,355	1,379	106,644	(214,332)
34	Health Services	86,950	524	5,440	(80,986)
35	Student Transportation	273,473	1,350	14,013	(258,110)
36	Food Service	590,676	105,358	432,635	(52,683)
41	Cocurricular/Extracurricular Activities	768,365	4,597	47,716	(716,052)
51	General Administration	615,680	3,686	38,255	(573,739)
52	Facilities Maintenance and Operations	1,609,621	9,616	99,807	(1,500,198)
53	Security and Monitoring Services	30,652	188	1,951	(28,513)
72	Data Processing Services	183,142	1,094	11,352	(170,696)
73	Interest on Long-term Debt	222,543	--	252	(222,291)
79	Bond Issuance Costs and Fees	300,870	--	--	(300,870)
99	Other Intergovernmental Charges	72,301	--	--	(72,301)
TG	Total Governmental Activities	<u>11,849,704</u>	<u>162,284</u>	<u>2,212,568</u>	<u>(9,474,852)</u>
TP	Total Primary Government	<u>\$ 11,849,704</u>	<u>\$ 162,284</u>	<u>\$ 2,212,568</u>	<u>(9,474,852)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purposes				3,710,408
DT	Property Taxes, Levied for Debt Service				461,805
IE	Investment Earnings				2,432
GC	Grants and Contributions Not Restricted to Specific Programs				5,427,523
MI	Miscellaneous				176,786
Special and Extraordinary Items:					
S1	Special Item Inflow				156,849
TR	Total General Revenues				<u>9,935,803</u>
CN	Change in Net Position				460,951
NB	Net Position - Beginning				3,805,040
PA	Prior Period Adjustment				(1,384,679)
	Net Position - Beginning, as Restated				2,420,361
NE	Net Position - Ending				<u>\$ 2,881,312</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2015

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 883,070	\$ 24,500,674	\$ 50,507	\$ 25,434,251
1120 Current Investments	600,000	--	--	600,000
1225 Taxes Receivable, Net	203,342	--	22,105	225,447
1240 Due from Other Governments	288,904	--	223,135	512,039
1260 Due from Other Funds	115,217	--	12,740	127,957
1300 Inventories	--	--	15,770	15,770
1410 Unrealized Expenditures	116,704	--	--	116,704
1000 Total Assets	<u>2,207,237</u>	<u>24,500,674</u>	<u>324,257</u>	<u>27,032,168</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ 68,981	\$ --	\$ 12,602	\$ 81,583
2150 Payroll Deductions & Withholdings	9,005	--	1,013	10,018
2160 Accrued Wages Payable	390,968	--	18,788	409,756
2170 Due to Other Funds	88,770	--	99,187	187,957
2000 Total Liabilities	<u>557,724</u>	<u>--</u>	<u>131,590</u>	<u>689,314</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Revenue	203,342	--	22,105	225,447
2600 Total Deferred Inflows of Resources	<u>203,342</u>	<u>--</u>	<u>22,105</u>	<u>225,447</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410 Inventories	--	--	15,770	15,770
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	(1,624)	(1,624)
3480 Retirement of Long-Term Debt	--	--	126,077	126,077
3490 Other Restrictions of Fund Balance	--	24,500,674	9,826	24,510,500
Committed Fund Balances:				
3530 Capital Expenditures for Equipment	100,000	--	--	100,000
3600 Unassigned	1,346,171	--	--	1,346,171
3000 Total Fund Balances	<u>1,446,171</u>	<u>24,500,674</u>	<u>170,562</u>	<u>26,117,407</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 2,207,237</u>	<u>\$ 24,500,674</u>	<u>\$ 324,257</u>	<u>\$ 27,032,168</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 POSITION
AUGUST 31, 2015

Total fund balances - governmental funds balance sheet	\$ 26,117,407
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	7,771,138
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	225,447
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	39,915
Payables for bond principal which are not due in the current period are not reported in the funds.	(27,484,997)
Payables for capital leases which are not due in the current period are not reported in the funds.	(59,766)
Payables for notes which are not due in the current period are not reported in the funds.	(120,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(2,274,934)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,240,236)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(379,392)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	286,730
Net position of governmental activities - Statement of Net Position	<u>\$ 2,881,312</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS****FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 3,935,095	\$ 674	\$ 566,276	\$ 4,502,045
5800 <i>State Program Revenues</i>	5,810,775	--	506,177	6,316,952
5900 <i>Federal Program Revenues</i>	208,021	--	1,114,866	1,322,887
5020 Total Revenues	<u>9,953,891</u>	<u>674</u>	<u>2,187,319</u>	<u>12,141,884</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	4,504,184	--	555,432	5,059,616
0012 <i>Instructional Resources and Media Services</i>	142,262	--	27	142,289
0013 <i>Curriculum and Staff Development</i>	129,529	--	428,271	557,800
0021 <i>Instructional Leadership</i>	83,489	--	112,763	196,252
0023 <i>School Leadership</i>	674,980	--	--	674,980
0031 <i>Guidance, Counseling, & Evaluation Services</i>	224,106	--	92,329	316,435
0033 <i>Health Services</i>	84,938	--	--	84,938
0034 <i>Student Transportation</i>	220,161	--	--	220,161
0035 <i>Food Service</i>	6,464	--	570,829	577,293
0036 <i>Cocurricular/Extracurricular Activities</i>	748,571	--	--	748,571
0041 <i>General Administration</i>	600,227	--	--	600,227
0051 <i>Facilities Maintenance and Operations</i>	1,669,670	--	--	1,669,670
0052 <i>Security and Monitoring Services</i>	30,501	--	--	30,501
0053 <i>Data Processing Services</i>	178,360	--	--	178,360
0071 <i>Principal on Long-term Debt</i>	118,368	--	255,000	373,368
0072 <i>Interest on Long-term Debt</i>	6,105	--	191,223	197,328
0073 <i>Bond Issuance Costs and Fees</i>	480	280,695	19,695	300,870
0099 <i>Other Intergovernmental Charges</i>	72,301	--	--	72,301
6030 Total Expenditures	<u>9,494,696</u>	<u>280,695</u>	<u>2,225,569</u>	<u>12,000,960</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>459,195</u>	<u>(280,021)</u>	<u>(38,250)</u>	<u>140,924</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	--	23,080,000	--	23,080,000
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	1,700,695	22,636	1,723,331
7949 <i>Other Resources</i>	241,868	--	--	241,868
8949 <i>Other Uses</i>	(85,019)	--	--	(85,019)
7080 Total Other Financing Sources and (Uses)	<u>156,849</u>	<u>24,780,695</u>	<u>22,636</u>	<u>24,960,180</u>
1200 Net Change in Fund Balances	<u>616,044</u>	<u>24,500,674</u>	<u>(15,614)</u>	<u>25,101,104</u>
0100 Fund Balances - Beginning	830,127	--	165,663	995,790
1300 Prior Period Adjustment	--	--	20,513	20,513
Fund Balances - Beginning, as Restated	830,127	--	186,176	1,016,303
3000 Fund Balances - Ending	<u>\$ 1,446,171</u>	<u>\$ 24,500,674</u>	<u>\$ 170,562</u>	<u>\$ 26,117,407</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, 2015*

Net change in fund balances - total governmental funds \$ 25,101,104

Amounts reported for governmental activities in the Statement of Activities
("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	104,939
The depreciation of capital assets used in governmental activities is not reported in the funds.	(382,282)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	11,922
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	255,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	58,368
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	60,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(25,215)
The net revenue (expense) of internal service funds is reported with governmental activities.	8,152
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(23,080,000)
Bond premiums are reported in the funds but not in the SOA.	(1,723,332)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	72,294
Rounding difference	<u>1</u>

Change in net position of governmental activities - Statement of Activities \$ 460,951

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION****INTERNAL SERVICE FUND****AUGUST 31, 2015**

		Nonmajor Internal Service Fund
Data Control Codes		Insurance Fund
ASSETS:		
Current Assets:		
1110	Cash and Cash Equivalents	\$ 9,296
Receivables:		
1260	Due from Other Funds	60,000
	Total Current Assets	69,296
1000	Total Assets	69,296
LIABILITIES:		
Current Liabilities:		
2110	Accounts Payable	\$ 29,381
	Total Current Liabilities	29,381
2000	Total Liabilities	29,381
NET POSITION:		
3900	Unrestricted	39,915
3000	Total Net Position	\$ 39,915

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF REVENUES, EXPENSES, AND CHANGES****IN FUND NET POSITION - INTERNAL SERVICE FUND****FOR THE YEAR ENDED AUGUST 31, 2015**

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 60,028
5020	Total Revenues	<u>60,028</u>
	OPERATING EXPENSES:	
6200	<i>Professional and Contracted Services</i>	31,703
6400	<i>Other Operating Costs</i>	<u>20,173</u>
6030	Total Expenses	<u>51,876</u>
1300	Change in Net Position	8,152
0100	Total Net Position - Beginning	31,763
3300	Total Net Position - Ending	<u>\$ 39,915</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, 2015**

	Internal Service Funds
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ --
<i>Cash Receipts (Payments) for Quasi-external</i>	
<i>Operating Transactions with Other Funds</i>	28
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(51,241)
<i>Other Operating Cash Receipts (Payments)</i>	--
Net Cash Provided (Used) by Operating Activities	<u>(51,213)</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Other Funds</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Contributed Capital</i>	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(51,213)
Cash and Cash Equivalents at Beginning of Year	60,509
Cash and Cash Equivalents at End of Year	<u>\$ 9,296</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 8,152
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	--
<i>Provision for Uncollectible Accounts</i>	--
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Interfund Receivables</i>	(60,000)
<i>Decrease (Increase) in Inventories</i>	--
<i>Increase (Decrease) in Accounts Payable</i>	635
<i>Increase (Decrease) in Payroll Deductions</i>	--
<i>Increase (Decrease) in Interfund Payables</i>	
<i>Increase (Decrease) in Accrued Expenses</i>	--
Total Adjustments	<u>(59,365)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (51,213)</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF FIDUCIARY NET POSITION****FIDUCIARY FUNDS****AUGUST 31, 2015**

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 605,388	\$ 29,635
1000	Total Assets	<u>605,388</u>	<u>29,635</u>
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ --	\$ 29,635
2400	<i>Payable from Restricted Assets</i>	<u>603,358</u>	<u>--</u>
2000	Total Liabilities	<u>603,358</u>	<u>29,635</u>
	NET POSITION:		
3800	<i>Held in Trust</i>	2,030	--
3000	Total Net Position	<u>\$ 2,030</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION****FIDUCIARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2015**

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

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

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 and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position 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.

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.

Capital Projects Fund: This fund is a governmental fund that must be used to account, on a project basis, for projects financed by the proceeds from bond issues, or for capital projects otherwise mandated to be accounted for in this fund.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

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.

Investment Trust Funds: These funds are used to report the external portion of investment pools reported by the sponsoring government.

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 and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They 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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end, with the exception of property taxes, which are fully deferred because the amount collected after year end is considered immaterial. 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.

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.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

b. Property Taxes

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

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 505,418	\$ 54,944	\$ 560,362
Allowance for Uncollectible Accounts	(302,076)	(32,839)	(334,915)
Net Taxes	<u>\$ 203,342</u>	<u>\$ 22,105</u>	<u>\$ 225,447</u>

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

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

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. 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.

g. Compensated Absences

On retirement or death of certain employees, the District pays any accrued sick leave in a lump case payment to such employee or his/her estate. Individuals employed after October 1, 1985 are not eligible to receive the lump sum payments.

h. 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 positions.

i. Use of Estimates

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

j. 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.

k. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

l. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

m. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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:

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Violation

Expenditures exceeded budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>General Fund:</u>			
0023 School Leadership	660,977	674,980	(14,003)
0036 Cocurricular/Extracurricular Activities	681,853	748,571	(66,718)
0041 General Administration	590,441	600,227	(9,786)
0051 Plant Maintenance and Operations	1,632,888	1,669,670	(36,782)
<u>National School Breakfast and Lunch Program</u>			
0035	539,210	570,829	(31,619)
<u>Debt Service Fund</u>			
0071 Principal on Long-Term Debt	245,000	255,000	(10,000)
0073 Bond Issuance Costs and Fees	1,200	19,695	(18,495)
<u>Capital Projects Fund</u>			
0073 Bond Issuance Costs and Fees	--	280,695	(280,695)

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
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, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$732,669 and the bank balance was \$939,281. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investments at August 31, 2015 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Rating</u>
<u>These investments are included with Cash and Cash Equivalents.</u>			
Lone Star Investment	N/A	\$ 25,345,892	AAAm
TexPool	N/A	10	AAAm
Total Investments		<u>\$ 25,345,902</u>	
<u>Investments</u>			
Certificates of Deposit	8-26-2020	600,000	
Total Investments		<u>\$ 600,000</u>	

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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.

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e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

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TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

D. Capital Assets

Capital asset activity for the year ended August 31, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 145,973	\$ --	\$ --	\$ 145,973
Construction in progress	--	--	--	--
Total capital assets not being depreciated	<u>145,973</u>	<u>--</u>	<u>--</u>	<u>145,973</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	14,813,657	57,888	--	14,871,545
Equipment	1,959,234	47,051	--	2,006,285
Vehicles	1,083,869	--	--	1,083,869
Total capital assets being depreciated	<u>17,856,760</u>	<u>104,939</u>	<u>--</u>	<u>17,961,699</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,405,360)	(306,358)	--	(7,711,718)
Equipment	(1,845,366)	(21,643)	--	(1,867,009)
Vehicles	(703,527)	(54,281)	--	(757,808)
Total accumulated depreciation	<u>(9,954,253)</u>	<u>(382,282)</u>	<u>--</u>	<u>(10,336,535)</u>
Total capital assets being depreciated, net	<u>7,902,507</u>	<u>(277,343)</u>	<u>--</u>	<u>7,625,164</u>
Governmental activities capital assets, net	<u>\$ 8,048,480</u>	<u>\$ (277,343)</u>	<u>\$ --</u>	<u>\$ 7,771,137</u>

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Depreciation was charged to functions as follows:

Instruction	\$ 154,992
Instructional Resources and Media Services	4,346
Curriculum and Staff Development	16,925
Instructional Leadership	5,901
School Leadership	20,563
Guidance, Counseling, & Evaluation Services	9,598
Health Services	2,589
Student Transportation	54,281
Food Services	17,587
Extracurricular Activities	22,878
General Administration	18,332
Plant Maintenance and Operations	47,926
Security and Monitoring Services	913
Data Processing Services	5,451
	<u>\$ 382,282</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2015, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	General Fund (Payroll)	\$ 18,883	Short-term loans
General Fund	Other Governmental Funds	96,334	For transfer of federal receipts
Other Governmental Funds	General Fund	12,740	Capital projects expenditures
Internal Service Fund	General Fund	60,000	Specify purpose here
	Total	<u>\$ 187,957</u>	

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

F. Long-Term Obligations

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, 2015, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Unlimited Tax Refunding					
Bonds, Series 2006, 4.0%	\$ 4,249,997	\$ --	\$ 125,000	\$ 4,124,997	\$ 130,000
Unlimited Tax School Building					
Bonds, Series 2015, 4.0%		23,080,000		23,080,000	100,000
Unlimited Tax Refunding					
Bonds, Series 2001, 6.25%	410,000		130,000	280,000	135,000
Total Bonds	4,659,997	23,080,000	255,000	27,484,997	365,000

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Maintenance Tax Notes

Series 2012 .085%	180,000	60,000	120,000	60,000
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Capital Lease

2.4% Capital Lease-buses	118,134	58,368	59,766	59,766
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Bond Premium

	1,723,331	1,723,331
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Capital Appreciation Bonds:

Accretion on 2006

Refunding Bonds	\$ 526,388	\$ 25,215	\$	\$ 551,603
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Total Long-term Liabilities	\$ 5,484,519	\$ 24,828,546	\$ 373,368	\$ 29,939,697	\$ 484,766
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Less Current Portion				484,766	
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Net Long-term Liabilities				\$ 29,454,931	
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* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General Fund
Claims and judgments	Governmental	General Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2015, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 365,000	\$ 1,137,771	\$ 1,502,771
2017	290,647	1,276,728	1,567,375
2018	222,106	1,405,854	1,627,960
2019	282,244	1,406,816	1,689,060
2020	610,000	1,138,860	1,748,860
2021-2025	3,375,000	5,361,815	8,736,815
2026-2030	4,015,000	4,718,215	8,733,215
2031-2035	4,830,000	3,905,375	8,735,375
2036-2040	5,930,000	2,809,500	8,739,500
2041-2045	7,565,000	1,171,750	8,736,750
Totals	\$ 27,484,997	\$ 24,332,684	\$ 51,817,681

<u>Year Ending August 31,</u>	<u>Governmental Activities - Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 60,000	\$ 2,454	\$ 62,454
2017	60,000	1,302	61,302
Totals	\$ 120,000	\$ 3,756	\$ 123,756

<u>Year Ending August 31,</u>	<u>Capital Lease</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	59,766	1,437	61,203
Totals	\$ 59,766	\$ 1,437	\$ 61,203

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2015, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
1999 Series	1,195,000
2001 Series	2,435,000
Total	<u>3,630,000</u>

4. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2015, as follows:

<u>Year Ending August 31:</u>	
2016	\$ 61,230
Total Minimum Rentals	<u>\$ 61,230</u>

The effective interest rate on capital leases is 2.4%.

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 2015, 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 participates in a cost-sharing multiple employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). TRS' defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The TRS pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature, as noted in the plan description in (1.) above.

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution, which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates		
	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2014 Employer Contributions	\$ 117,715	
District's 2014 Member Contributions	\$ 406,510	
NECE 2014 On-Behalf Contributions to District	\$ 324,865	

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the TRS pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
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- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, when employing a retiree of the TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

5. Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 Year Market Value
Discount Rate	8%
Long-term Expected Rate of Return*	8%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.5%

* Includes inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained significant margin for possible future mortality improvements. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous fiscal year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

Asset Class	Target Allocation	Real Return Geometric Basis	Long-term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy & Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point less and 1 percentage point greater than the discount rate that was used (8%) in measuring the 2014 net pension liability.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportionate share of the net pension liability	\$ 2,216,227	\$ 1,240,236	\$ 510,377
Plan net pension liability (in millions from TRS CAFR)	\$ 47,737	\$ 26,717	\$ 10,998

8. Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

At August 31, 2015, the District reported a liability of \$1,240,236 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,240,236
State's proportionate share of the net pension liability associated with the District	<u>3,430,045</u>
Total	<u>\$ 4,670,281</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's measurement date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$317,101 and revenue of \$317,101 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Differences between expected and actual economic experience	\$ 19,181	\$ --
Changes in actuarial assumptions	80,617	--
Difference between projected and actual investment earnings	--	379,067
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	--	325
District contributions paid to TRS subsequent to the measurement date	186,932	
Total	\$ 286,730	\$ 379,392

The net amounts of the District's balances of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	
2016	\$ (77,986)
2017	\$ (77,986)
2018	\$ (77,986)
2019	\$ (77,986)
2020	\$ 16,781
Thereafter	\$ 15,569

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. 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. Funding for free basic coverage is provided by the program based upon public school district payroll. 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. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2015 and 2014, and 0.5% for fiscal year 2013. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2015, 2014 and 2013. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$64,261, \$48,728, and \$43,548, respectively, the active member contributions were \$41,770, \$41,286, and \$33,497, respectively, and the District's contributions were \$35,343, \$21,678, and \$18,067, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

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, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$12,110, \$16,597, and \$18,067, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$350 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

K. Commitments and Contingencies

1. Contingencies

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

L. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Calallen Independent School District

M. Prior Period Adjustment

GASB 68

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The resulting prior period adjustment was a debit of \$1,405,192 the beginning net position.

Campus Activity Funds

During the fiscal year 2015, the District established fund 461, Student Activity Fund. Funds of \$20,513 were moved from the Agency fund to establish the new fund.

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, 2015

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,664,772	\$ 3,673,772	\$ 3,828,684	\$ 154,912
5800	State Program Revenues	5,724,089	5,724,089	5,810,775	86,686
5900	Federal Program Revenues	124,800	124,800	208,021	83,221
5020	Total Revenues	9,513,661	9,522,661	9,847,480	324,819
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,691,690	4,609,754	4,539,766	69,988
0012	Instructional Resources and Media Services	150,125	150,125	142,262	7,863
0013	Curriculum and Staff Development	167,141	168,241	129,529	38,712
	Total Instruction & Instr. Related Services	5,008,956	4,928,120	4,811,557	116,563
Instructional and School Leadership:					
0021	Instructional Leadership	115,917	91,341	83,489	7,852
0023	School Leadership	617,977	660,977	674,980	(14,003)
	Total Instructional & School Leadership	733,894	752,318	758,469	(6,151)
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	216,964	230,464	224,106	6,358
0033	Health Services	92,721	92,721	84,938	7,783
0034	Student (Pupil) Transportation	273,472	276,972	220,161	56,811
0035	Food Services	5,600	6,600	6,464	136
0036	Cocurricular/Extracurricular Activities	597,825	681,853	748,571	(66,718)
	Total Support Services - Student (Pupil)	1,186,582	1,288,610	1,284,240	4,370
Administrative Support Services:					
0041	General Administration	551,971	590,441	600,227	(9,786)
	Total Administrative Support Services	551,971	590,441	600,227	(9,786)
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,525,000	1,632,888	1,669,670	(36,782)
0052	Security and Monitoring Services	34,517	34,517	30,501	4,016
0053	Data Processing Services	173,835	180,835	178,360	2,475
	Total Support Services - Nonstudent Based	1,733,352	1,848,240	1,878,531	(30,291)
Debt Service:					
0071	Principal on Long-Term Debt	126,000	123,525	118,368	5,157
0072	Interest on Long-Term Debt	8,860	9,379	6,105	3,274
0073	Bond Issuance Costs and Fees	209,026	41,106	480	40,626
	Total Debt Service	343,886	174,010	124,953	49,057
0099	Other Intergovernmental Charges	70,000	72,302	72,301	1
	Total Intergovernmental Charges	70,000	72,302	72,301	1
6030	Total Expenditures	9,628,641	9,654,041	9,530,278	123,763
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(114,980)	(131,380)	317,202	448,582
Other Financing Sources (Uses):					
7949	Other Resources	200,000	200,000	241,868	41,868

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
8911	Transfers Out	--	(3,600)	--	3,600
8949	Other Uses	(85,020)	(85,020)	(85,019)	1
7080	Total Other Financing Sources and (Uses)	114,980	111,380	156,849	45,469
1200	Net Change in Fund Balance	--	(20,000)	474,051	494,051
0100	Fund Balance - Beginning	830,127	830,127	830,127	--
3000	Fund Balance - Ending	<u>\$ 830,127</u>	<u>\$ 810,127</u>	<u>\$ 1,304,178</u>	<u>\$ 494,051</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF THE DISTRICT'S PROPORTIONATE**SHARE OF THE NET PENSION LIABILITY**TEACHER RETIREMENT SYSTEM**LAST TEN FISCAL YEARS **

	<u>Fiscal Year</u> <u>2015</u>
District's proportion of the net pension liability (asset)	0.0046431%
District's proportionate share of the net pension liability (asset)	\$ 1,240,236
State's proportionate share of the net pension liability (asset) associated with the District	3,430,045
Total	\$ <u>4,670,281</u>
District's covered-employee payroll	\$ 6,351,725
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	19.53%
Plan fiduciary net position as a percentage of the total pension liability	83.25%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT CONTRIBUTIONS****TEACHER RETIREMENT SYSTEM****LAST TEN FISCAL YEARS ***

	Fiscal Year 2015
Contractually required contribution	\$ 186,932
Contributions in relation to the contractually required contribution	(186,932)
Contribution deficiency (excess)	\$ --
District's covered-employee payroll	\$ 6,426,118
Contributions as a percentage of covered-employee payroll	2.91%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

Note: GASB 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED AUGUST 31, 2015

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

*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, 2015

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ (62,830)	\$ 113,337	\$ 50,507
1225 <i>Taxes Receivable, Net</i>	--	22,105	22,105
1240 <i>Due from Other Governments</i>	223,135	--	223,135
1260 <i>Due from Other Funds</i>	--	12,740	12,740
1300 <i>Inventories</i>	15,770	--	15,770
1000 <i>Total Assets</i>	<u>176,075</u>	<u>148,182</u>	<u>324,257</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 12,602	\$ --	\$ 12,602
2150 <i>Payroll Deductions & Withholdings</i>	1,013	--	1,013
2160 <i>Accrued Wages Payable</i>	18,788	--	18,788
2170 <i>Due to Other Funds</i>	99,187	--	99,187
2000 <i>Total Liabilities</i>	<u>131,590</u>	<u>--</u>	<u>131,590</u>
DEFERRED INFLOWS OF RESOURCES:			
<i>Deferred Revenue</i>	--	22,105	22,105
2600 <i>Total Deferred Inflows of Resources</i>	<u>--</u>	<u>22,105</u>	<u>22,105</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 <i>Inventories</i>	15,770	--	15,770
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	(1,624)	--	(1,624)
3480 <i>Retirement of Long-Term Debt</i>	--	126,077	126,077
3490 <i>Other Restrictions of Fund Balance</i>	9,826	--	9,826
3000 <i>Total Fund Balances</i>	<u>44,485</u>	<u>126,077</u>	<u>170,562</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 176,075</u>	<u>\$ 148,182</u>	<u>\$ 324,257</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 104,219	\$ 462,057	\$ 566,276
5800 <i>State Program Revenues</i>	506,177	--	506,177
5900 <i>Federal Program Revenues</i>	1,114,866	--	1,114,866
5020 <i>Total Revenues</i>	<u>1,725,262</u>	<u>462,057</u>	<u>2,187,319</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	555,432	--	555,432
0012 <i>Instructional Resources and Media Services</i>	27	--	27
0013 <i>Curriculum and Staff Development</i>	428,271	--	428,271
0021 <i>Instructional Leadership</i>	112,763	--	112,763
0031 <i>Guidance, Counseling, & Evaluation Services</i>	92,329	--	92,329
0035 <i>Food Service</i>	570,829	--	570,829
0071 <i>Principal on Long-term Debt</i>	--	255,000	255,000
0072 <i>Interest on Long-term Debt</i>	--	191,223	191,223
0073 <i>Bond Issuance Costs and Fees</i>	--	19,695	19,695
6030 <i>Total Expenditures</i>	<u>1,759,651</u>	<u>465,918</u>	<u>2,225,569</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(34,389)</u>	<u>(3,861)</u>	<u>(38,250)</u>
Other Financing Sources and (Uses):			
7916 <i>Premium or Discount on Issuance of Bonds</i>	--	22,636	22,636
7080 <i>Total Other Financing Sources and (Uses)</i>	--	22,636	22,636
1200 <i>Net Change in Fund Balances</i>	<u>(34,389)</u>	<u>18,775</u>	<u>(15,614)</u>
0100 <i>Fund Balances - Beginning</i>	58,361	107,302	165,663
1300 <i>Prior Period Adjustment</i>	20,513	--	20,513
<i>Fund Balances - Beginning, as Restated</i>	78,874	107,302	186,176
3000 <i>Fund Balances - Ending</i>	<u>\$ 44,485</u>	<u>\$ 126,077</u>	<u>\$ 170,562</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2015

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ (35,654)	\$ (11,748)	\$ --
1240 <i>Due from Other Governments</i>	39,612	15,821	16
1300 <i>Inventories</i>	--	--	--
1000 Total Assets	<u>3,958</u>	<u>4,073</u>	<u>16</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ --	\$ --	\$ --
2150 <i>Payroll Deductions & Withholdings</i>	--	--	--
2160 <i>Accrued Wages Payable</i>	--	--	--
2170 <i>Due to Other Funds</i>	3,958	4,073	16
2000 Total Liabilities	<u>3,958</u>	<u>4,073</u>	<u>16</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 <i>Inventories</i>	--	--	--
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 3,958</u>	<u>\$ 4,073</u>	<u>\$ 16</u>

240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	289 Texas Literacy INIT	410 State Textbook Fund	429 State Funded Special Revenue Fund
\$ 18,466	\$ (4,853)	\$ (76,199)	\$ 13,589	\$ (52,855)
12,862	6,004	78,403	17,435	52,982
15,770	--	--	--	--
<u>47,098</u>	<u>1,151</u>	<u>2,204</u>	<u>31,024</u>	<u>127</u>
\$ 11,462	\$ --	\$ 1,040	\$ --	\$ 100
993	--	20	--	--
17,644	--	1,144	--	--
2,853	1,151	--	31,024	27
<u>32,952</u>	<u>1,151</u>	<u>2,204</u>	<u>31,024</u>	<u>127</u>
15,770	--	--	--	--
(1,624)	--	--	--	--
--	--	--	--	--
<u>14,146</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ <u>47,098</u>	\$ <u>1,151</u>	\$ <u>2,204</u>	\$ <u>31,024</u>	\$ <u>127</u>

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

AUGUST 31, 2015

Data Control Codes	461 Campus Activity Funds	480 Donor Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 76,598	\$ 9,826	\$ (62,830)
1240 <i>Due from Other Governments</i>	--	--	223,135
1300 <i>Inventories</i>	--	--	15,770
1000 <i>Total Assets</i>	<u>76,598</u>	<u>9,826</u>	<u>176,075</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ --	\$ --	\$ 12,602
2150 <i>Payroll Deductions & Withholdings</i>	--	--	1,013
2160 <i>Accrued Wages Payable</i>	--	--	18,788
2170 <i>Due to Other Funds</i>	56,085	--	99,187
2000 <i>Total Liabilities</i>	<u>56,085</u>	<u>--</u>	<u>131,590</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 <i>Inventories</i>	--	--	15,770
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	(1,624)
3490 <i>Other Restrictions of Fund Balance</i>	--	9,826	9,826
3000 <i>Total Fund Balances</i>	<u>20,513</u>	<u>9,826</u>	<u>44,485</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 76,598</u>	<u>\$ 9,826</u>	<u>\$ 176,075</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, 2015

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 105,318
5800	State Program Revenues	--	--	--	3,330
5900	Federal Program Revenues	158,206	162,820	641	428,891
5020	Total Revenues	<u>158,206</u>	<u>162,820</u>	<u>641</u>	<u>537,539</u>
EXPENDITURES:					
Current:					
0011	Instruction	146,021	68,171	641	--
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	12,185	2,320	--	--
0021	Instructional Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	92,329	--	--
0035	Food Service	--	--	--	570,829
6030	Total Expenditures	<u>158,206</u>	<u>162,820</u>	<u>641</u>	<u>570,829</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	(33,290)
1200	Net Change in Fund Balances	--	--	--	(33,290)
0100	Fund Balances - Beginning	--	--	--	47,436
1300	Prior Period Adjustment	--	--	--	--
	Fund Balances - Beginning, as Restated	--	--	--	47,436
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14,146</u>

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	289 Texas Literacy INIT	410 State Textbook Fund	429 State Funded Special Revenue Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	82,018	420,829
8,419	58,212	297,677	--	--
<u>8,419</u>	<u>58,212</u>	<u>297,677</u>	<u>82,018</u>	<u>420,829</u>
8,419	58,212	143,400	82,018	48,550
--	--	--	--	27
--	--	66,482	--	347,284
--	--	87,795	--	24,968
--	--	--	--	--
--	--	--	--	--
<u>8,419</u>	<u>58,212</u>	<u>297,677</u>	<u>82,018</u>	<u>420,829</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<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, 2015

Data Control Codes	461 Campus Activity Funds	480 Donor Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ (1,099)	\$ 104,219
5800 <i>State Program Revenues</i>	--	--	506,177
5900 <i>Federal Program Revenues</i>	--	--	1,114,866
5020 <i>Total Revenues</i>	--	(1,099)	1,725,262
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	--	--	555,432
0012 <i>Instructional Resources and Media Services</i>	--	--	27
0013 <i>Curriculum and Staff Development</i>	--	--	428,271
0021 <i>Instructional Leadership</i>	--	--	112,763
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	92,329
0035 <i>Food Service</i>	--	--	570,829
6030 <i>Total Expenditures</i>	--	--	1,759,651
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	(1,099)	(34,389)
1200 <i>Net Change In Fund Balances</i>	--	(1,099)	(34,389)
0100 <i>Fund Balances - Beginning</i>	--	10,925	58,361
1300 <i>Prior Period Adjustment</i>	20,513	--	20,513
<i>Fund Balances - Beginning, as Restated</i>	20,513	10,925	78,874
3000 <i>Fund Balances - Ending</i>	\$ 20,513	\$ 9,826	\$ 44,485

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ --	\$ 674	\$ 674
5020	Total Revenues	--	674	674
	EXPENDITURES:			
	Debt Service:			
0073	<i>Bond Issuance Costs and Fees</i>	--	280,695	(280,695)
	Total Debt Service	--	280,695	(280,695)
6030	Total Expenditures	--	280,695	(280,695)
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	(280,021)	(280,021)
	Other Financing Sources (Uses):			
7911	<i>Capital-Related Debt Issued (Regular Bonds)</i>	--	23,080,000	23,080,000
7916	<i>Premium or Discount on Issuance of Bonds</i>	--	1,700,695	1,700,695
7080	Total Other Financing Sources and (Uses)	--	24,780,695	24,780,695
1200	Net Change in Fund Balance	--	24,500,674	24,500,674
0100	Fund Balance - Beginning	--	--	--
3000	Fund Balance - Ending	\$ --	\$ 24,500,674	\$ 24,500,674

Other Supplementary Information

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DELINQUENT TAXES RECEIVABLE****FOR THE YEAR ENDED AUGUST 31, 2015**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2006 and Prior Years	\$	Various	\$	Various	\$	Various
2007		1.37		.1303		173,369,260
2008		1.17		.123		199,132,400
2009		1.17		.1224		227,398,836
2010		1.17		.1224		218,806,343
2011		1.1209		.1056		276,490,929
2012		1.17		.1225		248,250,000
2013		1.04		.1267		283,259,110
2014		1.17		.1173		336,993,059
2015 (School Year Under Audit)		1.17		.1283		366,415,540

1000 Totals

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

10 Beginning Balance 9/1/14	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/15
\$ 135,915	\$ --	\$ 2,115	\$ 176	\$ (1,191)	\$ 132,433
20,004	--	3,032	288	(19)	16,664
19,019	--	2,301	242	(16)	16,459
27,791	--	5,201	544	(16)	22,030
36,247	--	4,016	420	(259)	31,552
38,061	--	4,866	458	540	33,276
42,109	--	5,865	614	271	35,901
59,454	--	12,496	1,522	(2,987)	42,449
166,802	--	79,283	7,949	(5,035)	74,536
--	4,807,131	3,511,891	442,165	(698,013)	155,062
<u>\$ 545,402</u>	<u>\$ 4,807,131</u>	<u>\$ 3,631,066</u>	<u>\$ 454,378</u>	<u>\$ (706,727)</u>	<u>\$ 560,362</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 133,614	\$ 105,318	\$ (28,296)
5800	State Program Revenues	3,500	3,330	(170)
5900	Federal Program Revenues	392,000	428,891	36,891
5020	Total Revenues	<u>529,114</u>	<u>537,539</u>	<u>8,425</u>
	EXPENDITURES:			
	Current:			
	Support Services - Student (Pupil):			
0035	Food Services	539,210	570,829	(31,619)
	Total Support Services - Student (Pupil)	<u>539,210</u>	<u>570,829</u>	<u>(31,619)</u>
6030	Total Expenditures	<u>539,210</u>	<u>570,829</u>	<u>(31,619)</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(10,096)	(33,290)	(23,194)
1200	Net Change in Fund Balance	<u>(10,096)</u>	<u>(33,290)</u>	<u>(23,194)</u>
0100	Fund Balance - Beginning	47,436	47,436	--
3000	Fund Balance - Ending	<u>\$ 37,340</u>	<u>\$ 14,146</u>	<u>\$ (23,194)</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
	REVENUES:			
5700	<i>Local and Intermediate Sources</i>	\$ 446,773	\$ 462,057	\$ 15,284
5020	Total Revenues	<u>446,773</u>	<u>462,057</u>	<u>15,284</u>
	EXPENDITURES:			
	Debt Service:			
0071	<i>Principal on Long-Term Debt</i>	245,000	255,000	(10,000)
0072	<i>Interest on Long-Term Debt</i>	201,523	191,223	10,300
0073	<i>Bond Issuance Costs and Fees</i>	1,200	19,695	(18,495)
	Total Debt Service	<u>447,723</u>	<u>465,918</u>	<u>(18,195)</u>
6030	Total Expenditures	<u>447,723</u>	<u>465,918</u>	<u>(18,195)</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>(950)</u>	<u>(3,861)</u>	<u>(2,911)</u>
	Other Financing Sources (Uses):			
7916	<i>Premium or Discount on Issuance of Bonds</i>	--	22,636	22,636
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>22,636</u>	<u>22,636</u>
1200	Net Change in Fund Balance	<u>(950)</u>	<u>18,775</u>	<u>19,725</u>
0100	Fund Balance - Beginning	107,302	107,302	--
3000	Fund Balance - Ending	<u>\$ 106,352</u>	<u>\$ 126,077</u>	<u>\$ 19,725</u>

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Strealy, CPA
David Morales, CPA
Jerry D. Spence, CPA

Professional Associates:

Betty Morales, CPA
Amy Twardowski, CPA
Erika M. Post
Greg Morales
Daniel Ibarra
Dudley Gowland, CPA (1917-2015)

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise Odem-Edroy Independent School District's basic financial statements, and have issued our report thereon dated January 12, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-1 to be a material weakness.

5934 S. Staples Suite 201 Corpus Christi, Texas 78413
361-993-1000 Fax 361-991-2880 www.gowland-cpa.com
Members of the American Institute and Texas Society of Certified Public Accountants

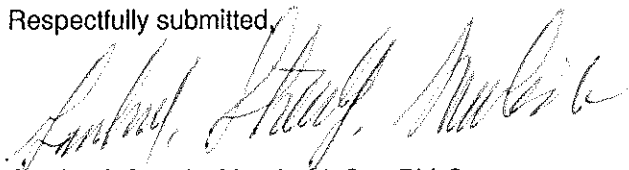
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,



Gowland, Strealy, Morales & Co., PLLC

Corpus Christi, Texas

January 12, 2016

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Strealy CPA

David Morales CPA

Jerry D. Spence CPA

Professional Associates & Senior Advisor:

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Daniel Ibarra

Dudley Gowland, CPA (1917-2015)

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Odem-Edroy Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Odem-Edroy Independent School District's major federal programs for the year ended August 31, 2015. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Odem-Edroy Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Odem-Edroy Independent School District's compliance.

5934 S. Staples, Suite 201 Corpus Christi, Texas 78413
Phone: (361) 993-1000 Fax: (361) 991-2880 www.gowland-cpa.com
Members of the American Institute and Texas Society of Certified Public Accountants

Opinion on Each Major Federal Program

In our opinion, the Odem-Edroy Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2015-1 to be a material weakness.

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

Respectfully submitted,

Gowland, Strealy, Morales & Co., PLLC

Corpus Christi, Texas
January 12, 2016

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes 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? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? X Yes 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: Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
School Lunch/Breakfast Program Cluster:	
10.553	School Breakfast Progra
10.555	National School Lunch Program
10.555	National School Lunch Program (Non-Cash)

84.371C	Texas Literacy Init
---------	---------------------

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, 2015

B. Financial Statement Findings

2015-1

Condition: There was a lack of accounting expertise to provide reliable internal control over the initiating, authorizing, recording and processing financial data. Bank Reconciliations were not properly prepared during the year creating year end adjustments to correct numerous reconciling items outstanding during the year. Accounts Payable and Due to/from accounts were not reconciled during the year creating year end journal entries to correct.

Criteria: Accounts should be completed and reconciled to the general ledger throughout the year.

Cause: The business manager is in her second year in this position and lacks the knowledge of the accounting software when preparing year end and monthly bank reconciliations. The business office has taken on the Human Resources Department, accounting for campus activity funds and the 2015 Bond package in the last two years. This added workload has added to the demands of the business manager. The business manager will continue to work with the accounts payable clerk to improve accuracy.

Effect or Potential Effect: Accurate and timely monthly reconciliations reduce the risk that errors will remain undetected and uncorrected. Without effective accounting controls, general ledger accounts may be inaccurate and incomplete, funds may not be accounted for properly and balances may not be reliable.

Recommendation: The District should establish procedures to ensure reconciliations are completed accurately and timely each month.

C. Federal Award Findings and Questioned Costs

2015-1

See Above

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2014-1</p> <p>Condition: There was a lack of accounting expertise to provide reliable internal control over the initiating, authorizing, recording and processing financial data. Expenditures were recorded in the wrong project years in some funds. Payroll was accrued in the Federal Programs, but not included in the expenditure reports submitted to TEA. Penalty and Interest received for the Interest and Sinking Fund was recorded in the General Fund for the whole year.</p> <p>Recommendation: The District should establish procedures to ensure reconciliations are completed accurately and timely each month. Management should take every opportunity to take training courses and attend TASBO meetings.</p>	<p>The District implemented these procedures, but bank reconciliations, accounts payable and due to/from accounts either were not completed correctly or were not reconciled during the year.</p>	<p>The business manager is attending TASBO meetings and trainings to enhance her knowledge. She will continue this process.</p>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

*CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015*

The Business Manager will continue to attend TASBO meetings and courses to familiarize herself with the accounting procedures.

The District has contracted with the Region II Education Service Center to provide help. The District also has the expertise of retired business manager Preston Ingram to assist with business operations.

The Business Manager and Superintendent will be responsible for the continued implementation of the corrective action.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education:			
Medicaid Administrative Claiming Program *	93.778	205-905	\$ 150,278
Total U. S. Department of Health and Human Services			<u>150,278</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	15610101205905	162,164
IDEA-B Formula *	84.027	156600012059056001	166,893
Career and Technical - Basic Grant	84.048	15420006178950	8,419
IDEA-B Preschool *	84.173	156610012059056001	657
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	15694501205905	59,363
Texas Literacy	84.371C	136460037110021	44,908
Texas Literacy Init	84.371C	14646037110021	203,239
Texas Literacy INIT	84.371C	156460037110021	49,530
Total CFDA Number 84.371C			<u>297,677</u>
Total Passed Through State Department of Education			<u>695,174</u>
Total U. S. Department of Education			<u>695,174</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401501	69,617
National School Lunch Program *	10.555	71301501	320,965
National School Lunch Program (Non-cash) *	10.555	205-905	38,309
Total CFDA Number 10.555			<u>359,274</u>
Total Passed Through State Department of Education			<u>428,891</u>
Total U. S. Department of Agriculture			<u>428,891</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,274,343</u>
* Indicates clustered program under OMB Circular A-133 Compliance Supplement			
TOTAL EXPENDITURES OF FEDERAL AWARDS			1,274,343
School Health & Related Services (SHARS)			21,256
E-Rate			27,288
TOTAL EXHIBIT C-2			<u>1,322,887</u>

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, 2015

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.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2015

Data Control Codes	Responses
SF2 Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4 Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5 Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	Yes
SF6 Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7 Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8 Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10 What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ 551,603
SF11 Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12 Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,240,236
SF13 Pension Expense (object 6147) at fiscal year-end.	\$ 114,638