

**ODEM-EDROY  
INDEPENDENT  
SCHOOL DISTRICT**

*Annual Financial Report  
For the Year Ended August 31, 2013*

**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, 2013

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## *Introductory Section*

CERTIFICATE OF BOARD

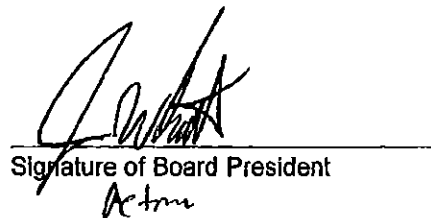
Odem-Edroy Independent School District  
Name of School District

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, 2013, at a meeting of the board of trustees of such school district on the 13<sup>th</sup> day of JANUARY, 2014.

  
Signature of Board Secretary

  
Signature of Board President  
Acting

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:  
Peggy Sidler, CPA  
Betty Morales, CPA  
Wren Malvino  
Erika M. Post  
Greg Morales  
Dudley Gowland, CPA

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

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

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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.

## 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, 2013, 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

As described in Note A to the financial statements, in 2013, Odem-Edroy Independent School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2013, Odem-Edroy Independent School District adopted new accounting guidance, Government Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information 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.

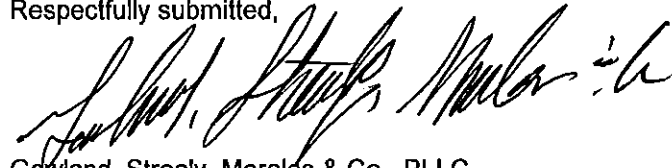


The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 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 black ink, appearing to read "Gowland, Strealy, Morales & Co.", is written over a horizontal line.

Gowland, Strealy, Morales & Co., PLLC

Corpus Christi, Texas  
December 12, 2013

## 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, 2013. 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 \$2,962,423 at August 31, 2013 of which the unrestricted portion was a deficit of \$37,106.
- The general fund reported a fund balance this year of \$237,490 a decrease of \$416,219. This decrease in fund balance was due partly to an underestimation error of approximately \$270,000 in calculating revenue when the budget was prepared. Additionally this error was not discovered until April 2013 which was too late for significant reductions in personnel costs. The remaining decrease in the fund balance was due to the inability to curtail other expenditures for contracted services and repairs to HVAC equipment.
- During 2012-2013, the District's General Fund expenses were \$416,219 more than the \$8,700,171 generated in taxes, investment income and other revenues for governmental activities. The District's final approved budget was a deficit budget of (\$288,952). In addition, the district experienced a 2.8% decrease in enrollment in 2012-2013 over the prior year. This decrease in enrollment resulted in decreased State and Federal Program Revenues.
- The District did not issue any debt during the fiscal year ending August 31, 2013.

### 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

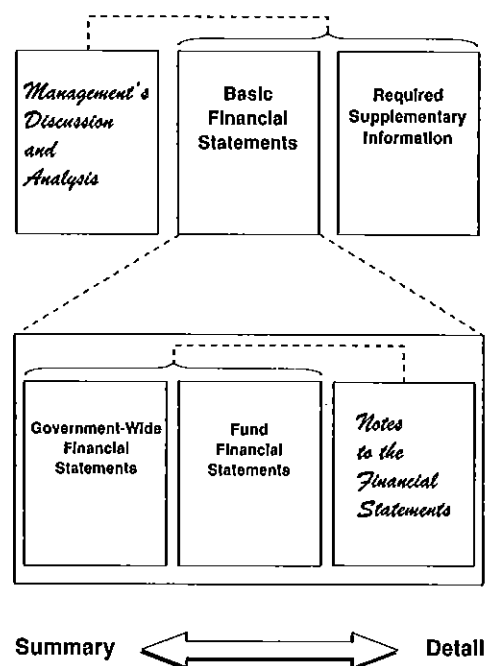


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of 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 assets	* Balance sheet	* Statement of net assets	* Statement of fiduciary net assets
	* Statement of activities	* Statement of revenues, expenditures & changes in fund balances	* Statement of revenues, expenses and changes in fund net assets * Statement of cash flows	* Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

The two government-wide statements report the District's Net 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 \$2,962,423 at August 31, 2013. (See Table A-1).

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

	Governmental Activities		Total Change
	2013	2012	2013-2012
Current assets:			
Cash and cash equivalents	\$ (128,587)	\$ 413,791	\$ (542,378)
Property Taxes Receivable	175,363	186,127	(10,764)
Due from Other Governments	816,425	725,683	90,742
Due from Fiduciary	56,085	56,213	(128)
Other receivables	33,362	85,948	(52,586)
Inventories	17,104	14,184	2,920
Deferred expenses	121,240	116,459	4,781
Total current assets:	<u>1,090,992</u>	<u>1,598,405</u>	<u>(507,413)</u>
Noncurrent assets:			
Land	145,973	145,973	-
Bldg, Furniture and equipment	7,948,160	8,272,524	(324,364)
Total noncurrent assets	<u>8,094,133</u>	<u>8,418,497</u>	<u>(324,364)</u>
Total Assets	<u>9,185,125</u>	<u>10,016,902</u>	<u>(831,777)</u>
Current liabilities:			
Accounts payable and accrued liabilities	455,502	563,366	(107,864)
Deferred revenue	-	4,425	(4,425)
Total current liabilities	<u>455,502</u>	<u>567,791</u>	<u>(112,289)</u>
Noncurrent Liabilities:			
Due within one year	425,000	405,000	20,000
Due in more than one year	5,342,200	5,744,005	(401,805)
Total Liabilities	<u>6,222,702</u>	<u>6,716,796</u>	<u>(494,094)</u>
Net Assets:			
Invested in capital assets	2,829,136	2,748,500	80,636
Restricted for State and Federal Programs	54,829	48,091	6,738
Restricted for Debt Service	115,564	77,484	38,080
Unrestricted	(37,106)	426,031	(463,137)
Total Net Assets	<u>\$ 2,962,423</u>	<u>\$ 3,300,106</u>	<u>\$ (337,683)</u>

**Changes in Net Position.** The District's total revenues were \$11,020,528. A significant portion, 26 percent, of the District's revenue comes from taxes. 50 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 \$11,500,908.

#### Governmental Activities

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

	Governmental Activities		Change
	2013	2012	2013-2012
Program Revenues:			
Charges for Services	\$ 172,476	\$ 203,527	\$ (31,051)
Operating Grants and Contributions	2,421,549	2,527,110	(105,561)
General Revenues			
Property Taxes	2,843,242	3,083,515	(240,273)
State Aid – Formula	5,516,201	5,493,387	22,814
Investment Earnings	3,036	4,317	(1,281)
Other	64,024	78,103	(14,079)
Total Revenues	<u>11,020,528</u>	<u>11,389,959</u>	<u>(369,431)</u>
Instruction	5,412,451	5,543,609	(131,158)
Instructional Resources and Media Services	150,867	160,952	(10,085)
Curriculum Dev. And Instructional Staff Dev.	421,421	298,432	122,989
Instructional Leadership	287,136	237,946	49,190
School Leadership	635,085	612,662	22,423
Guidance, Counseling and Evaluation Services	327,097	333,347	(6,250)
Health Services	119,937	120,237	(300)
Student (Pupil) Transportation	289,540	347,432	(57,892)
Food Services	559,354	564,132	(4,778)
Curricular/ Extracurricular Activities	635,058	625,734	9,324
General Administration	587,118	573,817	13,301
Plant Maintenance & Oper.	1,613,056	1,701,651	(88,595)
Security and Monitoring Services	8,894	9,584	(690)
Data Processing Services	133,978	65,344	68,634
Interest on Long-term Debt	247,907	256,031	(8,124)
Bond Fees	1,693	28,693	(27,000)
Other Intergovernmental Charges	70,316	28,764	41,552
Total Expenses	<u>\$ 11,500,908</u>	<u>\$ 11,508,367</u>	<u>\$ (7,459)</u>
Special Items	142,695	67,175	75,520
Change in Net Position	<u>(337,685)</u>	<u>(51,233)</u>	<u>(286,452)</u>
Net Assets Beginning	<u>3,300,108</u>	<u>3,351,341</u>	<u>(51,233)</u>
Net Assets Ending	<u>\$ 2,962,423</u>	<u>\$ 3,300,108</u>	<u>\$ (337,685)</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 \$11,500,908.
- However, the amount that our taxpayers paid for these activities through property taxes was \$2,843,242.
- Some of the cost was paid by those who directly benefited from the programs \$172,476, or
- By grants and contributions \$2,421,549

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2013	2012		2013	2012	
Instruction	\$ 5,412,451	\$ 5,543,609	-2.42%	\$ 4,345,470	\$ 4,165,399	4.14%
School Leadership	635,085	612,662	3.53%	593,006	570,120	3.86%
General Administration	587,118	573,817	2.27%	548,217	533,972	2.60%
Plant Maintenance & Operations	1,613,056	1,701,651	-5.49%	1,504,873	1,582,561	-5.16%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$11,036,822, a decrease of 1.0% over the preceding year \$11,148,732.

### General Fund Budgetary Highlights

Over the course of the year, the District revised its budget to account for decreased revenue received. However, the actual revenue received was \$172,347 or 1.94% less than the final estimated revenue. Appropriations had been decreased in anticipation of reduced revenue. The actual final expenditures were less than the appropriations by \$135,570.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2013, the District had invested \$17,694,310 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 \$74,020.

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

	Government Activities		Additions	Deletions	Total 2013
	2012				
Land	\$ 145,973	\$	\$	\$	145,973
Buildings and improvements	14,813,657				14,813,657
Equipment & Vehicles	2,808,700	34,455	(108,475)		2,734,680
Totals at historical cost	17,768,330	34,455	(108,475)		17,694,310
Total accumulated depreciation	9,349,832	353,291	(102,946)		9,600,177
Net capital assets	\$ 8,418,498	\$ (318,836)	\$ (5,529)	\$	8,094,133

The District's expenditures for capital projects in fiscal year 2013 consisted of Ethernet routing switch, 2007 Chevy suburban and a John Deere Mower. More detailed information about the District's capital assets is presented in Note 1 to the financial statements.

### Long Term Debt

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

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

	Governmental Activities	
	2013	2012
Bonds Payable	\$ 4,904,997	\$ 5,139,997
Accretion Payable	502,203	479,008
Maintenance Notes	360,000	530,000
	<u>\$ 5,767,200</u>	<u>\$ 6,149,005</u>

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

- The District's general fund balance decreased \$416,219 in 2013 to \$237,490. The decrease was due mainly to an underestimation error of approximately \$270,000 in calculating revenue when the budget was prepared. Additionally this error was not discovered until April 2013 which was too late for significant reductions in personnel costs. The remaining decrease in the fund balance was due to the inability to curtail other expenditures for contracted services and repairs to HVAC equipment.
- The District's refined average daily attendance has declined over the past 5 years and continues with a 2.8% decline in the 2013-2014 school year.
- Additional revenue from a Chapter 313 agreement is expected to be \$249,276 in lieu of taxes.
- State program revenue is expected to increase by \$535,609 or 12% for 2013-2014 due to a tax rate increase approved by voters which yields greater state funding.
- General operating expenditures are expected to increase by \$314,173.
- General operating fund spending per student is expected to increase from \$9,324 to \$9,554.

Estimated revenue available for appropriation in the general fund budget for 2013-2014 is \$9,928,584, an increase of 14.18% from the final 2012-2013 receipts of \$8,695,746.

Expenditures are budgeted to increase 2.46% to \$9,487,272 for 2013-2014. The District has added no major new programs or initiatives to the 2013-2014 budget.

If these estimates are realized, the District's budgetary general fund balance should be increased approximately \$441,312 at close of 2013-2014.

### 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, 2013**

Data Control Codes		1	Governmental Activities
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	(128,587)
1225	Property Taxes Receivable (Net)		175,363
1240	Due from Other Governments		816,425
1267	Due from Fiduciary		56,085
1290	Other Receivables (Net)		33,362
1300	Inventories		17,104
1410	Unrealized Expenses		121,240
<b>Capital Assets:</b>			
1510	Land		145,973
1520	Buildings and Improvements, Net		7,695,471
1530	Furniture and Equipment, Net		252,689
1000	Total Assets		<u>9,185,125</u>
<b>LIABILITIES:</b>			
2110	Accounts Payable		71,288
2165	Accrued Liabilities		383,639
2180	Due to Other Governments		575
<b>Noncurrent Liabilities:</b>			
2501	Due Within One Year		425,000
2502	Due in More Than One Year		5,342,200
2000	Total Liabilities		<u>6,222,702</u>
<b>NET POSITION</b>			
3200	Net Investment in Capital Assets		2,829,136
<b>Restricted For:</b>			
3820	Federal and State Programs		54,829
3850	Debt Service		115,564
3900	Unrestricted		(37,106)
3000	Total Net Position	\$	<u>2,962,423</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, 2013

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 5,412,451	\$ 22,958	\$ 1,044,023	\$ (4,345,470)
12	Instructional Resources and Media Services	150,867	736	9,287	(140,844)
13	Curriculum and Staff Development	421,421	774	264,687	(155,960)
21	Instructional Leadership	287,136	370	209,696	(77,070)
23	School Leadership	635,085	3,098	38,981	(593,006)
31	Guidance, Counseling, & Evaluation Services	327,097	1,164	100,470	(225,463)
33	Health Services	119,937	585	7,362	(111,990)
34	Student Transportation	289,540	1,298	16,325	(271,917)
35	Food Service	559,354	126,971	419,036	(13,347)
36	Cocurricular/Extracurricular Activities	635,058	3,098	38,979	(592,981)
41	General Administration	587,118	2,864	36,037	(548,217)
51	Plant Maintenance and Operations	1,613,056	7,863	100,320	(1,504,873)
52	Security and Monitoring Services	8,894	43	546	(8,305)
53	Data Processing Services	133,978	654	8,224	(125,100)
72	Interest on Long-term Debt	247,907	--	127,576	(120,331)
73	Bond Issuance Costs and Fees	1,693	--	--	(1,693)
99	Other Intergovernmental Charges	70,316	--	--	(70,316)
TG	Total Governmental Activities	11,500,908	172,476	2,421,549	(8,906,883)
TP	Total Primary Government	\$ 11,500,908	\$ 172,476	\$ 2,421,549	(8,906,883)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,486,072
DT	Property Taxes, Levied for Debt Service				357,170
IE	Investment Earnings				3,036
GC	Grants and Contributions Not Restricted to Specific Programs				5,516,201
MI	Miscellaneous				64,024
	Special and Extraordinary Items:				
S1	Special Item Inflow				142,695
FR	Transfers				--
TR	Total General Revenues and Transfers				8,569,198
CN	Change in Net Position				(337,685)
NB	Net Position - Beginning				3,300,108
NE	Net Position - Ending				\$ 2,962,423

The accompanying notes are an integral part of this statement.

## ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ (303,812)	\$ 113,576	\$ (18,242)	\$ (208,478)
1225 Taxes Receivable, Net	157,917	17,446	--	175,363
1240 Due from Other Governments	702,686	--	113,739	816,425
1260 Due from Other Funds	88,450	1,987	--	90,437
1290 Other Receivables	33,362	--	--	33,362
1300 Inventories	--	--	17,104	17,104
1410 Unrealized Expenditures	121,225	--	15	121,240
1000 Total Assets	799,828	133,009	112,516	1,045,453
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 30,415	\$ --	\$ 13,227	\$ 43,642
2150 Payroll Deductions & Withholdings	11,368	--	2,332	13,700
2160 Accrued Wages Payable	332,793	--	37,146	369,939
2170 Due to Other Funds	29,845	--	4,507	34,352
2180 Due to Other Governments	--	--	575	575
2000 Total Liabilities	404,421	--	57,787	462,208
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Revenue	157,917	17,445	--	175,362
2600 Total Deferred Inflows of Resources	157,917	17,445	--	175,362
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	54,829	54,829
3480 Retirement of Long-Term Debt	--	115,564	--	115,564
Committed Fund Balances:				
3530 Capital Expenditures for Equipment	100,000	--	--	100,000
3600 Unassigned	137,490	--	--	137,490
3000 Total Fund Balances	237,490	115,564	54,829	407,883
Total Liabilities, Deferred Inflow				
4000 of Resources and Fund Balances	\$ 799,828	\$ 133,009	\$ 112,516	\$ 1,045,453

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, 2013**

Total fund balances - governmental funds balance sheet	\$ 407,883
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.	8,094,133
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	175,362
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	52,245
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,904,997)
Payables for notes which are not due in the current period are not reported in the funds.	(360,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(502,203)
Net position of governmental activities - Statement of Net Position	\$ <u>2,962,423</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, 2013**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 2,614,437	\$ 358,821	\$ 127,465	\$ 3,100,723
5800 <i>State Program Revenues</i>	5,870,744	125,925	35,050	6,031,719
5900 <i>Federal Program Revenues</i>	214,990	--	1,689,390	1,904,380
5020 <b>Total Revenues</b>	<u>8,700,171</u>	<u>484,746</u>	<u>1,851,905</u>	<u>11,036,822</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	4,491,184	--	758,376	5,249,560
0012 <i>Instructional Resources and Media Services</i>	146,380	--	29	146,409
0013 <i>Curriculum and Staff Development</i>	154,022	--	254,945	408,967
0021 <i>Instructional Leadership</i>	73,611	--	205,040	278,651
0023 <i>School Leadership</i>	616,317	--	--	616,317
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	231,610	--	85,821	317,431
0033 <i>Health Services</i>	116,393	--	--	116,393
0034 <i>Student Transportation</i>	277,262	--	--	277,262
0035 <i>Food Service</i>	3,267	--	539,557	542,824
0036 <i>Cocurricular/Extracurricular Activities</i>	621,591	--	--	621,591
0041 <i>General Administration</i>	569,768	--	--	569,768
0051 <i>Plant Maintenance and Operations</i>	1,563,988	--	1,400	1,565,388
0052 <i>Security and Monitoring Services</i>	8,631	--	--	8,631
0053 <i>Data Processing Services</i>	130,020	--	--	130,020
0071 <i>Principal on Long-term Debt</i>	170,000	235,000	--	405,000
0072 <i>Interest on Long-term Debt</i>	13,429	211,283	--	224,712
0073 <i>Bond Issuance Costs and Fees</i>	1,310	383	--	1,693
0099 <i>Other Intergovernmental Charges</i>	70,316	--	--	70,316
6030 <b>Total Expenditures</b>	<u>9,259,099</u>	<u>446,666</u>	<u>1,845,168</u>	<u>11,550,933</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>				
1100 <b>Expenditures</b>	<u>(558,928)</u>	<u>38,080</u>	<u>6,737</u>	<u>(514,111)</u>
<b>Other Financing Sources and (Uses):</b>				
7915 <i>Transfers In</i>	14	--	--	14
7949 <i>Other Resources</i>	227,714	--	--	227,714
8911 <i>Transfers Out</i>	--	--	(14)	(14)
8949 <i>Other Uses</i>	(85,019)	--	--	(85,019)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>142,709</u>	<u>--</u>	<u>(14)</u>	<u>142,695</u>
1200 <b>Net Change in Fund Balances</b>	<u>(416,219)</u>	<u>38,080</u>	<u>6,723</u>	<u>(371,416)</u>
0100 <b>Fund Balances - Beginning</b>	<b>653,709</b>	<b>77,484</b>	<b>48,106</b>	<b>779,299</b>
3000 <b>Fund Balances - Ending</b>	<u>\$ 237,490</u>	<u>\$ 115,564</u>	<u>\$ 54,829</u>	<u>\$ 407,883</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, 2013**

Net change in fund balances - total governmental funds \$ (371,416)

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

Capital outlays are not reported as expenses in the SOA.	34,455
The depreciation of capital assets used in governmental activities is not reported in the funds.	(353,291)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(5,529)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(10,765)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	235,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	170,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(23,195)
The net revenue (expense) of internal service funds is reported with governmental activities.	(12,944)

Change in net position of governmental activities - Statement of Activities \$ (337,685)

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET POSITION****INTERNAL SERVICE FUND****AUGUST 31, 2013**

		Nonmajor Internal Service Fund	
Data Control Codes		Insurance Fund	
ASSETS:			
Current Assets:			
1110	Cash and Cash Equivalents	\$	79,891
	Total Current Assets		79,891
1000	Total Assets		79,891
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$	27,646
	Total Current Liabilities		27,646
2000	Total Liabilities		27,646
NET POSITION:			
3900	Unrestricted		52,245
3000	Total Net Position	\$	52,245

The accompanying notes are an integral part of this statement.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET ASSETS - INTERNAL SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

		Nonmajor Internal Service Fund
Data Control Codes		Insurance Fund
<b>OPERATING REVENUES:</b>		
5700	Local and Intermediate Sources	\$ 60,427
5020	Total Revenues	60,427
<b>OPERATING EXPENSES:</b>		
6100	Payroll Costs	4,419
6200	Professional and Contracted Services	60,605
6400	Other Operating Costs	8,347
6030	Total Expenses	73,371
1300	Change in Net Position	(12,944)
0100	Total Net Position - Beginning	65,189
3300	Total Net Position - Ending	\$ 52,245

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, 2013**

	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ --
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	60,427
Cash Payments to Employees for Services	(4,419)
Cash Payments to Other Suppliers for Goods and Services	(41,306)
Cash Payments for Grants to Other Organizations	--
Other Operating Cash Receipts (Payments)	--
Net Cash Provided (Used) by Operating Activities	<u>14,702</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Transfers From (To) Primary Government	--
Transfers From (To) Other Funds	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Contributed Capital	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
<b>Cash Flows from Investing Activities:</b>	
Interest and Dividends on Investments	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	14,702
Cash and Cash Equivalents at Beginning of Year	65,189
Cash and Cash Equivalents at End of Year	<u>\$ 79,891</u>
<b>Reconciliation of Operating Income to Net Cash     Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ (12,944)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	--
Provision for Uncollectible Accounts	--
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	--
Increase (Decrease) in Accounts Payable	27,646
Increase (Decrease) in Payroll Deductions	--
Increase (Decrease) in Accrued Wages Payable	--
Increase (Decrease) in Interfund Payables	--
Increase (Decrease) in Unearned Revenue	--
Total Adjustments	<u>27,646</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 14,702</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, 2013**

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$ 607,588	\$ 93,148
1000	Total Assets	607,588	93,148
<b>LIABILITIES:</b>			
Current Liabilities:			
2170	Due to Other Funds	\$ --	\$ 56,084
2190	Due to Student Groups	--	37,064
2400	Payable from Restricted Assets	605,558	--
2000	Total Liabilities	605,558	93,148
<b>NET POSITION:</b>			
3800	Held in Trust	2,030	--
3000	Total Net Position	\$ 2,030	\$ --

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, 2013**

	Private- Purpose Trusts
<b>Additions:</b>	
Investment Income	\$ --
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Total Additions	<u>--</u>
<b>Deductions:</b>	
Scholarship Awards	--
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	<u>--</u>
<b>Change in Net Position</b>	<b>--</b>
Net Position-Beginning of the Year	2,030
Net Position-End of the Year	<u><u>\$ 2,030</u></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, 2013**

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues 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 funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

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

The District reports the following major governmental funds:

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**Debt Service Fund:** A debt service fund is a governmental fund, with budgetary control, that must be used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated. Principal and interest payments for operating indebtedness including warrants, notes, and short-term lease-purchase agreements, are to be made from the fund for which the debt was incurred.

In addition, the District reports the following fund types:

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

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

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

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

**b. Measurement Focus, Basis of Accounting**

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

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

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

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

**3. Financial Statement Amounts**

**a. Cash and Cash Equivalents**

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

**b. Property Taxes**

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

	General Fund	Debt Service Fund	Total
Delinquent Taxes	\$ 425,866	\$ 47,046	\$ 472,912
Allowance for Uncollectible Accounts	(267,949)	(29,600)	(297,549)
Net Taxes	<u>\$ 157,917</u>	<u>\$ 17,446</u>	<u>\$ 175,363</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**

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

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 Statement 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.

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. **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.

h. **Use of Estimates**

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

i. **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.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

j. **Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

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

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

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the 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 governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys 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.

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

k. **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.

l. **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.



**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**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:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

**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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$572,149 and the bank balance was \$718,857. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

**2. Investments:**

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

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

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**D. Capital Assets**

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

	Beginning Balances	Increases	Decreases	Ending Balances
<b><u>Governmental activities:</u></b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 145,973	\$ --	\$ --	\$ 145,973
Total capital assets not being depreciated	145,973	--	--	145,973
<i>Capital assets being depreciated:</i>				
Buildings and improvements	14,813,657	--	--	14,813,657
Equipment	1,924,435	15,298	--	1,939,733
Vehicles	884,265	19,157	108,475	794,947
Total capital assets being depreciated	17,622,357	34,455	108,475	17,548,337
Less accumulated depreciation for:				
Buildings and improvements	(6,831,007)	(287,179)	--	(7,118,186)
Equipment	(1,784,216)	(34,677)	--	(1,818,893)
Vehicles	(734,609)	(31,435)	(102,946)	(868,990)
Total accumulated depreciation	(9,349,832)	(353,291)	(102,946)	(9,806,069)
Total capital assets being depreciated, net	8,272,525	(318,836)	5,529	7,948,160
Governmental activities capital assets, net	\$ 8,418,498	\$ (318,836)	\$ 5,529	\$ 8,094,133

Depreciation was charged to functions as follows:

Instruction	\$ 159,945
Instructional Resources and Media Services	4,458
Curriculum and Staff Development	12,454
Instructional Leadership	8,485
School Leadership	18,768
Guidance, Counseling, & Evaluation Services	9,666
Health Services	3,544
Student Transportation	31,435
Food Services	16,530
Extracurricular Activities	18,767
General Administration	17,350
Plant Maintenance and Operations	47,868
Security and Monitoring Services	263
Data Processing Services	3,958
	<u>\$ 353,291</u>

**E. Interfund Balances and Activities**

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

Balances due to and due from other funds at August 31, 2013, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	General Fund (Payroll)	\$ 27,858	Short-term loans
General Fund	Other Governmental Funds	4,507	For transfer of federal receipts
General Fund	Trust & Agency	56,085	Capital projects expenditures
Debt Service Fund	General Fund	1,987	Specify purpose here
	Total	<u>\$ 90,437</u>	

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

**2. Transfers To and From Other Funds**

Transfers to and from other funds at August 31, 2013, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Other Governmental Funds	\$ 14	Reimburse expenditures
	Total	<u>\$ 14</u>	

**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, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Unlimited Tax Refunding Bonds, Series 2006, 4.0%	\$ 4,484,997	\$ --	\$ 115,000	\$ 4,369,997	\$ 120,000
Unlimited Tax Refunding Bonds, Series 2001, 6.25%	655,000		120,000	535,000	125,000
<b>Total Bonds</b>	<b>5,139,997</b>	<b>--</b>	<b>235,000</b>	<b>4,904,997</b>	<b>245,000</b>
<b>Maintenance Tax Notes</b>					
Series 2009 3.83%	235,000		115,000	120,000	120,000
Series 2012 .085%	295,000		55,000	240,000	60,000
<b>Capital Appreciation Bonds:</b>					
Accretion on 2006 Refunding Bonds	\$ 479,008	\$ 23,195		\$ 502,203	
<b>Total Long-term Liabilities</b>	<b>\$ 6,149,005</b>	<b>\$ 23,195</b>	<b>\$ 405,000</b>	<b>\$ 5,767,200</b>	<b>\$ 425,000</b>
				<u>425,000</u>	
				<u>\$ 5,342,200</u>	

\* Other long-term liabilities

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

Liability	Activity Type	Fund
Claims and judgments	Business-type	Internal Service Fund

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**2. Debt Service Requirements**

Debt service requirements on long-term debt at August 31, 2013, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities - Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 245,000	\$ 201,522	\$ 446,522
2015	255,000	191,223	446,223
2016	265,000	180,372	445,372
2017	160,647	288,316	448,963
2018	27,106	420,041	447,147
2019-2023	1,232,244	1,003,493	2,235,737
2024-2028	1,805,000	425,913	2,230,913
2029-2033	915,000	71,188	986,188
<b>Totals</b>	<b>\$ 4,904,997</b>	<b>\$ 2,782,068</b>	<b>\$ 7,687,065</b>

<u>Year Ending August 31,</u>	<u>Governmental Activities - Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 180,000	\$ 8,485	\$ 188,485
2015	60,000	3,270	63,270
2016	60,000	2,454	62,454
2017	60,000	1,302	61,302
<b>Totals</b>	<b>\$ 360,000</b>	<b>\$ 15,511</b>	<b>\$ 375,511</b>

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

**H. Pension Plan**

**1. Plan Description**

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**2. Funding Policy**

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.4% for fiscal year 2013, 6.0 % for fiscal year 2012, and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2013, 2012 and 2011 were \$357,377, \$360,473 and \$447,639, respectively. The District paid additional state contributions for the years ending August 31, 2013, 2012 and 2011 in the amount of \$84,143, \$74,505 and \$47,126, respectively, on portion of the employees' salaries that exceeded the statutory minimum.

**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](http://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 and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$61,909, \$60,079, and \$69,944, respectively, the active member contributions were \$43548, \$42,260, and \$45,464, respectively, and the District's contributions were \$33,497, \$35,758, and \$38,469, respectively, which equaled the required contributions each year.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

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, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$18,067, \$17,046, and \$16,617, respectively.

3. Early Retiree Reinsurance Program (ERRP)

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependants regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. For the fiscal year ended August 31, 2012, the amount received by TRS-Care on behalf of the District was \$16,120.

J. Employee Health Care Coverage

During the year ended August 31, 2013, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per pay period per employee and dependents to the Plan. All premiums were paid to a self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2013.

L. Shared Services Arrangements

Shared Services Arrangement - Membership

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

**Member Districts**

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

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



### *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, 2013

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 2,700,741	\$ 2,620,105	\$ 2,614,437	\$ (5,668)
5800	State Program Revenues	6,048,346	6,059,573	5,870,744	(188,829)
5900	Federal Program Revenues	146,000	192,840	214,960	22,150
5020	Total Revenues	8,895,087	8,872,518	8,700,171	(172,347)
	<b>EXPENDITURES:</b>				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	4,232,717	4,542,431	4,491,184	51,247
0012	Instructional Resources and Media Services	160,683	152,426	146,380	6,046
0013	Curriculum and Staff Development	153,247	158,384	154,022	4,362
	Total Instruction & Instr. Related Services	4,546,647	4,853,241	4,791,586	61,655
	Instructional and School Leadership:				
0021	Instructional Leadership	73,950	75,507	73,811	1,896
0023	School Leadership	627,500	617,892	616,317	1,575
	Total Instructional & School Leadership	701,450	693,399	689,928	3,471
	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	230,871	231,637	231,610	27
0033	Health Services	122,142	119,681	116,393	3,288
0034	Student (Pupil) Transportation	322,800	306,052	277,282	28,790
0035	Food Services	7,000	5,500	3,267	2,233
0036	Cocurricular/Extracurricular Activities	661,500	626,574	621,501	4,983
	Total Support Services - Student (Pupil)	1,344,313	1,289,444	1,250,123	39,321
	Administrative Support Services:				
0041	General Administration	527,175	570,783	569,768	1,015
	Total Administrative Support Services	527,175	570,783	569,768	1,015
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	1,543,366	1,580,556	1,563,988	16,568
0052	Security and Monitoring Services	10,600	12,600	8,631	3,969
0053	Data Processing Services	147,000	137,000	130,020	6,980
	Total Support Services - Nonstudent Based	1,700,966	1,730,156	1,702,639	27,517
	Debt Service:				
0071	Principal on Long-Term Debt	170,000	173,000	170,000	3,000
0072	Interest on Long-Term Debt	12,630	13,500	13,429	71
0073	Bond Issuance Costs and Fees	800	800	1,310	(510)
	Total Debt Service	183,430	187,300	184,739	2,561
0099	Other Intergovernmental Charges	62,000	70,346	70,316	30
	Total Intergovernmental Charges	62,000	70,346	70,316	30
6030	Total Expenditures	9,065,981	9,394,669	9,259,099	135,570
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(170,894)	(522,151)	(558,928)	(36,777)
	Other Financing Sources (Uses):				
7915	Transfers In	--	--	14	14

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT G-1

Page 2 of 2

		1	2	3	Variance with Final Budget Positive (Negative)
Data Control Codes		Budgeted Amounts			
		Original	Final	Actual	
7949	Other Resources	183,000	319,199	227,714	(91,485)
8949	Other Uses	--	(86,000)	(85,019)	981
7080	Total Other Financing Sources and (Uses)	183,000	233,199	142,709	(90,490)
1200	Net Change in Fund Balance	12,106	(288,952)	(416,219)	(127,267)
0100	Fund Balance - Beginning	653,709	653,709	653,709	--
3000	Fund Balance - Ending	\$ 665,815	\$ 364,757	\$ 237,490	\$ (127,267)

*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 SPECIAL REVENUE FUNDS

AUGUST 31, 2013

Data Control Codes		211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ (16,036)	\$ (8,325)	\$ 51,733	\$ (5,268)
1240	Due from Other Governments	28,630	27,101	9,236	8,426
1300	Inventories	--	--	17,104	--
1410	Unrealized Expenditures	--	15	--	--
1000	Total Assets	12,594	18,791	78,073	3,158
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ 2,610	\$ 10,617	\$ --
2150	Payroll Deductions & Withholdings	1,029	907	138	258
2160	Accrued Wages Payable	11,565	10,192	12,489	2,900
2170	Due to Other Funds	--	4,507	--	--
2180	Due to Other Governments	--	575	--	--
2000	Total Liabilities	12,594	18,791	23,244	3,158
<b>FUND BALANCES:</b>					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	54,829	--
3000	Total Fund Balances	--	--	54,829	--
4000	Total Liabilities and Fund Balances	\$ 12,594	\$ 18,791	\$ 78,073	\$ 3,158

265 21st Century Community Learning Centers	289 Texas Literacy INIT	404 Student Success Initiative	409 Texas High School Project	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ (7,019)	\$ (27,366)	\$ (602)	\$ (5,359)	\$ (18,242)
7,019	27,366	602	5,359	113,739
--	--	--	--	17,104
--	--	--	--	15
--	--	--	--	112,616
\$ --	\$ --	\$ --	\$ --	\$ 13,227
--	--	--	--	2,332
--	--	--	--	37,146
--	--	--	--	4,507
--	--	--	--	575
--	--	--	--	57,787
--	--	--	--	54,829
--	--	--	--	54,829
\$ --	\$ --	\$ --	\$ --	\$ 112,616

# 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, 2013

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
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 127,465
5800	State Program Revenues	--	--	--	3,415
5900	Federal Program Revenues	281,280	221,296	459	405,312
5020	Total Revenues	281,280	221,296	459	536,192
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	246,711	126,480	434	--
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	34,569	8,995	25	--
0021	Instructional Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	85,821	--	--
0035	Food Service	--	--	--	529,455
0051	Plant Maintenance and Operations	--	--	--	--
6030	Total Expenditures	281,280	221,296	459	529,455
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	--	6,737
Other Financing Sources and (Uses):					
8911	Transfers Out	--	--	--	--
7080	Total Other Financing Sources and (Uses)	--	--	--	--
1200	Net Change in Fund Balances	--	--	--	6,737
0100	Fund Balances - Beginning	--	--	--	48,092
3000	Fund Balances - Ending	\$ --	\$ --	\$ --	\$ 54,829

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	265 21st Century Community Learning Centers	289 Texas Literacy INIT
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
11,502	7,325	62,654	332,517	367,045
11,502	7,325	62,654	332,517	367,045
--	7,325	62,654	176,173	111,265
--	--	--	--	--
--	--	--	537	210,576
--	--	--	155,807	45,204
--	--	--	--	--
10,102	--	--	--	--
1,400	--	--	--	--
11,502	7,325	62,654	332,517	367,045
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --



# 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, 2013

Data Control Codes		404 Student Success Initiative	409 Texas High School Project
<b>REVENUES:</b>			
5700	Local and Intermediate Sources	\$ --	\$ --
5800	State Program Revenues	6,023	21,669
5900	Federal Program Revenues	--	--
5020	Total Revenues	6,023	21,669
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	6,023	17,397
0012	Instructional Resources and Media Services	--	--
0013	Curriculum and Staff Development	--	243
0021	Instructional Leadership	--	4,029
0031	Guidance, Counseling, & Evaluation Services	--	--
0035	Food Service	--	--
0051	Plant Maintenance and Operations	--	--
6030	Total Expenditures	6,023	21,669
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	--	--
Other Financing Sources and (Uses):			
8911	Transfers Out	--	--
7080	Total Other Financing Sources and (Uses)	--	--
1200	Net Change in Fund Balances	--	--
0100	Fund Balances - Beginning	--	--
3000	Fund Balances - Ending	\$ --	\$ --

410 State Textbook Fund	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 127,465
3,914	29	--	35,050
--	--	--	1,689,390
<u>3,914</u>	<u>29</u>	<u>--</u>	<u>1,851,905</u>
3,914	--	--	758,376
--	29	--	29
--	--	--	254,945
--	--	--	205,040
--	--	--	85,821
--	--	--	539,557
--	--	--	1,400
<u>3,914</u>	<u>29</u>	<u>--</u>	<u>1,845,168</u>
--	--	--	6,737
--	--	(14)	(14)
--	--	(14)	(14)
--	--	(14)	6,723
--	--	14	48,106
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 14</u>	<u>\$ 54,828</u>

### *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, 2013*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2004 and Prior Years	\$	Various	\$	Various	\$	Various
2005		1.50		.1103		150,048,722
2006		1.50		.1103		165,225,471
2007		1.37		.1303		173,369,260
2008		1.17		.123		199,132,400
2009		1.17		.1224		227,398,836
2010		1.17		.1224		218,806,343
2011		1.1209		.1056		276,490,929
2012		1.17		.1225		248,250,000
2013 (School Year Under Audit)		1.04		.1267		283,259,110

1000 Totals

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

10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 119,164	\$ --	\$ 1,076	\$ 91	\$ (5,570)	\$ 112,418
14,718	--	244	18	(49)	14,408
17,571	--	1,594	117	(50)	15,809
24,973	--	2,433	231	(47)	22,261
25,513	--	2,906	305	18	22,319
34,873	--	8,763	917	5,679	30,972
62,625	--	15,076	1,577	3,633	39,605
62,790	--	20,191	1,902	3,126	43,822
110,306	--	48,477	5,076	2,472	69,226
--	3,237,004	2,242,099	273,148	(609,685)	112,072
<u>\$ 462,623</u>	<u>\$ 3,237,004</u>	<u>\$ 2,342,860</u>	<u>\$ 283,383</u>	<u>\$ (600,472)</u>	<u>\$ 472,912</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015

### GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2013

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

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 204,282	\$ 202,940	\$ --	\$ --	\$ 407,222
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	--	--	--	--	--	--	--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	--	--	--	--	--	--	--
6211	Legal Services	--	--	30,974	--	--	--	30,974
6212	Audit Services	--	--	--	14,350	--	--	14,350
6213	Tax Appraisal and Collection	--	12,255	--	--	--	--	12,255
621X	Other Prof. Services	--	--	--	25,185	--	--	25,185
6220	Tuition and Transfer Payments	--	--	--	--	--	--	--
6230	Education Service Centers	4,275	--	--	--	--	--	4,275
6240	Contr. Maint. and Repair	--	--	--	--	--	--	--
6250	Utilities	--	--	--	--	--	--	--
6260	Rentals	--	--	5,260	7,973	--	--	13,233
6290	Miscellaneous Contr.	--	--	--	574	--	--	574
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	215	--	--	--	215
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	--	--	8,896	6,099	--	--	14,995
6410	Travel, Subsistence, Stipends	2,718	--	5,047	1,433	--	--	9,198
6420	Ins. and Bonding Costs	6,189	--	--	2,234	--	--	8,423
6430	Election Costs	4,537	--	--	--	--	--	4,537
6490	Miscellaneous Operating	9,640	--	13,771	12,955	--	--	36,366
6500	Debt Service	--	--	--	--	--	--	--
6600	Capital Outlay	--	--	--	--	--	--	--

Total \$ 27,359 \$ 12,255 \$ 268,445 \$ 273,743 \$ -- \$ -- \$ 581,802

Total Expenditures for General and Special Revenue Funds (9) \$ 11,104,267

#### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 34,455
Total Debt & Lease (6500)	(11)	\$ 184,739
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 1,565,388
Food (Function 35, 6341 and 6499)	(13)	\$ 218,896
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 273,743

#### Subtotal

2,277,221

Net Allowed Direct Cost \$ 8,827,046

#### CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 14,813,657
Historical Cost of Buildings over 50 years old	(16)	1,206,525
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	2,734,679
Historical Cost of Furniture & Equipment over 16 years old	(19)	771,624
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$12,034 in Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**EXHIBIT J-3**

Data Control Codes		1	2	3 Variance Positive (Negative)
		Budget	Actual	
REVENUES:				
5700	Local and Intermediate Sources	\$ 131,000	\$ 127,465	\$ (3,535)
5800	State Program Revenues	3,500	3,416	(85)
5900	Federal Program Revenues	406,000	405,312	(688)
5020	Total Revenues	540,500	536,192	(4,308)
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	535,954	529,455	6,499
	Total Support Services - Student (Pupil)	535,954	529,455	6,499
6030	Total Expenditures	535,954	529,455	6,499
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	4,546	6,737	2,191
1200	Net Change in Fund Balance	4,546	6,737	2,191
0100	Fund Balance - Beginning	48,092	48,092	--
3000	Fund Balance - Ending	\$ 52,638	\$ 54,829	\$ 2,191

# ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

## DEBT SERVICE FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		1	2	3
		Budget	Actual	Variance Positive (Negative)
REVENUES:				
5700	Local and Intermediate Sources	\$ 353,123	\$ 358,821	\$ 5,698
5800	State Program Revenues	116,935	125,925	8,990
5020	Total Revenues	470,058	484,746	14,688
EXPENDITURES:				
Debt Service:				
0071	Principal on Long-Term Debt	235,000	235,000	--
0072	Interest on Long-Term Debt	211,283	211,283	--
0073	Bond Issuance Costs and Fees	999	383	616
	Total Debt Service	447,282	446,666	616
6030	Total Expenditures	447,282	446,666	616
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	22,776	38,080	15,304
1200	Net Change in Fund Balance	22,776	38,080	15,304
0100	Fund Balance - Beginning	77,484	77,484	--
3000	Fund Balance - Ending	\$ 100,260	\$ 115,564	\$ 15,304



# Gowland, Strealy, Morales & Company

A Professional Limited Liability Company  
Certified Public Accountants

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

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

## 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, 2013, 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 December 12, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Odem-Edroy Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Odem-Edroy Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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*.

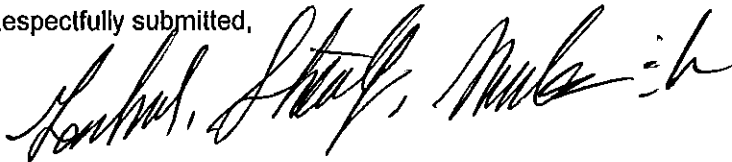
## **Odem-Edroy Independent School District's Response to Findings**

Odem-Edroy Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Odem-Edroy Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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  
December 12, 2013

# Gowland, Strealy, Morales & Company

A Professional Limited Liability Company  
Certified Public Accountants

Tommy Strealy CPA  
David Morales CPA  
Jerry D. Spence CPA

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

## 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 Odem-Edroy Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Odem-Edroy Independent School District's major federal programs for the year ended August 31, 2013. 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 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 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](http://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, 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, 2013.

### **Report on Internal Control Over Compliance**

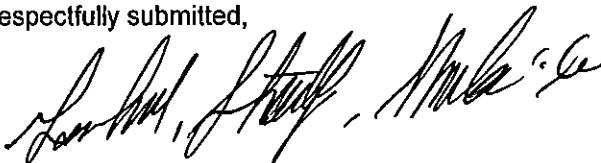
Management of Odem-Edroy Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Odem-Edroy Independent School 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 Odem-Edroy Independent School District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control 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  
December 12, 2013

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**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?        Yes   X   No

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

Noncompliance material to financial statements noted?        Yes   X   No

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?        Yes   X   No

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010a	ESEA Title I Part A - IMproving Basic Programs
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, 2013**

**B. Financial Statement Findings**

2013-1  
Purchasing and Encumbrances

Condition: Our testing of expenditures noted that 22 out of 82 either did not contain a purchase order or the purchase order was dated after the invoice.

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

Effect: Budgets can be over spent at the function level and expenditures are made without prior approval

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

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

2013-1  
Purchasing and Encumbrances

Condition: Our testing of major program expenditures noted that 11 out of 22 purchase orders were dated after the invoice.

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

Effect: Budgets can be over spent at the function level and expenditures are made without prior approval

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

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
<p>2012-1  Purchasing and Encumbrances</p> <p>Condition: Our testing of expenditures noted that 42 out of 98 either did not contain a purchase order or the purchase order was dated after the invoice.</p> <p>Criteria: Encumbrance accounting requires an approved purchase order prior to ordering the goods or services.</p> <p>Effect: Budgets can be over spent at the function level.</p> <p>Recommendation: All purchases should be approved prior to ordering the goods or services. This may require the use of open purchase orders.</p>	<p>Not  Implemented</p>	<p>The superintendent has stated that since voluntary compliance with purchasing procedures has failed, beginning immediately, any employee not complying will be written up and repeated offense will result in disciplinary action.</p>

**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**CORRECTIVE ACTION PLAN**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

2013-1

**Purchasing and Encumbrances**

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

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

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

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



**ODEM-EDROY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**EXHIBIT K-1**

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through State Department of Education:			
<i>FEDERAL PROGRAM TITLE MISSING *</i>	93.778	205-905	\$ 3,104
Total U. S. Department of Health and Human Services			<u>3,104</u>
<b>U. S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	13610101205905	274,516
<i>ESEA Title I Part A - Improving Basic Programs *</i>	84.010a	14610101205905	12,594
Total CFDA Number 84.010a			<u>287,110</u>
<i>IDEA-B Formula *</i>	84.027	136600012059056000	215,607
<i>IDEA-B Formula *</i>	84.027	146600012059056000	10,899
Total CFDA Number 84.027			<u>226,506</u>
<i>Career and Technical - Basic Grant</i>	84.048	13420006178950	7,325
<i>IDEA-B Preschool *</i>	84.173	136610012059056000	470
<i>Title IV Part B21st Century Community Learning Centers</i>	84.287	136950177110049	325,498
<i>Title IV Part B21st Century Community Learning Centers</i>	84.287	146950177110049	7,019
Total CFDA Number 84.287			<u>332,517</u>
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367a	13694501205905	60,888
<i>ESEA Title II Part A - Teacher &amp; Principal Training &amp; Recruiting</i>	84.367a	14694501205905	3,158
Total CFDA Number 84.367a			<u>64,046</u>
<i>Texas Literacy Init</i>	84.371C	126460037110021	312,316
<i>Texas Literacy</i>	84.371C	136460037110021	54,729
Total CFDA Number 84.371C			<u>367,045</u>
Total Passed Through State Department of Education			<u>1,285,020</u>
Total U. S. Department of Education			<u>1,285,020</u>
<b>U. S. DEPARTMENT OF AGRICULTURE</b>			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401301	68,221
National School Lunch Program *	10.555	71301301	302,708
National School Lunch Program (Non-cash) *	10.555	205-905	34,383
Total CFDA Number 10.555			<u>337,091</u>
Summer Food Service Program *	10.559	205-905	11,502
Total Passed Through State Department of Education			<u>416,814</u>
Total U. S. Department of Agriculture			<u>416,814</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,704,938</u>
* Indicates clustered program under OMB Circular A-133 Compliance Supplement			
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>1,704,938</u>
E-Rate			19,026
School Health & Related Services (SHARS)			180,416
<b>TOTAL EXHIBIT C-2</b>			<u>1,904,380</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, 2013**

**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, 2013*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 502,203