

**ODEM-EDROY
INDEPENDENT
SCHOOL DISTRICT**

Annual Financial Report

For the Year Ended August 31, 2014

Gowland, Streatly, 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, 2014

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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, 2014, at a meeting of the board of trustees of such school district on the _____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

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

Financial Section

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

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

Professional Associates & Senior Advisor:
Betty Morales, CPA
Erika M. Post
Greg Morales
Daniel Ibarra
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, 2014, 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, 2014, 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.

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.

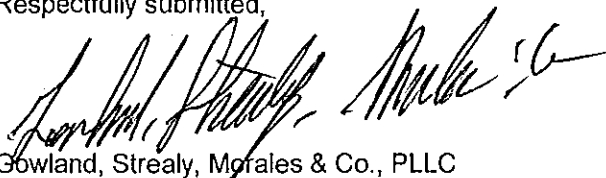
The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2015 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,



Gowland, Streatly, Morales & Co., PLLC

Corpus Christi, Texas
January 16, 2015

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, 2014. 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 \$3,805,040 at August 31, 2014 of which the unrestricted portion is \$559,953.
- The general fund reported a fund balance this year of \$830,128 an increase of \$592,637. This increase in fund balance was due to the passing of a T.R.E. (tax ratification election)
- During 2013-2014, the District's General Fund increased its fund balance by \$592,637. The District's final approved budget was an increase to fund balance of 581,637 which is attributed to an increase in student attendance and the passing of the T.R.E.
- The District financed two 71 passenger busses through a capital lease for \$178,972 during the year ended August 31, 2014.

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

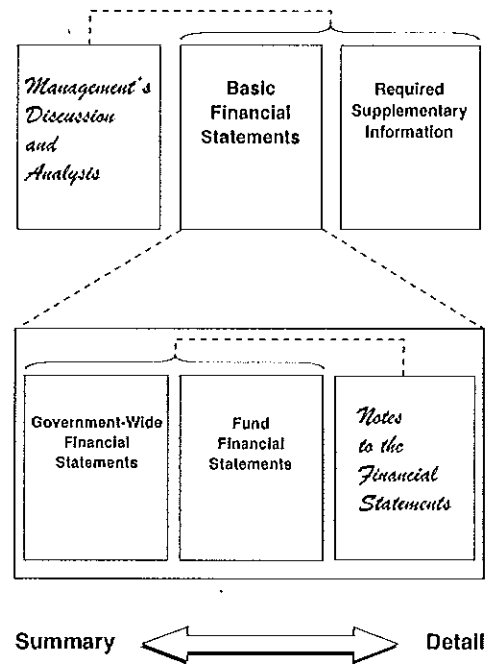


Figure A-2 Major Features of the District's Government-wide and Fund Financial Statements

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.

Type of Statement	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures & changes in fund balances	• Statement of net position • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of fiduciary net position • 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 \$3,805,040 at August 31, 2014. (See Table A-1).

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

	Governmental		Total
	2014	2013	Change 2014-2013
Current assets:			
Cash and cash equivalents	\$ 950,346	\$ (128,587)	\$ 1,078,933
Property Taxes Receivable	213,525	175,363	38,162
Due from Other Governments	488,825	816,425	(327,600)
Due from Fiduciary	66,559	56,085	10,474
Other receivables	36,276	33,362	2,914
Inventories	19,547	17,104	2,443
Deferred expenses	122,989	121,240	1,749
Total current assets:	<u>1,898,067</u>	<u>1,090,992</u>	<u>807,075</u>
Noncurrent assets:			
Land	145,973	145,973	-
Bldg, Furniture and equipment	7,902,507	7,948,160	(45,653)
Total noncurrent assets	<u>8,048,480</u>	<u>8,094,133</u>	<u>(45,653)</u>
Total Assets	<u>9,946,547</u>	<u>9,185,125</u>	<u>761,422</u>
Current liabilities:			
Accounts payable and accrued liabilities	526,288	455,502	70,786
Deferred revenue	130,699	-	130,699
Total current liabilities	<u>656,987</u>	<u>455,502</u>	<u>201,485</u>
Noncurrent Liabilities:			
Due within one year	373,369	425,000	(51,631)
Due in more than one year	5,111,151	5,342,200	(231,049)
Total Liabilities	<u>6,141,507</u>	<u>6,222,702</u>	<u>(81,195)</u>
Net Assets:			
Invested in capital assets	3,090,348	2,829,136	261,212
Restricted for State and Federal Programs	47,436	54,829	(7,393)
Restricted for Debt Service	107,303	115,564	(8,261)
Unrestricted	559,953	(37,106)	597,059
Total Net Assets	<u>\$ 3,805,040</u>	<u>\$ 2,962,423</u>	<u>\$ 842,617</u>

Changes in Net Position. The District's total revenues were \$12,046,591. A significant portion, 31 percent, of the District's revenue comes from taxes. 49 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 \$11,368,232.

Governmental Activities

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

	Governmental Activities		Change 2014-2013
	2014	2013	
Program Revenues:			
Charges for Services	\$ 222,883	\$ 172,476	\$ 50,407
Operating Grants and Contributions	2,053,697	2,421,549	(367,852)
General Revenues			
Property Taxes	3,760,585	2,843,242	917,343
State Aid – Formula	5,946,521	5,516,201	430,320
Investment Earnings	1,242	3,036	(1,794)
Other	61,663	64,024	(2,361)
Total Revenues	<u>12,046,591</u>	<u>11,020,528</u>	<u>1,026,063</u>
Instruction	5,352,013	5,412,451	(60,438)
Instructional Resources and Media Services	133,847	150,867	(17,020)
Curriculum Dev. And Instructional Staff Dev.	387,111	421,421	(34,310)
Instructional Leadership	271,986	287,136	(15,150)
School Leadership	599,254	635,085	(35,831)
Guidance, Counseling and Evaluation Services	303,816	327,097	(23,281)
Health Services	119,894	119,937	(43)
Student (Pupil) Transportation	334,947	289,540	45,407
Food Services	568,136	559,354	8,782
Curricular/Extracurricular Activities	627,284	635,058	(7,774)
General Administration	591,551	587,118	4,433
Plant Maintenance & Oper.	1,596,238	1,613,056	(16,818)
Security and Monitoring Services	29,888	8,894	20,994
Data Processing Services	147,747	133,978	13,769
Interest on Long-term Debt	234,557	247,907	(13,350)
Bond Fees	1,697	1,693	4
Other Intergovernmental Charges	68,266	70,316	(2,050)
Total Expenses	<u>\$ 11,368,232</u>	<u>\$ 11,500,908</u>	<u>\$ (132,676)</u>
Special Items	<u>164,257</u>	<u>142,695</u>	<u>21,562</u>
Change in Net Position	<u>842,616</u>	<u>(337,685)</u>	<u>1,180,301</u>
Net Assets Beginning	<u>2,962,424</u>	<u>3,300,109</u>	<u>(337,685)</u>
Net Assets Ending	<u>\$ 3,805,040</u>	<u>\$ 2,962,424</u>	<u>\$ 842,616</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 \$11,368,232.
- However, the amount that our taxpayers paid for these activities through property taxes was \$3,760,585.
- Some of the cost was paid by those who directly benefited from the programs \$222,883, or
- By grants and contributions \$2,053,697

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2014	2013		2014	2013	
Instruction	\$ 5,352,013	\$ 5,412,451	-1.13%	\$ 4,419,851	\$ 4,345,470	1.68%
School Leadership	599,254	635,085	-5.98%	566,327	593,006	-4.71%
General Administration	591,551	587,118	0.75%	559,047	548,217	1.94%
Plant Maintenance & Operations	1,596,238	1,613,056	-1.05%	1,508,529	1,504,873	0.24%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$12,008,429, an increase of 8.8% over the preceding year \$11,036,822.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget to account for increased revenue received. However, the actual revenue received was \$146,775 or 2.13% less than the final estimated revenue. The increase in revenue was due to the passing of the TRE (tax ratification election). The actual final expenditures were less than the appropriations by \$243,775. The district needed to intentionally increase the fund balance and be prepared for potential district emergency needs such as HVAC systems and roofs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had invested a net of \$8,048,480 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 \$45,654.

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

	Government Activities		Total 2014
	2013	Additions	
Land	\$ 145,973	\$	\$ 145,973
Buildings and improvements	14,813,657		14,813,657
Equipment & Vehicles	2,734,681	308,422	3,043,103
Totals at historical cost	17,694,311	308,422	18,002,733
Total accumulated depreciation	9,600,177	354,076	9,954,253
Net capital assets	\$ 8,094,134	\$ (45,654)	\$ 8,048,480

The District's expenditures for capital projects in fiscal year 2014 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 \$4,659,998 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	
	2014	2013
Bonds Payable	\$ 4,659,998	\$ 4,904,997
Accretion Payable	526,388	502,203
Capital Lease Payable	118,134	
Maintenance Notes	180,000	360,000
	<u>\$ 5,484,520</u>	<u>\$ 5,767,200</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's general fund balance increased \$592,637 in 2014 to \$830,128. The increase was due mainly to the passing of a TRE (tax ratification election), and an increase in tax collections
- The District's refined average daily attendance has declined over the past 5 years however with multiple student incentives , the districts ADA is potentially on the rise.
- Additional revenue from a Chapter 313 agreement is expected to be \$249,276 in lieu of taxes.
- State program revenue is expected to remain the same for 2014-2015 due to a tax rate increase approved by voters in November 2013.
- General operating expenditures are expected to decrease due to personnel decreasing.

Estimated revenue available for appropriation in the general fund budget for 2014-2015 is \$9,713,661, an increase of 14.18% from the final 2013-2014 receipts of \$8,695,746.

Expenditures are budgeted to decrease to \$9,713,661 for 2014-2015.

If these estimates are realized, the District's budgetary general fund balance should be increased approximately \$441,312 at close of 2014-2015.

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, 2014

1

Data Control Codes	Governmental Activities
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 950,346
1225 <i>Property Taxes Receivable (Net)</i>	213,525
1240 <i>Due from Other Governments</i>	488,825
1267 <i>Due from Fiduciary</i>	66,559
1290 <i>Other Receivables (Net)</i>	36,276
1300 <i>Inventories</i>	19,547
1410 <i>Unrealized Expenses</i>	122,989
Capital Assets:	
1510 <i>Land</i>	145,973
1520 <i>Buildings and Improvements, Net</i>	7,408,297
1530 <i>Furniture and Equipment, Net</i>	494,210
1000 Total Assets	<u>9,946,547</u>
LIABILITIES:	
2110 <i>Accounts Payable</i>	176,137
2165 <i>Accrued Liabilities</i>	350,151
2300 <i>Unearned Revenue</i>	130,699
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	373,369
2502 <i>Due in More Than One Year</i>	5,111,151
2000 Total Liabilities	<u>6,141,507</u>
NET POSITION:	
3200 Net Investment in Capital Assets	3,090,348
Restricted For:	
3820 <i>Federal and State Programs</i>	47,436
3850 <i>Debt Service</i>	104,303
3900 <i>Unrestricted</i>	562,953
3000 Total Net Position	<u>\$ 3,805,040</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, 2014

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 5,352,013	\$ 45,540	\$ 886,622	\$ (4,419,851)	
12	Instructional Resources and Media Services	133,847	1,319	6,060	(126,468)	
13	Curriculum and Staff Development	387,111	1,479	236,877	(148,755)	
21	Instructional Leadership	271,986	756	193,054	(78,176)	
23	School Leadership	599,254	5,907	27,020	(566,327)	
31	Guidance, Counseling, & Evaluation Services	303,816	2,162	91,933	(209,721)	
33	Health Services	119,894	1,182	5,406	(113,306)	
34	Student Transportation	334,947	2,991	13,680	(318,276)	
35	Food Service	568,136	132,046	408,143	(27,947)	
36	Cocurricular/Extracurricular Activities	627,284	6,184	28,284	(592,816)	
41	General Administration	591,551	5,831	26,673	(559,047)	
51	Facilities Maintenance and Operations	1,596,238	15,735	71,974	(1,508,529)	
52	Security and Monitoring Services	29,888	295	1,348	(28,245)	
53	Data Processing Services	147,747	1,456	6,662	(139,629)	
72	Interest on Long-term Debt	234,557	--	49,981	(184,596)	
73	Bond Issuance Costs and Fees	1,697	--	--	(1,697)	
99	Other Intergovernmental Charges	68,266	--	--	(68,266)	
TG	Total Governmental Activities	<u>11,368,232</u>	<u>222,883</u>	<u>2,053,697</u>	<u>(9,091,652)</u>	
TP	Total Primary Government	<u>\$ 11,368,232</u>	<u>\$ 222,883</u>	<u>\$ 2,053,697</u>	<u>(9,091,652)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				3,371,886	
DT	Property Taxes, Levied for Debt Service				388,699	
IE	Investment Earnings				1,242	
GC	Grants and Contributions Not Restricted to Specific Programs				5,946,521	
MI	Miscellaneous				61,663	
	Special and Extraordinary Items:					
S1	Special Item Inflow				164,257	
TR	Total General Revenues				<u>9,934,268</u>	
CN	Change in Net Position				<u>842,616</u>	
NB	Net Position - Beginning				<u>2,962,424</u>	
NE	Net Position - Ending				<u>\$ 3,805,040</u>	

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110	\$ 865,278	\$ 24,560	\$ 889,838
1225	192,903	20,622	213,525
1240	316,760	172,065	488,825
1260	130,254	12,899	143,153
1290	36,276	--	36,276
1300	--	19,547	19,547
1410	122,988	--	122,988
1000	<u>1,664,459</u>	<u>249,693</u>	<u>1,914,152</u>
LIABILITIES:			
Current Liabilities:			
2110	\$ 137,499	\$ 9,892	\$ 147,391
2150	8,028	1,728	9,756
2160	324,289	16,106	340,395
2170	40,913	35,681	76,594
2300	130,699	--	130,699
2000	<u>641,428</u>	<u>63,407</u>	<u>704,835</u>
DEFERRED INFLOWS OF RESOURCES:			
	192,903	20,622	213,525
2600	<u>192,903</u>	<u>20,622</u>	<u>213,525</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410	--	19,547	19,547
Restricted Fund Balances:			
3450	--	27,889	27,889
3480	--	107,303	107,303
3490	--	10,925	10,925
Committed Fund Balances:			
3530	100,000	--	100,000
3600	730,128	--	730,128
3000	<u>830,128</u>	<u>165,664</u>	<u>995,792</u>
Total Liabilities, Deferred Inflow			
4000	<u>1,664,459</u>	<u>249,693</u>	<u>1,914,152</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2014

Total fund balances - governmental funds balance sheet	\$ 995,792
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.	8,048,480
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	213,525
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	31,763
Payables for bond principal which are not due in the current period are not reported in the funds.	(4,659,997)
Payables for capital leases which are not due in the current period are not reported in the funds.	(118,134)
Payables for notes which are not due in the current period are not reported in the funds.	(180,000)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(526,388)
Rounding difference	(1)
Net position of governmental activities - Statement of Net Position	<u>\$ 3,805,040</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, 2014

Data Control Codes	10	Other	98
	General Fund	Governmental Funds	Total Governmental Funds
REVENUES:			
5700	\$ 3,476,583	\$ 531,909	\$ 4,008,492
5800	6,205,093	247,112	6,452,205
5900	66,582	1,481,150	1,547,732
5020	<u>9,748,258</u>	<u>2,260,171</u>	<u>12,008,429</u>
EXPENDITURES:			
Current:			
0011	4,425,714	768,855	5,194,569
0012	129,908	26	129,934
0013	145,684	230,110	375,794
0021	74,438	189,597	264,035
0023	581,735	--	581,735
0031	212,889	82,045	294,934
0033	116,389	--	116,389
0034	583,440	--	583,440
0035	4,181	547,346	551,527
0036	608,946	--	608,946
0041	574,257	--	574,257
0051	1,549,573	--	1,549,573
0052	29,014	--	29,014
0053	143,429	--	143,429
0071	240,838	245,000	485,838
0072	8,850	201,523	210,373
0073	1,299	398	1,697
0099	68,266	--	68,266
6030	<u>9,498,850</u>	<u>2,264,900</u>	<u>11,763,750</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	(4,729)	244,679
Other Financing Sources and (Uses):			
7913	178,972	--	178,972
7949	249,276	--	249,276
8949	(85,019)	--	(85,019)
7080	<u>343,229</u>	<u>--</u>	<u>343,229</u>
1200	592,637	(4,729)	587,908
0100	Fund Balances - Beginning	237,491	170,393
3000	<u>Fund Balances - Ending</u>	<u>\$ 830,128</u>	<u>\$ 165,664</u>
			<u>\$ 996,792</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, 2014

Net change in fund balances - total governmental funds	\$ 587,908
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	308,422
The depreciation of capital assets used in governmental activities is not reported in the funds.	(354,076)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	38,163
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	245,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	60,838
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	180,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	(24,184)
The net revenue (expense) of internal service funds is reported with governmental activities.	(20,482)
Proceeds of leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(178,972)
Rounding difference	(1)
Change in net position of governmental activities - Statement of Activities	<u>\$ 842,616</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT*STATEMENT OF NET POSITION**INTERNAL SERVICE FUND**AUGUST 31, 2014*

Nonmajor Internal Service Fund

Insurance Fund

Data Control Codes

ASSETS:

Current Assets:

1110	Cash and Cash Equivalents	\$	60,509
	Total Current Assets		60,509
1000	Total Assets		60,509

LIABILITIES:

Current Liabilities:

2110	Accounts Payable	\$	28,746
	Total Current Liabilities		28,746
2000	Total Liabilities		28,746

NET POSITION:

3900	Unrestricted		31,763
3000	Total Net Position	\$	31,763

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT*STATEMENT OF REVENUES, EXPENSES, AND CHANGES**IN FUND NET POSITION - INTERNAL SERVICE FUND**FOR THE YEAR ENDED AUGUST 31, 2014*

Data Control Codes		Nonmajor Internal Service Fund
		Insurance Fund
	OPERATING REVENUES:	
5700	<i>Local and Intermediate Sources</i>	\$ 38,693
5020	Total Revenues	<u>38,693</u>
	OPERATING EXPENSES:	
6100	<i>Payroll Costs</i>	4,221
6200	<i>Professional and Contracted Services</i>	26,880
6400	<i>Other Operating Costs</i>	28,074
6030	Total Expenses	<u>59,175</u>
1300	Change in Net Position	(20,482)
0100	Total Net Position - Beginning	52,245
3300	Total Net Position - Ending	<u>\$ 31,763</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2014

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ --
Cash Received from Grants	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	38,693
Cash Payments to Employees for Services	(4,221)
Cash Payments to Other Suppliers for Goods and Services	(53,854)
Cash Payments for Grants to Other Organizations	--
Other Operating Cash Receipts (Payments)	--
Net Cash Provided (Used) by Operating Activities	<u>(19,382)</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Other Funds	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
Cash Flows from Capital and Related Financing Activities:	
Contributed Capital	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(19,382)
Cash and Cash Equivalents at Beginning of Year	79,891
Cash and Cash Equivalents at End of Year	<u>\$ 60,509</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (20,482)
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	--
Decrease (Increase) in Prepaid Expenses	--
Increase (Decrease) in Accounts Payable	1,100
Increase (Decrease) in Interfund Payables	--
Increase (Decrease) in Accrued Expenses	--
Total Adjustments	<u>1,100</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (19,382)</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, 2014

Data Control Codes		Private-purpose Trust Fund	Agency Fund
		Scholarship Fund	Student Activity
ASSETS:			
1110	Cash and Cash Equivalents	\$ 606,113	\$ 104,746
1000	Total Assets	<u>606,113</u>	<u>104,746</u>
LIABILITIES:			
Current Liabilities:			
2110	Accounts Payable	\$ 225	\$ --
2170	Due to Other Funds	--	66,559
2190	Due to Student Groups	--	38,187
2400	Payable from Restricted Assets	603,858	--
2000	Total Liabilities	<u>604,083</u>	<u>104,746</u>
NET POSITION:			
3800	Held in Trust	2,030	--
3000	Total Net Position	<u>\$ 2,030</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

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

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. 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.

In addition, the District reports the following fund types:

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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, with the exception of property taxes, which are fully deferred because the amount collected after year end is considered immaterial. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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	\$ 492,729	\$ 52,674	\$ 545,403
Allowance for Uncollectible Accounts	(299,826)	(32,052)	(331,878)
Net Taxes	\$ 192,903	\$ 20,622	\$ 213,525

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

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

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

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

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide 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.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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.

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 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 Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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

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.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Expenditures exceeded budget:

	Budget	Actual	Variance
<u>General Fund:</u>			
0013 Curriculum and Staff Development	143,865	145,684	(1,819)
0023 School Leadership	568,765	581,735	(12,970)
0031 Guidance, Counseling & Evaluation	212,390	212,889	(499)
0035 Food Services	4,000	4,181	(181)
0036 Cocurricular/Extracurricular Activities	568,601	608,946	(40,345)
0051 Plant Maintenance and Operations	1,527,151	1,549,573	(22,422)
0053 Data Processing	142,640	143,429	(789)
0073 Bond Issuance Costs and Fees	800	1,299	(499)
<u>National School Breakfast and Lunch Program</u>			
0035	530,620	547,346	(16,726)

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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, 2014, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$874,830 and the bank balance was \$1,032,647. The District's cash deposits at August 31, 2014 and during the year ended August 31, 2014, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

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

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

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

The District's investments at August 31, 2014 are shown below.
 These investments are included with Cash and Cash Equivalents.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Rate</u>
Lone Star Investment	N/A	\$ 786,366	AAAm
TexPool	N/A	10	AAAm
Total Investments		<u>\$ 786,376</u>	

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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.

Public Funds Investment Pools

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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

D. Capital Assets

Capital asset activity for the year ended August 31, 2014, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 145,973	\$ --	\$ --	\$ 145,973
Total capital assets not being depreciated	<u>145,973</u>	<u>--</u>	<u>--</u>	<u>145,973</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	14,813,657	--	--	14,813,657
Equipment	1,939,734	19,500	--	1,959,234
Vehicles	794,947	288,922	--	1,083,869
Total capital assets being depreciated	<u>17,548,338</u>	<u>308,422</u>	<u>--</u>	<u>17,856,760</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,118,187)	(287,173)	--	(7,405,360)
Equipment	(1,818,892)	(26,474)	--	(1,845,366)
Vehicles	(663,098)	(40,429)	--	(703,527)
Total accumulated depreciation	<u>(9,600,177)</u>	<u>(354,076)</u>	<u>--</u>	<u>(9,954,253)</u>
Total capital assets being depreciated, net	<u>7,948,161</u>	<u>(45,654)</u>	<u>--</u>	<u>7,902,507</u>
Governmental activities capital assets, net	<u>\$ 8,094,134</u>	<u>\$ (45,654)</u>	<u>\$ --</u>	<u>\$ 8,048,480</u>

Depreciation was charged to functions as follows:

Instruction	\$ 156,462
Instructional Resources and Media Services	3,913
Curriculum and Staff Development	11,317
Instructional Leadership	7,951
School Leadership	17,519
Guidance, Counseling, & Evaluation Services	8,882
Health Services	3,505
Student Transportation	40,429
Food Services	16,609
Extracurricular Activities	18,338
General Administration	17,294
Plant Maintenance and Operations	46,665
Security and Monitoring Services	874
Data Processing Services	4,318
	<u>\$ 354,076</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2014, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	General Fund (Payroll Clearing)	\$ 28,164	Short-term loans
General Fund	Other Governmental Funds	35,531	Short-term loan: Short-term loans
General Fund	Agency Fund	66,559	Short-term loan: Short-term loans
Other Governmental Funds	General Fund	12,749	Short-term loan: Short-term loans
Other Governmental Funds	Other Governmental Funds	150	Short-term loan: Short-term loans
	Total	<u>\$ 143,153</u>	

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

F. Long-Term Obligations

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

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, 2014, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Unlimited Tax Refunding					
Bonds, Series 2006, 4.0%	\$ 4,369,998	\$ --	\$ 120,000	\$ 4,249,998	\$ 125,000
Unlimited Tax Refunding					
Bonds, Series 2001, 6.25%	535,000		125,000	410,000	130,000
Total Bonds	4,904,998	--	245,000	4,659,998	255,000
Maintenance Tax Notes					
Series 2009 3.83%	120,000		120,000	--	
Series 2012 .085%	240,000		60,000	180,000	60,000
Capital Lease					
2.4% Capital Lease-buses		178,972	60,838	118,134	58,369
Capital Appreciation Bonds:					
Accretion on 2006					
Refunding Bonds	\$ 502,203	\$ 24,185		\$ 526,388	
Total Long-term Liabilities	\$ 5,767,201	\$ 203,157	\$ 485,838	\$ 5,484,520	\$ 373,369
				<u>373,369</u>	
				<u>\$ 5,111,151</u>	

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

* Other long-term liabilities

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

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

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2014, are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	22,245	424,903	447,148
2020-2024	1,545,000	692,338	2,237,338
2025-2029	1,880,000	351,052	2,231,052
2030-2034	505,000	32,300	537,300
Totals	\$ 4,659,998	\$ 2,580,545	\$ 7,240,543

<u>Year Ending August 31,</u>	<u>Governmental Activities - Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 60,000	\$ 3,270	\$ 63,270
2016	60,000	2,454	62,454
2017	60,000	1,302	61,302
Totals	\$ 180,000	\$ 7,026	\$ 187,026

<u>Year Ending August 31,</u>	<u>Capital Lease</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 58,369	\$ 2,835	\$ 61,204
2016	59,765	1,437	61,202
Totals	\$ 118,134	\$ 4,272	\$ 122,406

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 2014, 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.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

H. Pension Plan

1. Plan Description

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

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 2014, 2013 and 2012, and a state contribution rate of 6.8% for fiscal year 2014, 6.4% for fiscal year 2013, and 6.0% for fiscal year 2012. 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, 2014, 2013 and 2012 were \$406,510, \$357,377 and \$360,473, respectively. The District paid additional state contributions for the years ending August 31, 2014, 2013 and 2012 in the amount of \$71,288, \$84,143 and \$74,505, 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 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.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rates was 0.5% for fiscal year 2014, 0.5% for fiscal year 2013 and 1.0% for fiscal year 2012 and the active public school payroll, respectively, with school districts For the years ended August 31, 2014, 2013, and 2012, the State's contributions to TRS-Care were \$48,728, \$43,548, and \$42,260, respectively, the active member contributions were \$41,286, \$33,497, and \$35,758, respectively, and the District's contributions were \$21,678, \$18,067, and \$17,046, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2014, 2013, and 2012, the subsidy payments received by TRS-Care on behalf of the District were \$16,597, \$18,067, and \$17,046, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2014, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

K. Commitments and Contingencies

1. Contingencies

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2014

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:

Member Districts

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

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

M. Special Items

The District has entered into a Chapter 313 of the Texas Tax Code Agreement with EC&R Papalote Creek I, LLC. The transactions relating to the agreement are being reported as Special Items in Exhibit B-1 and Other Resources and Other Uses in Exhibit C-2.

In accordance with the agreement, the District received a payment in Lieu of Taxes from the Company of \$249,276 during the fiscal year ending August 31, 2014. However, beginning with the Tax Year 2012, and in each of the subsequent six years, the District has to begin to pay back the Company \$85,019 per year as a refund against the credit.

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, 2014

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original		Final				
REVENUES:							
5700	Local and Intermediate Sources	\$ 3,090,985	\$ 3,466,978	\$ 3,476,583	\$ 9,605		
5800	State Program Revenues	5,956,512	6,302,755	6,205,093	(97,662)		
5900	Federal Program Revenues	135,000	125,300	66,582	(58,718)		
5020	Total Revenues	9,182,497	9,895,033	9,748,258	(146,775)		
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	4,516,496	4,639,291	4,425,714	213,577		
0012	Instructional Resources and Media Services	146,476	142,605	129,908	12,697		
0013	Curriculum and Staff Development	167,746	143,865	146,684	(1,819)		
	Total Instruction & Instr. Related Services	4,830,718	4,925,761	4,701,306	224,455		
Instructional and School Leadership:							
0021	Instructional Leadership	113,800	77,250	74,438	2,812		
0023	School Leadership	614,036	568,765	581,735	(12,970)		
	Total Instructional & School Leadership	727,836	646,015	656,173	(10,158)		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	228,576	212,390	212,889	(499)		
0033	Health Services	121,729	127,329	116,389	10,940		
0034	Student (Pupil) Transportation	304,309	595,119	583,440	11,679		
0035	Food Services	4,000	4,000	4,181	(181)		
0036	Cocurricular/Extracurricular Activities	593,370	568,601	608,946	(40,345)		
	Total Support Services - Student (Pupil)	1,251,984	1,507,439	1,525,845	(18,406)		
Administrative Support Services:							
0041	General Administration	548,760	616,283	574,257	42,026		
	Total Administrative Support Services	548,760	616,283	574,257	42,026		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	1,546,983	1,527,151	1,549,573	(22,422)		
0052	Security and Monitoring Services	27,019	32,919	29,014	3,905		
0053	Data Processing Services	166,172	142,640	143,429	(789)		
	Total Support Services - Nonstudent Based	1,740,174	1,702,710	1,722,016	(19,306)		
Debt Service:							
0071	Principal on Long-Term Debt	180,000	240,838	240,838	--		
0072	Interest on Long-Term Debt	8,500	8,865	8,850	15		
0073	Bond Issuance Costs and Fees	800	800	1,299	(499)		
	Total Debt Service	189,300	250,503	250,987	(484)		
0099	Other Intergovernmental Charges	65,500	93,914	68,266	25,648		
	Total Intergovernmental Charges	65,500	93,914	68,266	25,648		
6030	Total Expenditures	9,354,272	9,742,625	9,498,850	243,775		
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	(171,775)	152,408	249,408	97,000		
Other Financing Sources (Uses):							
7913	Issuance of Capital Leases	--	178,972	178,972	--		

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
7949	Other Resources	266,000	335,276	249,276	(86,000)
8949	Other Uses	(86,000)	(85,019)	(85,019)	--
7080	Total Other Financing Sources and (Uses)	180,000	429,229	343,229	(86,000)
1200	Net Change in Fund Balance	8,225	581,637	692,637	11,000
0100	Fund Balance - Beginning	237,491	237,491	237,491	--
3000	Fund Balance - Ending	\$ 245,716	\$ 819,128	\$ 830,128	\$ 11,000

*Combining Statements and Budget Comparisons
as Supplementary Information*

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2014

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:				
1110	Cash and Cash Equivalents	\$ (77,096)	\$ 101,656	\$ 24,560
1225	Taxes Receivable, Net	--	20,622	20,622
1240	Due from Other Governments	172,065	--	172,065
1260	Due from Other Funds	7,252	5,647	12,899
1300	Inventories	19,547	--	19,547
1000	Total Assets	121,768	127,925	249,693
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 9,892	\$ --	\$ 9,892
2150	Payroll Deductions & Withholdings	1,728	--	1,728
2160	Accrued Wages Payable	16,106	--	16,106
2170	Due to Other Funds	35,681	--	35,681
2000	Total Liabilities	63,407	--	63,407
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue	--	20,622	20,622
2600	Total Deferred Inflows of Resources	--	20,622	20,622
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	Inventories	19,547	--	19,547
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	27,889	--	27,889
3480	Retirement of Long-Term Debt	--	107,303	107,303
3490	Other Restrictions of Fund Balance	10,925	--	10,925
3000	Total Fund Balances	58,361	107,303	165,664
Total Liabilities, Deferred Inflow				
4000	of Resources and Fund Balances	\$ 121,768	\$ 127,925	\$ 249,693

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700	Local and Intermediate Sources	\$ 142,929	\$ 388,980	\$ 531,909
5800	State Program Revenues	197,432	49,680	247,112
5900	Federal Program Revenues	1,481,150	--	1,481,150
5020	Total Revenues	<u>1,821,511</u>	<u>438,660</u>	<u>2,260,171</u>
EXPENDITURES:				
Current:				
0011	Instruction	768,855	--	768,855
0012	Instructional Resources and Media Services	26	--	26
0013	Curriculum and Staff Development	230,110	--	230,110
0021	Instructional Leadership	189,597	--	189,597
0031	Guidance, Counseling, & Evaluation Services	82,045	--	82,045
0035	Food Service	547,346	--	547,346
0071	Principal on Long-term Debt	--	245,000	245,000
0072	Interest on Long-term Debt	--	201,523	201,523
0073	Bond Issuance Costs and Fees	--	398	398
6030	Total Expenditures	<u>1,817,979</u>	<u>446,921</u>	<u>2,264,900</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	3,532	(8,261)	(4,729)
1200	Net Change in Fund Balances	<u>3,532</u>	<u>(8,261)</u>	<u>(4,729)</u>
0100	Fund Balances - Beginning	54,829	115,564	170,393
3000	Fund Balances - Ending	<u>\$ 58,361</u>	<u>\$ 107,303</u>	<u>\$ 165,664</u>

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2014

Data Control Codes	224 IDEA-B Formula	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
ASSETS:			
1110 Cash and Cash Equivalents	\$ (9,543)	\$ 43,763	\$ (13,636)
1240 Due from Other Governments	14,050	10,464	13,636
1260 Due from Other Funds	--	--	--
1300 Inventories	--	19,547	--
1000 Total Assets	4,507	73,774	--
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ --	\$ 9,645	\$ --
2150 Payroll Deductions & Withholdings	--	587	--
2160 Accrued Wages Payable	--	16,106	--
2170 Due to Other Funds	4,507	--	--
2000 Total Liabilities	4,507	26,338	--
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 Inventories	--	19,547	--
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	27,889	--
3490 Other Restrictions of Fund Balance	--	--	--
3000 Total Fund Balances	--	47,436	--
4000 Total Liabilities and Fund Balances	\$ 4,507	\$ 73,774	\$ --

263 English Language Acquisition and Enhancement	265 21st Century Community Learning Centers	289 Texas Literacy INIT	409 Texas High School Project	410 State Textbook Fund
\$ (1,540)	\$ (41,588)	\$ (19,306)	\$ (32,893)	\$ 31,024
1,540	41,588	13,592	32,893	--
--	--	7,102	150	--
--	--	--	--	--
--	--	1,388	150	31,024
\$ --	\$ --	\$ 247	\$ --	\$ --
--	--	1,141	--	--
--	--	--	--	--
--	--	--	150	31,024
--	--	1,388	150	31,024
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ 1,388	\$ 150	\$ 31,024

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2014

Data Control Codes	429 State Funded Special Revenue Fund	480 Donor Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ (44,302)	\$ 10,925	\$ (77,096)
1240	Due from Other Governments	44,302	--	172,065
1260	Due from Other Funds	--	--	7,252
1300	Inventories	--	--	19,547
1000	Total Assets	--	10,925	121,768
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ --	\$ --	\$ 9,892
2150	Payroll Deductions & Withholdings	--	--	1,728
2160	Accrued Wages Payable	--	--	16,106
2170	Due to Other Funds	--	--	35,681
2000	Total Liabilities	--	--	63,407
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	Inventories	--	--	19,547
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	--	27,889
3490	Other Restrictions of Fund Balance	--	10,925	10,925
3000	Total Fund Balances	--	10,925	58,361
4000	Total Liabilities and Fund Balances	\$ --	\$ 10,925	\$ 121,768

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, 2014

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 132,004
5800 <i>State Program Revenues</i>	--	--	--	3,391
5900 <i>Federal Program Revenues</i>	192,141	177,771	414	404,558
5020 Total Revenues	<u>192,141</u>	<u>177,771</u>	<u>414</u>	<u>539,953</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	166,065	94,236	344	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	26,076	1,490	70	--
0021 <i>Instructional Leadership</i>	--	--	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	82,045	--	--
0035 <i>Food Service</i>	--	--	--	547,346
6030 Total Expenditures	<u>192,141</u>	<u>177,771</u>	<u>414</u>	<u>547,346</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	--	--	(7,393)
1200 Net Change in Fund Balances	--	--	--	(7,393)
0100 Fund Balances - Beginning	--	--	--	54,829
3000 Fund Balances - Ending	\$ --	\$ --	\$ --	\$ 47,436

244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	265 21st Century Community Learning Centers	289 Texas Literacy INIT
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
8,061	62,668	1,540	243,623	390,374
<u>8,061</u>	<u>62,668</u>	<u>1,540</u>	<u>243,623</u>	<u>390,374</u>
7,811	62,668	--	108,571	181,529
--	--	--	--	--
250	--	1,540	377	159,222
--	--	--	134,675	49,623
--	--	--	--	--
--	--	--	--	--
<u>8,061</u>	<u>62,668</u>	<u>1,540</u>	<u>243,623</u>	<u>390,374</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	409 Texas High School Project	410 State Textbook Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --
5800 <i>State Program Revenues</i>	59,182	90,531
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>59,182</u>	<u>90,531</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	23,405	90,531
0012 <i>Instructional Resources and Media Services</i>	--	--
0013 <i>Curriculum and Staff Development</i>	31,714	--
0021 <i>Instructional Leadership</i>	4,063	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--
0035 <i>Food Service</i>	--	--
6030 Total Expenditures	<u>59,182</u>	<u>90,531</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	--	--
1200 Net Change in Fund Balances	--	--
0100 Fund Balances - Beginning	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

429 State Funded Special Revenue Fund	480 Donor Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ 10,925	\$ 142,929
44,328	--	197,432
--	--	1,481,150
<u>44,328</u>	<u>10,925</u>	<u>1,821,511</u>
33,695	--	768,855
26	--	26
9,371	--	230,110
1,236	--	189,597
--	--	82,045
--	--	547,346
<u>44,328</u>	<u>--</u>	<u>1,817,979</u>
--	10,925	3,532
--	<u>10,925</u>	<u>3,532</u>
--	--	54,829
<u>\$ --</u>	<u>\$ 10,925</u>	<u>\$ 58,361</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, 2014

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2005 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.04		.1267		283,259,110
2014 (School Year Under Audit)		1.17		.1173		336,993,059

1000 Totals

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

10 Beginning Balance 9/1/13	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/14
\$ 126,826	\$ --	\$ 1,220	\$ 123	\$ (4,188)	\$ 121,294
15,809	--	506	37	(645)	14,621
22,261	--	1,470	140	(647)	20,004
22,319	--	2,235	235	(830)	19,019
30,972	--	2,100	220	(861)	27,791
39,605	--	3,014	315	(28)	36,247
43,822	--	5,210	491	(60)	38,081
59,226	--	15,649	1,639	171	42,109
112,072	--	42,225	5,144	(5,249)	59,454
--	4,243,525	3,098,870	310,682	(667,171)	166,802
\$ 472,912	\$ 4,243,525	\$ 3,172,500	\$ 319,025	\$ (679,509)	\$ 545,402
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	1	2	3 Variance Positive (Negative)	
	Budget	Actual		
REVENUES:				
5700	Local and Intermediate Sources	\$ 135,120	\$ 132,004	\$ (3,116)
5800	State Program Revenues	3,500	3,391	(109)
5900	Federal Program Revenues	392,000	404,558	12,558
5020	Total Revenues	<u>530,620</u>	<u>539,953</u>	<u>9,333</u>
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035	Food Services	530,620	547,346	(16,726)
	Total Support Services - Student (Pupil)	<u>530,620</u>	<u>547,346</u>	<u>(16,726)</u>
6030	Total Expenditures	<u>530,620</u>	<u>547,346</u>	<u>(16,726)</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	--	(7,393)	(7,393)
1200	Net Change in Fund Balance	--	(7,393)	(7,393)
0100	Fund Balance - Beginning	54,829	54,829	--
3000	Fund Balance - Ending	\$ 54,829	\$ 47,436	\$ (7,393)

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 375,728	\$ 388,980	\$ 13,252
5800 State Program Revenues	71,695	49,680	(22,015)
5020 Total Revenues	<u>447,423</u>	<u>438,660</u>	<u>(8,763)</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	245,000	245,000	--
0072 Interest on Long-Term Debt	201,523	201,523	--
0073 Bond Issuance Costs and Fees	900	398	502
Total Debt Service	<u>447,423</u>	<u>446,921</u>	<u>502</u>
6030 Total Expenditures	<u>447,423</u>	<u>446,921</u>	<u>502</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(8,261)	(8,261)
1200 Net Change in Fund Balance	--	(8,261)	(8,261)
0100 Fund Balance - Beginning	115,564	115,564	--
3000 Fund Balance - Ending	<u>\$ 115,564</u>	<u>\$ 107,303</u>	<u>\$ (8,261)</u>

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

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

Professional Associates & Senior Advisor:
Betty Morales, CPA
Erika M. Post
Greg Morales
Daniel Ibarra
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, 2014, and the related notes to the financial statements, which collectively comprise Odem-Edroy Independent School District's basic financial statements, and have issued our report thereon dated January 16, 2015.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2014-1, that we consider to be significant deficiencies.

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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*.

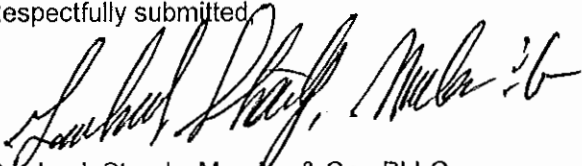
Odem-Edroy Independent School District's Response to Findings

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, Streatly, Morales & Co., PLLC

Corpus Christi, Texas
January 16, 2015

Gowland, Streatly, Morales & Company

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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, 2014. 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.

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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, 2014.

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.

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

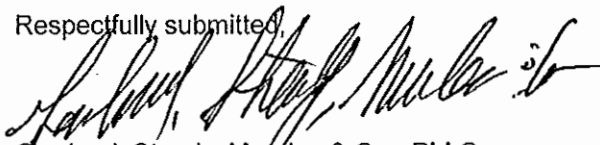
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-1 to be a significant deficiency.

Odem-Edroy Independent School District's response to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the response.

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, Streatly, Morales & Co., PLLC

Corpus Christi, Texas
January 16, 2015

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

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? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

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

84.371C Texas Literacy Init
Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes X No

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2014

B. Financial Statement Findings

2014-1

Condition: There was a lack of accounting expertise to provide reliable internal control over the initiating, authorizing, recording and processing financial data. Expenditures were recorded in the wrong project years in some funds. Payroll was accrued in the Federal Programs, but not included in the expenditure reports submitted to TEA. Penalty and Interest received for the Interest and Sinking Fund was recorded in the General Fund for the whole year.

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

Cause: The business manager lacked the knowledge of accounting procedures and the the software program to provide reliable reports and then to reconcile accounts to the general ledger and to the TEA expenditure reports. The staff is new to the position and lacks knowledge of the software and what reports are available. Although numerous, the entries were isolated and corrected at the end of the year.

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

Recommendation: The District should establish procedures to ensure reconciliations are completed accurately and timely each month. Management should take every opportunity to take training courses and attend TASBO meetings.

C. Federal Award Findings and Questioned Costs

2014-1

Condition: There was a lack of accounting expertise to provide reliable internal control over the initiating, authorizing, recording and processing financial data. Expenditures were recorded in the wrong project years in some funds. Payroll was accrued in the Federal Programs, but not included in the expenditure reports submitted to TEA. Penalty and Interest received for the Interest and Sinking Fund was recorded in the General Fund for the whole year.

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

Cause: The business manager lacked the knowledge of accounting procedures and the the software program to provide reliable reports and then to reconcile accounts to the general ledger and to the TEA expenditure reports. The staff is new to the position and lacks knowledge of the software and what reports are available. Although numerous, the entries were isolated and corrected at the end of the year.

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

Recommendation: The District should establish procedures to ensure reconciliations are completed accurately and timely each month. Management should take every opportunity to take training courses and attend TASBO meetings.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2014

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
2013-1 Purchasing and Encumbrances	Implemented	
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.		
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
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2014

Financial Statement Findings

Federal Award Findings and Questioned Costs

2014-1

New Business Manager will begin attending TASBO meetings and courses to familiarize herself With the accounting procedures.

The District has also contracted with the Region II Education Service Center to provide help.

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

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2014*

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed Through State Department of Education:			
Medicaid Administrative Claiming Program-MAC *	93.778	205-905	\$ 3,564
Total U. S. Department of Health and Human Services			<u>3,564</u>
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	14610101205905	197,068
IDEA-B Formula *	84.027	146600012059056000	179,210
Career and Technical - Basic Grant	84.048	14420006178950	8,061
IDEA-B Preschool *	84.173	146610012059056000	424
Title IV Part B 21st Century Community Learning Centers	84.287	146950177110049	243,623
Passed Through Region II Education Service Center:			
Title III Part A English Language Acquisition and Language Enhancement	84.365	14671001178950	1,540
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	14694501205905	64,112
Texas Literacy Init	84.371C	126460037110021	31,764
Texas Literacy	84.371C	136460037110021	268,831
Texas Literacy Init	84.371C	14646037110021	89,779
Total CFDA Number 84.371C			<u>390,374</u>
Total Passed Through State Department of Education			<u>1,084,412</u>
Total U. S. Department of Education			<u>1,084,412</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	71401401	61,495
National School Lunch Program *	10.555	71301401	305,028
National School Lunch Program (Non-cash) *	10.555	205-905	38,035
Total CFDA Number 10.555			<u>343,063</u>
Total Passed Through State Department of Education			<u>404,558</u>
Total U. S. Department of Agriculture			<u>404,558</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,492,533</u>
* Indicates clustered program under OMB Circular A-133 Compliance Supplement			
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,492,533</u>
School Health & Related Services (SHARS)			<u>55,199</u>
TOTAL EXHIBIT C-2			<u>\$ 1,547,732</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, 2014

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, 2014

<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?	\$ 526,388