

IDALOU INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012

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Idalou, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2012

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INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Idalou Independent School District
Name of School District

Lubbock
County

152-910
Co.- Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ___ approved ___ disapproved (check one) for the year ended June 30, 2012 at a meeting of the Board of Trustees of such school district on the 17th day of September, 2012.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):

(attach list as necessary):

FINANCIAL SECTION

Terry & King, CPAs, P.C.

4216 102nd
P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

Independent Auditors' Report on Financial Statements

Board of Trustees
Idalou Independent School District
P.O. Box 1338
Idalou, Texas 79329

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idalou Independent School District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Idalou Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Idalou Independent School District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2012, on our consideration of Idalou 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* and should be considered in assessing the results of our audit.

-2-

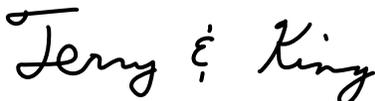


Independent Auditor's Report
Page 2

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, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Idalou Independent School District's financial statements as a whole. The information identified as Other Supplementary Information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying 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 financial statements. This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the financial statements as a whole. The Fund Balance and Cash Flow Calculation Worksheet-General Fund 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.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
September 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Idalou Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2012. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$8,459,935 at June 30, 2012.
- During the year, the District's expenses were \$550,042 less than the \$9,226,591 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased 1% or \$113,845.
- The general fund reported a fund balance this year of \$4,017,983.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

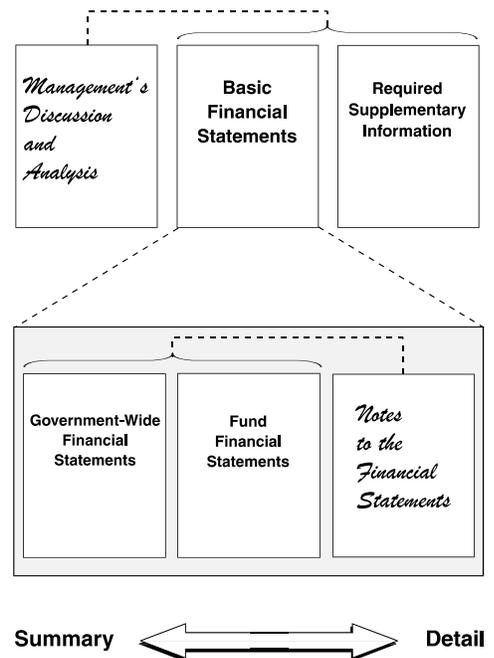


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

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

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> ◆ Statement of net assets ◆ Statement of activities 	<ul style="list-style-type: none"> ◆ Balance sheet ◆ Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> ◆ Statement of fiduciary net assets ◆ Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	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 short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	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

Government-wide Statements

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

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs 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 the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$8,459,935 at June 30, 2012. (See Table A-1).

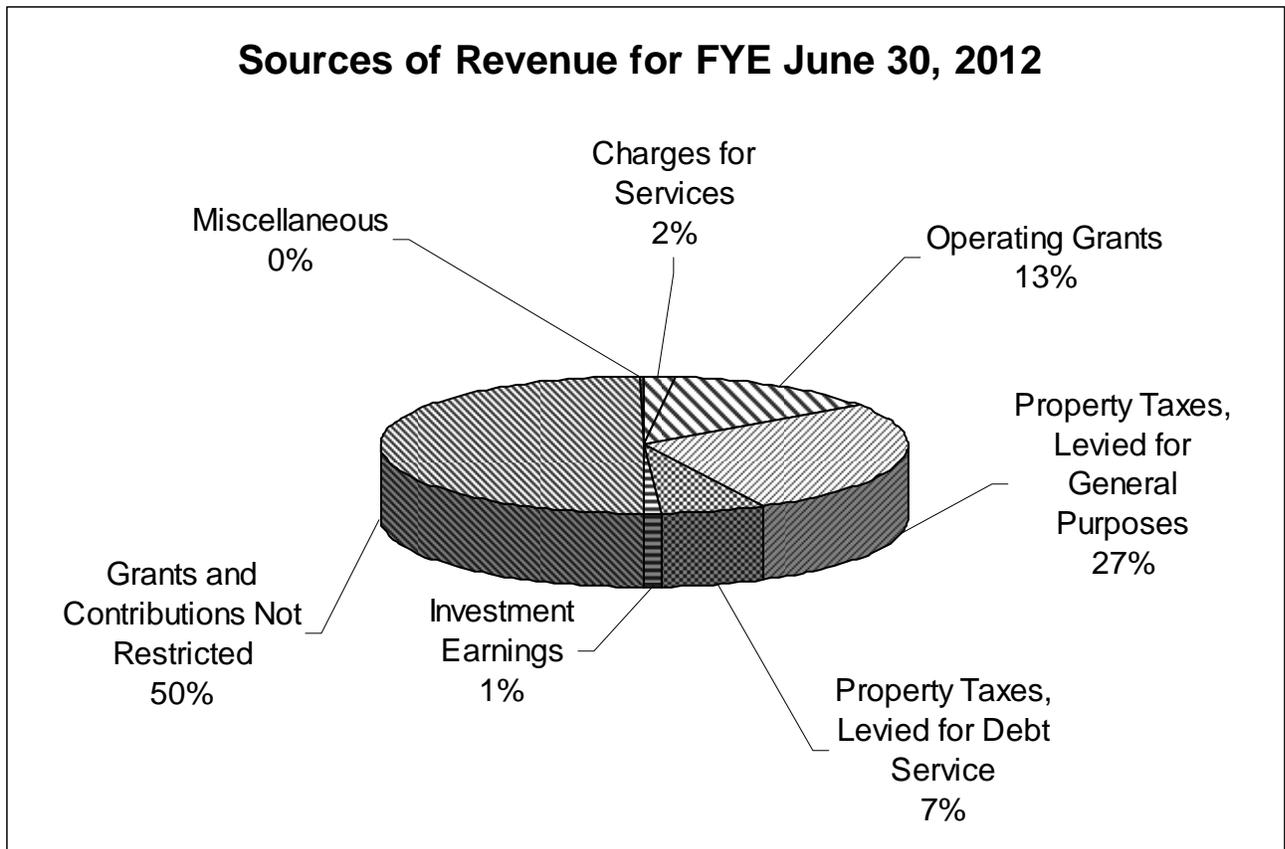
Table A-1
Idalou Independent School District's Net Assets

	Governmental Activities		Percentage Change
	2012	2011	
Current assets:			
Cash and cash equivalents	6,889,293	18,050,358	-62%
Due from other governments	1,301,549	1,290,306	1%
Taxes Receivable, net	45,604	55,486	-18%
Other Receivables	-	40	-100%
Deferred Expenditures	9,174	-	100%
Capitalized Bond Issuance Costs	125,357	130,179	-4%
Total current assets:	8,370,977	19,526,369	-57%
Noncurrent assets:			
Land	659,374	659,374	0%
Construction in Progress	11,849,995	764,875	1449%
Buildings & Improvements	7,029,300	6,542,195	7%
Less accumulated depreciation, buildings & improvements	(3,819,027)	(3,673,584)	4%
Vehicles	331,033	296,853	12%
Less accumulated depreciation, vehicles	(286,144)	(267,050)	7%
Furniture & Equipment	635,905	518,472	23%
Less accumulated depreciation, furniture & equipment	(410,565)	(383,280)	7%
Total noncurrent assets	15,989,871	4,457,855	259%
Total Assets	24,360,848	23,984,224	2%
Current liabilities:			
Accounts Payable	61,821	101,929	-39%
Bond Interest Payable	213,712	216,075	-1%
Withholdings Payable	559	-	100%
Accrued Wages Payable	226,317	216,396	5%
Accrued Expenditures	16,724	14,308	17%
Deferred Revenue	193,427	10,026	1829%
Total current liabilities	712,560	558,734	28%
Long-term liabilities:			
Due within one year	330,000	315,000	5%
Due in more than one year	14,540,000	14,870,000	-2%
Premium on bond issuance	318,353	330,597	-4%
Total long-term liabilities	15,188,353	15,515,597	-2%
Total Liabilities	15,900,913	16,074,331	-1%
Net Assets:			
Invested in capital assets, net of related debt	4,158,040	3,786,499	10%
Restricted - Federal and State Programs	104,678	99,273	5%
Restricted - Debt Service	133,630	102,579	30%
Unrestricted	4,063,587	3,921,542	4%
Total Net Assets	8,459,935	7,909,893	7%

The District's restricted net assets represent amounts restricted for Food Service (\$104,678) and amounts restricted for debt service (\$133,630). The \$4,063,587 of unrestricted net assets represents resources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$9,226,591. A significant portion, 34 percent, of the District's revenue comes from taxes. (See Figure A-3.) 63 percent comes from grants, while only 2 percent relates to charges for services.

The total cost of all programs and services was \$8,676,549; 54 percent of these costs are for instructional and instruction-related services.



Governmental Activities

- Property tax rates remained constant at \$1.455 per \$100 for FYE 2012. The general operating tax rate was \$1.17, and debt service tax rate was \$0.285. An increase in values enabled the current tax levy to increase approximately \$66,120. Taxes collected in the year ending June 30, 2012 were \$3,092,422 compared to \$3,036,367 in the year ending June 30, 2011.

Table A-2
Changes in Idalou Independent School District's Net Assets

	Governmental Activities		Percentage Change
	<u>2012</u>	<u>2011</u>	
Program Revenues:			
Charges for Services	186,565	196,216	-5%
Operating Grants and Contributions	1,218,638	1,173,931	4%
General Revenues:			
Property Taxes, Levied for General Purposes	2,507,944	2,476,234	1%
Property Taxes, Levied for Debt Service	605,887	587,279	3%
Grants and Contributions not restricted	4,591,511	4,813,800	-5%
Investment Earnings	81,799	67,172	22%
Other	34,247	40,861	-16%
Total Revenues	<u>9,226,591</u>	<u>9,355,493</u>	<u>-1%</u>
Instruction	4,728,646	4,695,127	1%
Instructional Resources and Media Services	138,599	154,636	-10%
Curriculum Development and Instructional Staff Development	3,630	5,657	-36%
Instructional Leadership	-	10,707	-100%
School Leadership	437,399	511,728	-15%
Guidance, Counseling and Evaluation Services	198,179	198,905	0%
Health Services	59,626	59,190	1%
Student (Pupil) Transportation	122,185	163,746	-25%
Food Services	310,623	306,476	1%
Curricular/Extracurricular Activities	537,470	626,015	-14%
General Administration	405,104	442,083	-8%
Plant Maintenance & Operation	846,025	855,796	-1%
Security and Monitoring Services	9,594	10,582	-9%
Data Processing	77,365	56,240	38%
Interest on Long-Term Debt	561,593	443,307	27%
Bond Issuance Costs and Fees	8,721	4,821	81%
Payments to Shared Service Arrangements	199,677	205,685	-3%
Payments to Juvenile Justice Alternative Education Programs	2,139	8,625	-75%
Other Governmental Charges	29,974	31,068	-4%
Total Expenses	<u>8,676,549</u>	<u>8,790,394</u>	<u>-1%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers	550,042	565,099	-3%
Other Resources (Uses)	-	-	0%
Transfers In (Out)	-	-	0%
Increase (Decrease) in Net Assets	550,042	565,099	-3%
Net Assets - Beginning	<u>7,909,893</u>	<u>7,344,794</u>	<u>8%</u>
Net Assets - Ending	<u><u>8,459,935</u></u>	<u><u>7,909,893</u></u>	<u><u>7%</u></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 \$8,676,549.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3,113,831.
- Some of the cost was paid by those who directly benefited from the programs \$186,565, and
- By grants and contributions \$5,810,149.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services			% Change	Net Cost of Services		
	<u>2012</u>	<u>2011</u>			<u>2012</u>	<u>2011</u>	% Change
Instruction	4,728,646	4,695,127	1%	4,154,471	3,914,531	6%	
School administration	405,104	442,083	(8%)	385,774	415,210	(7%)	
Plant Maintenance & Operations	846,025	855,796	(1%)	827,604	835,501	(1%)	
School Leadership	437,399	511,728	(15%)	371,237	480,590	(23%)	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$9,236,473 for the period ended June 30, 2012, a decrease of 1% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 3 times. Even with these budget revisions the District's expenditures were \$310,667 below final budget amounts. Resources available were \$106,312 less than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had invested \$8,781,769 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$96,834 or 1 percent from last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total Percentage Change
	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
Land	659,374	659,374	0%
Construction in Progress	11,849,995	764,875	1,449%
Buildings and improvements	7,029,300	6,542,196	7%
Vehicles	331,033	296,853	12%
Furniture & Equipment	635,905	518,472	23%
Totals at historical cost	<u>20,505,607</u>	<u>8,781,770</u>	<u>134%</u>
Total accumulated depreciation	(4,515,736)	(4,323,914)	4%
Net capital assets	<u>15,989,871</u>	<u>4,457,856</u>	<u>259%</u>

The District passed a \$15.3 million bond which was funded in the prior year for the construction and renovation of school facilities. More detailed information about the District's capital assets is presented in the notes to the financial statements.

Debt Administration

District's Long-Term Debt

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
2010 Unlimited Tax School Building Bonds	\$ 14,870,000	\$ 15,185,000
Premium on bond issuance	<u>318,353</u>	<u>330,597</u>
Total long-term debt	15,188,353	15,515,597
Less: Due within one year	<u>(330,000)</u>	<u>(315,000)</u>
Due in one year or more	<u>\$ 14,858,353</u>	<u>\$ 15,200,597</u>

At year-end the District had \$14,870,000 in long-term debt outstanding. More detailed information about the District's debt is presented in the Notes to the Financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2013 budget preparation shows a slight increase.
- General operating fund spending per student should remain approximately the same.
- The District's 2013 student attendance is continuing to increase by 12 to 15 students per year.
- The District passed a bond for \$15.3 million which funded in FYE 2011. This bond will fund construction and renovation projects over the next 2 years.

These indicators were taken into account when adopting the general fund budget for 2013. State funding is expected to decrease. The District does not plan an increase in program revenues and estimates only a slight increase in expenditures for staffing due to incremental salary increases.

If these estimates are realized, the District's budgetary general fund balance is expected to decrease slightly by the close of 2013.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF NET ASSETS
June 30, 2012

1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 6,889,293
1225	Taxes Receivable, Net	45,604
1240	Due from Other Governments	1,301,549
1290	Other Receivables	-
1410	Deferred Expenditures	9,174
1420	Capitalized Bond & Other Issuance Costs	125,357
	Capital Assets:	
1510	Land	659,374
1520	Buildings and Improvements, net	3,210,273
1530	Furniture and Equipment, net	270,229
1580	Construction in Progress	<u>11,849,995</u>
1000	TOTAL ASSETS	<u>\$ 24,360,848</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 61,821
2140	Bond Interest Payable	213,712
2150	Withholdings Payable	559
2160	Accrued Wages Payable	226,317
2200	Accrued Expense	16,724
2300	Deferred Revenue	193,427
	Noncurrent Liabilities:	
2501	Due within one year	330,000
2502	Due in more than one year	14,540,000
2590	Premium on bond issuance	<u>318,353</u>
2000	<u>Total Liabilities</u>	<u>15,900,913</u>
	NET ASSETS:	
3200	Invested in Capital Assets Net of Related Debt	4,158,040
	Restricted for:	
3820	Federal and State Programs	104,678
3850	Debt Service	133,630
3900	Unrestricted	<u>4,063,587</u>
3000	<u>TOTAL NET ASSETS</u>	<u>\$ 8,459,935</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Data Control		1	3	4	Net (Expense)
			Program Revenues		Revenue and
			Charges for	Operating	Changes in
Codes	Functions/Programs	Expenses	Services	Grants and Contributions	Net Assets
	Government Activities:				
11	Instruction and Instruction-Related Services	\$ 4,728,646	\$ 1,800	\$ 572,375	\$ (4,154,471)
12	Instructional Resources and Media Services	138,599	-	6,937	(131,662)
13	Curriculum Development and Instructional Staff Development	3,630	-	-	(3,630)
21	Instructional Leadership	-	-	-	-
23	School Leadership	437,399	-	66,162	(371,237)
31	Guidance, Counseling, & Evaluation Services	198,179	-	10,930	(187,249)
33	Health Services	59,626	-	3,382	(56,244)
34	Student (Pupil) Transportation	122,185	-	-	(122,185)
35	Food Services	310,623	126,333	188,874	4,584
36	Extracurricular Activities	537,470	58,432	13,962	(465,076)
41	General Administration	405,104	-	19,330	(385,774)
51	Plant Maintenance and Operations	846,025	-	18,421	(827,604)
52	Security and Monitoring Services	9,594	-	-	(9,594)
53	Data Processing	77,365	-	-	(77,365)
72	Interest on Long-Term Debt	561,593	-	318,265	(243,328)
73	Bond Issuance Costs and Fees	8,721	-	-	(8,721)
93	Payments to Shared Service Arrangements	199,677	-	-	(199,677)
95	Payments to Juvenile Justice Alternative Education Programs	2,139	-	-	(2,139)
99	Other Governmental Charges	29,974	-	-	(29,974)
TG	<u>Total Government Activities</u>	<u>8,676,549</u>	<u>186,565</u>	<u>1,218,638</u>	<u>(7,271,346)</u>
TP	Total Primary Government	<u>8,676,549</u>	<u>186,565</u>	<u>1,218,638</u>	<u>(7,271,346)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,507,944
DT	Property Taxes, Levied for Debt Service				605,887
IE	Investment Earnings				81,799
GC	Grants and Contributions Not Restricted to Specific Programs				4,591,511
MI	Miscellaneous				<u>34,247</u>
TR	Total General Revenue				<u>7,821,388</u>
CN	Change in Net Assets				550,042
NB	Net Assets -- Beginning				<u>7,909,893</u>
NE	Net Assets -- Ending				<u>\$ 8,459,935</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:						
1110	Cash and Cash Equivalents	\$ 3,310,059	\$ 397,512	\$ 3,077,044	\$ 104,678	\$ 6,889,293
1225	Taxes Receivable, Net	36,671	8,933	-	-	45,604
1240	Due from Other Governments	1,276,233	2,414	-	22,902	1,301,549
1260	Due from Other Funds	62,851	-	206,569	-	269,420
1290	Other Receivables	-	-	-	-	-
1410	Deferred Expenditures	9,174	-	-	-	9,174
1000	<u>TOTAL ASSETS</u>	<u>\$ 4,694,988</u>	<u>\$ 408,859</u>	<u>\$ 3,283,613</u>	<u>\$ 127,580</u>	<u>\$ 8,515,040</u>
LIABILITIES:						
Current Liabilities:						
2110	Accounts Payable	\$ 9,372	\$ -	\$ 52,449	\$ -	\$ 61,821
2150	Withholdings Payable	559	-	-	-	559
2160	Accrued Wages Payable	215,852	-	-	10,465	226,317
2170	Due to Other Funds	206,569	51,318	-	11,533	269,420
2200	Accrued Expenditures	15,820	-	-	904	16,724
2300	Deferred Revenue	228,833	10,198	-	-	239,031
2000	<u>Total Liabilities</u>	<u>677,005</u>	<u>61,516</u>	<u>52,449</u>	<u>22,902</u>	<u>813,872</u>
FUND BALANCES:						
Restricted Fund Balances:						
3450	Food Service	-	-	-	104,678	104,678
3470	Capital Acquisition Program	-	-	3,231,164	-	3,231,164
3480	Debt Service	-	347,343	-	-	347,343
Committed Fund Balances:						
3510	Construction	1,000,000	-	-	-	1,000,000
3530	Capital Expenditures for Equipment	800,000	-	-	-	800,000
3600	Unassigned	2,217,983	-	-	-	2,217,983
3000	<u>Total Fund Balance</u>	<u>4,017,983</u>	<u>347,343</u>	<u>3,231,164</u>	<u>104,678</u>	<u>7,701,168</u>
4000	<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 4,694,988</u>	<u>\$ 408,859</u>	<u>\$ 3,283,613</u>	<u>\$ 127,580</u>	<u>\$ 8,515,040</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 7,701,168
Amounts reported for governmental activities in the statement of net assets (A-1) are different because:	
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	15,989,871
2 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	45,604
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(15,083,712)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net assets.	(318,353)
5 Certain costs related to the sale of bonds are capitalized and amortized over the life of the bond.	<u>125,357</u>
Net Assets of Governmental Activities -- Statement of Net Assets	<u>\$ 8,459,935</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
REVENUES:						
5700	Local and Intermediate Sources	\$ 2,650,937	\$ 605,525	\$ 43,279	\$ 126,582	\$ 3,426,323
5800	State Program Revenues	4,915,403	318,265	-	67,663	5,301,331
5900	Federal Program Revenues	-	-	-	508,819	508,819
5020	<u>Total Revenues</u>	<u>7,566,340</u>	<u>923,790</u>	<u>43,279</u>	<u>703,064</u>	<u>9,236,473</u>
EXPENDITURES:						
Current:						
0011	Instruction and Instruction-Related Services	4,297,946	-	-	343,392	4,641,338
0012	Instructional Resources and Media Services	135,064	-	-	-	135,064
0013	Curriculum Development and Instructional Staff Development	3,630	-	-	-	3,630
0021	Instructional Leadership	-	-	-	-	-
0023	School Leadership	382,027	-	-	44,215	426,242
0031	Guidance, Counseling, & Evaluation Services	193,124	-	-	-	193,124
0033	Health Services	58,105	-	-	-	58,105
0034	Student (Pupil) Transportation	119,068	-	-	-	119,068
0035	Food Services	-	-	-	310,623	310,623
0036	Cocurricular/Extracurricular Activities	523,570	-	-	-	523,570
0041	General Administration	394,771	-	-	-	394,771
0051	Plant Maintenance and Operations	781,220	-	48,434	-	829,654
0052	Security and Monitoring Services	9,593	-	-	-	9,593
0053	Data Processing	77,365	-	-	-	77,365
0071	Principal on Long-Term Debt	-	315,000	-	-	315,000
0072	Interest on Long-Term Debt	-	576,200	-	-	576,200
0073	Bond Issuance Costs and Fees	-	3,900	-	-	3,900
0081	Facilities Acquisition and Construction	-	-	11,684,313	-	11,684,313
0093	Payments to Shared Service Arrangements	199,677	-	-	-	199,677
0095	Payments to Juvenile Justice Alternative Education Programs	2,139	-	-	-	2,139
0099	Tax Appraisal & Collector	29,974	-	-	-	29,974
6030	<u>Total Expenditures</u>	<u>7,207,273</u>	<u>895,100</u>	<u>11,732,747</u>	<u>698,230</u>	<u>20,533,350</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	359,067	28,690	(11,689,468)	4,834	(11,296,877)
Other Financing Sources and (Uses):						
7915	Operating Transfers In	-	-	206,569	571	207,140
8911	Operating Transfers Out	(207,140)	-	-	-	(207,140)
	<u>Total Other Financing Sources and (Uses)</u>	<u>(207,140)</u>	<u>-</u>	<u>206,569</u>	<u>571</u>	<u>-</u>
1200	Net Change in Fund Balances	151,927	28,690	(11,482,899)	5,405	(11,296,877)
0100	Fund Balances -- Beginning	3,866,056	318,653	14,714,063	99,273	18,998,045
3000	<u>Fund Balances -- Ending</u>	<u>\$ 4,017,983</u>	<u>\$ 347,343</u>	<u>\$ 3,231,164</u>	<u>\$ 104,678</u>	<u>\$ 7,701,168</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Net Change in Fund Balances -- Total Governmental Funds	\$ (11,296,877)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount of capital outlays during the current period.	11,723,838
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(191,822)
Certain property tax revenues are deferred in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts changed during the current period.	(9,883)
Repayment of debt principal is an expenditure in the governmental funds, but is a reduction of long-term debt in the statement of net assets. This amount is the total debt principal repaid for bonded indebtedness.	315,000
Premiums received from the issuance of bonds is recorded in the governmental funds as an other source of current resources. For the statement of net assets, these premiums are amortized and a portion recognized as revenue over the life of the bonds.	12,244
The cost of issuing bonds is reported as an other use or expense in the governmental funds, but is amortized as an expense over the life of the bonds in the statement of net assets.	(4,821)
Interest expense is reported when paid in the governmental funds. In the statement of net assets, interest expense is accrued as of the balance sheet date. This is the amount accrued interest payable changed during the current period.	<u>2,363</u>
Change in Net Assets of Governmental Activities -- Statement of Activities	<u>\$ 550,042</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>AGENCY FUNDS</u>
ASSETS:	
Cash and Cash Equivalents	<u>\$ 165,281</u>
 TOTAL ASSETS	 <u><u>\$ 165,281</u></u>
 LIABILITIES:	
Due to Student Groups	<u>\$ 165,281</u>
 TOTAL LIABILITIES	 <u><u>\$ 165,281</u></u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS
Year Ended June 30, 2012

A. Summary of Significant Accounting Policies

The basic financial statements of Idalou 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 exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. There are no component units included within the reporting entity. The basic financial statements of the District include all activities for which the Board exercises these governance responsibilities.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non exchange transactions.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 2
Year Ended June 30, 2012

A. Summary of Significant Accounting Policies (Continued)

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 of 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.

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.

Debt Service Fund: This fund accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt of governmental activities.

Capital Projects Fund: This fund is used to report the District's construction and investment in physical plant and other capital assets.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 3
Year Ended June 30, 2012

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specific project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

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 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 the District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the 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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 4
Year Ended June 30, 2012

A. Summary of Significant Accounting Policies (Continued)

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, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

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, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State Statute. Capital projects are restricted by State Statute and are legally segregated for funding of capital improvements.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 5
Year Ended June 30, 2012

A. Summary of Significant Accounting Policies (Continued)

Unassigned: This classification includes the residual fund balance for the General Fund.

The District would typically use Restricted fund balances first, followed by Committed resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

3. Financial Statement Amounts

a. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Investment Pools are operated in accordance with appropriate state laws and regulations. The reported value of the pools are the same as the fair value of the pool shares.

b. Property Taxes

Property taxes are levied by October 1 on assessed value listed as of the prior January 1st 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 1st of the year following the year in which imposed. On January 1st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of June 30, 2012, the amount deemed uncollectible by this estimate was \$144,594. 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.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 6
Year Ended June 30, 2012

A. Summary of Significant Accounting Policies (Continued)

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 the cost applicable to future periods and are recorded as prepaid items.

d. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the 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 estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-15
Computer Equipment	3

e. Receivable and Payable Balances

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

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

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 7
Year Ended June 30, 2012

A. Summary of Significant Accounting Policies (Continued)

f. Interfund Activity

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

g. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 8
Year Ended June 30, 2012

A. Summary of Significant Accounting Policies (Continued)

i. Data Control Codes

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

B. Stewardship, Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

2. Budgetary Information

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's Financial Accounting and Reporting module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, the Capital Projects Fund, and the Child Nutrition Fund. The remaining special revenue funds adopt project-length budgets that do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting that is consistent with generally accepted accounting principles.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 9
Year Ended June 30, 2012

C. Deposits and Investments

Under Texas state law, 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 the 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.

Cash Deposits

At June 30, 2012, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$7,054,574 and the bank balance was \$7,464,295. The District's cash deposits at June 30, 2012 and during the period then ended, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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 principle 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 financial statements disclosed that in the areas of investment practices, management reports an 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.

State statutes and Board policy authorize the District to invest in 1) obligations of the U.S. or its agencies and instrumentalities; 2) obligations of state, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; 3) guaranteed or secured certificates of deposit issued by state or national banks domiciled in Texas; 4) obligations of the state of Texas or its agencies; 5) other obligations guaranteed by the U.S. or the state of Texas or their agencies and instrumentalities; 6) fully collateralized repurchase agreements; and 7) public funds investment pools. Temporary investments are reported at cost, which approximates market,

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 10
Year Ended June 30, 2012

C. Deposits and Investments (Continued)

and are secured, when necessary, by the FDIC or obligations of items 1-4 above at 102% of the investment's market value.

The District's investments at June 30, 2012 included certificates of deposit amounting to \$1,025,688 and investment pools in the amount of \$1,397,018.

<u>Investment Pool</u>	<u>Account Name</u>	<u>Fund Rating (Standard & Poor's)</u>	<u>Amount</u>
Lone Star Investment Pool – Corporate Overnight Plus Fund	General Fund	AAAf	\$ 957,994
Local Government Investment Cooperative	Construction	AAAm	38,012
Local Government Investment Cooperative	Debt Service	AAAm	<u>401,012</u>
			1,397,018

The Lone Star Investment Pool and Local Government Investment Cooperative are local government investment pools organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code.

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 as 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 agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 11
Year Ended June 30, 2012

C. Deposits and Investments (Continued)

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.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 12
Year Ended June 30, 2012

D. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

<u>Government Activities</u>	Balance 07/01/11	Additions	Deletions	Balance 06/30/12
Land	\$ 659,374	\$ -	\$ -	\$ 659,374
Construction in Progress	764,874	11,085,121	-	11,849,995
Buildings & Improvements	6,542,196	487,104	-	7,029,300
Vehicles	296,852	34,181	-	331,033
Furniture & Equipment	<u>518,473</u>	<u>117,432</u>	-	<u>635,905</u>
Total Capital Assets	8,781,769	11,723,838	-	20,505,607
<u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	3,673,584	145,443	-	3,819,027
Vehicles	267,050	19,094	-	286,144
Furniture & Equipment	<u>383,280</u>	<u>27,285</u>	-	<u>410,565</u>
Total Accum. Depreciation	<u>4,323,914</u>	<u>191,822</u>	-	<u>4,515,736</u>
Net Capital Assets	<u>\$ 4,457,855</u>	<u>\$11,532,016</u>	<u>\$ -</u>	<u>\$15,989,871</u>

Depreciation was charges to functions as follows:

11-Instructions	\$ 121,488
12-Instructional Resources & Media Services	3,535
23-School Leadership	11,157
31-Guidance, Counseling & Evaluation Services	5,055
33-Health Services	1,521
34-Student (Pupil) Transportation	3,117
36-Cocurricular/Extracurricular Activities	13,900
41-General Administration	10,333
51-Plant Maintenance & Operations	<u>21,716</u>
	<u>\$ 191,822</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13
Year Ended June 30, 2012

E. Interfund Balances and Activities

Interfund balances at June 30, 2012 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Debt Service Fund	\$ 51,318	\$ -
Special Revenue Funds	11,533	
Capital Projects Fund	<u>-</u>	<u>206,569</u>
<u>Total General Fund</u>	<u>62,851</u>	<u>206,569</u>
<u>Debt Service Fund:</u>		
General Fund	<u>-</u>	<u>51,318</u>
<u>Special Revenue Funds:</u>		
General Fund	<u>-</u>	<u>11,533</u>
<u>Capital Projects Fund:</u>		
General Fund	<u>206,569</u>	<u>-</u>
<u>Total</u>	<u>\$ 269,420</u>	<u>\$ 269,420</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of special revenue funds and to record interfund balances not paid as of year-end.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 14
Year Ended June 30, 2012

F. Interfund Transfers

Interfund transfers for the year ended June 30, 2012 consisted of the following:

<u>Fund</u>	<u>Transfers In From Other Funds</u>	<u>Transfers Out To Other Funds</u>
<u>General Fund:</u>		
Capital Projects Fund	\$ -	\$ 206,569
Special Revenue Funds	<u>-</u>	<u>571</u>
<u>Total General Fund</u>	<u>-</u>	<u>207,140</u>
 <u>Special Revenue Funds:</u>		
General Fund	<u>571</u>	<u>-</u>
 <u>Capital Projects Fund:</u>		
General Fund	<u>206,569</u>	<u>-</u>
<u>Total</u>	<u>\$ 207,140</u>	<u>\$ 207,140</u>

The District transferred \$571 from the General Fund to the Food Service Fund to cover bad debts from food service activities. The District's Board of Directors elected to transfer \$206,569 from the General Fund to the Capital Projects Fund for additional capital expenditures.

G. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15
Year Ended June 30, 2012

H. Long-Term Obligations

On August 18, 2010, the District issued \$15,305,000 in Unlimited Tax School Building Bonds in order to acquire, construct, renovate and equip school buildings in the District; and to pay costs of issuance related to the bonds. The Bonds were issued as serial bonds maturing on February 15 in the years 2011 through 2032, inclusive; and in part as term bonds maturing on February 15 in the years 2035 and 2038. The interest rates range from 2.0% to 4.170%.

\$576,200 in interest was paid during the year ended June 30, 2012 on bonded indebtedness.

Changes in bonded indebtedness for the year ended June 30, 2012 are as follows.

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Increases/ Accretion</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Unlimited Tax School Building Bonds, Series 2010	\$ 15,185,000	\$ -	\$ 315,000	\$ 14,870,000	\$ 330,000
Unamortized Premium on bond Issuance	<u>330,597</u>	<u>-</u>	<u>12,244</u>	<u>318,353</u>	<u>-</u>
Net Bonds Payable	<u>\$ 15,515,597</u>	<u>\$ -</u>	<u>\$ 327,244</u>	<u>\$ 15,188,353</u>	<u>\$330,000</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16
Year Ended June 30, 2012

H. Long-Term Obligations (continued)

Debt service requirements on bonded indebtedness at June 30, 2012 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 330,000	\$ 569,900	\$ 899,900
2014	345,000	563,300	908,300
2015	365,000	554,675	919,675
2016	375,000	545,550	920,550
2017	390,000	534,300	924,300
2018-2022	2,200,000	2,443,800	4,643,800
2023-2027	2,680,000	1,967,000	4,647,000
2028-2032	3,280,000	1,385,000	4,665,000
2033-2037	4,005,000	673,000	4,678,000
2038	900,000	36,000	936,000
	<u>\$ 14,870,000</u>	<u>\$ 9,272,525</u>	<u>\$ 24,142,525</u>

I. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 877-0123.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 17
Year Ended June 30, 2012

I. Pension Plan (continued)

2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. The District's employees' contributions to the System for the years ending June 30, 2012, 2011, and 2010 were \$314,878, \$319,743, and \$304,426, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the years ending June 30, 2012, 2011 and 2010 were \$37,434, \$46,693, and \$52,189, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$298,397.

J. Health Care Coverage

The District sponsors a fully insured health insurance plan to provide health care benefits to staff members and their dependents. The District paid premiums of \$225 per month for staff members participating in the plan. Staff members, at their option, authorized payroll deductions to pay premiums for their dependents. All premiums were paid to a licensed insurer.

K. Property/Casualty Insurance

During the year ended June 30, 2012, Idalou ISD participated in the TASB Risk Management Fund's (the Fund's) Property and Liability Program.

The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property and Liability Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

Based on the information we have available as of today, for the year ended June 30, 2012, Idalou ISD will have no additional liability beyond the contractual obligations for payment of contributions.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 18
Year Ended June 30, 2012

K. Property/Casualty Insurance (continued)

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2011, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin, TX.

L. Unemployment Compensation Pool

During the year ended June 30, 2012, Idalou ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2011 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin, Texas.

M. School District Retiree Health Plan

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-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, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19
Year Ended June 30, 2012

M. School District Retiree Health Plan (continued)

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0%, and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2012, 2011, and 2010. Per Texas Insurance Code, Chapter 1575, the public school contributions may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended June 30, 2012, 2011, and 2010, the State's contributions to TRS-Care were \$49,200, \$49,960, and \$47,421, respectively, the active member contributions were \$31,981, \$32,475, and \$30,824, respectively, and the school district's contributions were \$27,060, \$27,478, and \$26,082, respectively, which equaled the required contributions each year.

N. Medicare Part D

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 expenditures for eligible TRS-Care participants. The District's portion of subsidy reimbursements received by TRS for the years ended June 30, 2012, 2011, and 2010 were \$12,125, \$14,101, and \$13,210, respectively.

O. Early Retiree Reinsurance Program (ERRP)

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

This temporary program is available to help employers continue to provide coverage to early retirees. ERRP reimbursement is available on a first come, first served basis for qualified employers that apply and become certified for the program. TRS has been certified for this program and has received funds from the ERRP program. The District's portion of subsidy reimbursements received by TRS for the year ended June 30, 2012 was \$13,370.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 20
Year Ended June 30, 2012

P. Litigation

There was no litigation pending or in progress against the District at June 30, 2012.

Q. Commitments and 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 combined financial statements for such contingencies.

R. Shared Services Arrangements

Shared Services Arrangement – Membership

The District participates in a shared services arrangement for special education services with the following school districts:

Member Districts

Lorenzo Independent School District
Crosbyton Independent School District
Lockney Independent School District
Ralls Independent School District
Petersburg Independent School District

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, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

REQUIRED SUPPLEMENTARY INFORMATION

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,543,308	\$ 2,543,308	\$ 2,650,937	\$ 107,629
5800	State Program Revenues	5,048,044	5,129,344	4,915,403	(213,941)
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>7,591,352</u>	<u>7,672,652</u>	<u>7,566,340</u>	<u>(106,312)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,665,000	4,340,000	4,297,946	42,054
0012	Instructional Resources and Media Services	144,700	148,200	135,064	13,136
0013	Curriculum Dev. & Instructional Staff Dev.	5,000	5,000	3,630	1,370
	Total Instruction & Instr. Related Services	<u>4,814,700</u>	<u>4,493,200</u>	<u>4,436,640</u>	<u>56,560</u>
Instructional and School Leadership:					
0023	School Leadership	430,000	433,000	382,027	50,973
	Total Instr. & School Leadership	<u>430,000</u>	<u>433,000</u>	<u>382,027</u>	<u>50,973</u>
Support Services-Student (Pupil):					
0031	Guidance, Counseling & Evaluation Services	202,000	204,300	193,124	11,176
0033	Health Services	59,800	60,300	58,105	2,195
0034	Student (Pupil) Transportation	170,500	170,500	119,068	51,432
0036	Curricular/Extracurricular Activities	533,000	533,000	523,570	9,430
	Total Support Services - Student (Pupil)	<u>965,300</u>	<u>968,100</u>	<u>893,867</u>	<u>74,233</u>
Administrative Support Services:					
0041	General Administration	430,500	431,800	394,771	37,029
	Total Administrative Support Services	<u>430,500</u>	<u>431,800</u>	<u>394,771</u>	<u>37,029</u>
Support Services-Nonstudent Based					
0051	Plant Maintenance and Operations	997,000	825,000	781,220	43,780
0052	Security and Monitoring Services	15,000	15,000	9,593	5,407
0053	Data Processing	80,440	80,440	77,365	3,075
	Total Support Services-Nonstudent Based	<u>1,092,440</u>	<u>920,440</u>	<u>868,178</u>	<u>52,262</u>
Capital Outlay					
0081	Facilities Acquisition and Construction	-	-	-	-
	Total Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Intergovernmental Charges					
0093	Payments to Fiscal Agent/Member Dist.-SSA	214,000	214,000	199,677	14,323
0095	Payments to Juvenile Justice Alternative Education Programs	25,000	25,000	2,139	22,861
0099	Tax Appraisal & Collection	27,000	32,400	29,974	2,426
	Total Intergovernmental Charges	<u>266,000</u>	<u>271,400</u>	<u>231,790</u>	<u>39,610</u>
6030	Total Expenditures	<u>7,998,940</u>	<u>7,517,940</u>	<u>7,207,273</u>	<u>310,667</u>
Other Financing Sources (Uses):					
7915	Operating Transfers In	-	-	-	-
8911	Operating Transfers Out	-	(207,140)	(207,140)	-
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>(207,140)</u>	<u>(207,140)</u>	<u>-</u>
1200	Net Change in Fund Balance	(407,588)	(52,428)	151,927	204,355
0100	Fund Balance - Beginning	3,866,056	3,866,056	3,866,056	-
3000	Fund Balance - Ending	<u>\$ 3,458,468</u>	<u>\$ 3,813,628</u>	<u>\$ 4,017,983</u>	<u>\$ 204,355</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT H-1

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 40,000	\$ 43,279	\$ 3,279
5020	Total Revenues	<u>40,000</u>	<u>43,279</u>	<u>3,279</u>
	EXPENDITURES:			
	Current:			
0051	Plant Maintenance and Operations	72,269	48,434	23,835
	Capital Outlay:			
0081	Facilities Acquisition and Construction	<u>14,458,422</u>	<u>11,684,313</u>	<u>2,774,109</u>
6030	Total Expenditures	<u>14,530,691</u>	<u>11,732,747</u>	<u>2,797,944</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(14,490,691)</u>	<u>(11,689,468)</u>	<u>(2,794,665)</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	<u>206,569</u>	<u>206,569</u>	<u>-</u>
7080	Total Other Financing Sources and (Uses)	<u>206,569</u>	<u>206,569</u>	<u>-</u>
1200	Net Change in Fund Balance	(14,284,122)	(11,482,899)	2,801,223
0100	Fund Balance - Beginning	<u>14,714,063</u>	<u>14,714,063</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 429,941</u>	<u>\$ 3,231,164</u>	<u>\$ 2,801,223</u>

OTHER SUPPLEMENTARY INFORMATION

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2012

Last Ten Years Ended 08/31 or 06/30	1		2		3	10	20	31	32	40	50
	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance 07/01/11	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/12		
	Maintenance	Debt Service									
2003 and Prior Years	Various	Various	Various	--	\$ 29,084	\$ -	\$ 298	\$ -	\$ (5,464)	\$ 23,322	
2004	1.39457	0.10543	1.50000	114,196,497	11,272	-	-	-	(1,702)	9,570	
2005	1.40544	0.09456	1.50000	125,310,533	16,819	-	139	-	(1,902)	14,778	
2006	1.44000	0.11000	1.55000	131,419,017	13,459	-	207	-	(1,882)	11,370	
2007	1.31670	0.11000	1.42670	131,419,017	14,108	-	783	-	(74)	13,251	
2008	1.17000	0.09500	1.26500	183,348,379	11,040	-	1,667	-	(205)	9,168	
2009	1.17000	0.00000	1.17000	198,705,556	17,224	-	6,637	-	(149)	10,438	
2010	1.17000	0.00000	1.17000	202,228,376	31,575	-	15,461	-	(3,680)	12,434	
2011	1.17000	0.28500	1.45500	210,451,340	63,029	-	25,287	6,160	(9,359)	22,223	
2012-School Year Under Audit	1.17000	0.28500	1.45500	214,995,670	-	3,128,187	2,441,145	594,638	(28,760)	63,644	
1000	TOTALS				<u>\$ 207,610</u>	<u>\$ 3,128,187</u>	<u>\$ 2,491,624</u>	<u>\$ 600,798</u>	<u>\$ (53,177)</u>	<u>\$ 190,198</u>	

Columns 10 + 20 - 30 - 30a + 40 Equals Column 50

Column 3 - Assessed/Appraised Value for School Tax Purposes:
This is the net appraised value, after deductions of all exemptions, tax freeze amounts and reductions provided by law and those granted by the district, based on maintenance requirements.

Column 20 - Current Year's Levy:
This amount is calculated by multiplying tax rate(s) times the applicable Assessed/Appraised Value(s) in Column 3.

Columns 30 and 30a - These are the total collections net of adjustments described in Column 40, according to each year of tax levy, and do NOT include penalties and interest.

Column 40 - Entire Year's Adjustments:
Total adjustments include corrections for errors in taxes assessed, taxes lost due to tax freeze and discounts allowed for early payment of taxes.

Column 50 - Ending Balance 6/30/12

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF EXPENDITURES FOR COMPUTATION ON INDIRECT COST FOR 2013-2014
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2012

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Miscellaneous	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 145,805	\$ 179,791	\$ -	\$ -	\$ 325,596
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)				-			-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)				-			-
6211	Legal Services	-	-	4,553	-	-	-	4,553
6212	Audit Services				12,000			12,000
6213	Tax Appraisal and Collection		39,221					39,221
621X	Other Prof. Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	-	-	2,000	600	-	-	2,600
6240	Contr. Maint. And Repair							-
6250	Utilities							-
6260	Rentals	-	-	7,458	-	-	-	7,458
6290	Miscellaneous Contr.	-	-	557	-	-	-	557
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	783	-	1,266	2,872	-	-	4,921
6410	Travel, Subsistence, Stipends	29	-	2,417	35	-	-	2,481
6420	Ins. and Bonding Costs	4,100	-	-	-	-	-	4,100
6430	Election Costs	-						-
6490	Miscellaneous Operating	7,472	-	6,552	7,234	-	-	21,258
6500	Debt Service							-
6600	Capital Outlay							-
6000	TOTAL	\$ 12,384	\$ 39,221	\$ 170,608	\$ 202,532	\$ -	\$ -	\$ 424,745

Total expenditures for General and Special Revenue Funds (9) 7,905,503

LESS: Deductions of Unallowable Costs:

	FISCAL YEAR		
Total Capital Outlay (6600)	(10)	39,525	
Total Debt & Lease (6500)	(11)	-	
Plant Maintenance (Function 51, 6100-6400)	(12)	775,875	
Food (Function 35, 6341 and 6499)	(13)	300	
Stipends (6413)	(14)	-	
Column 4 (above) - Total Indirect Cost		202,532	
			1,018,232

Net Allowed Direct Cost \$ 6,887,271

CUMULATIVE

Total Cost of Buildings Before Depreciation	(15)	7,029,300
Historical Cost of Buildings over 50 Years Old	(16)	352,775
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	966,938
Historical Cost of Furniture & Equipment Over 16 Years Old	(19)	115,996
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	-

(8) Note A - No Function 53 expenditures and \$29,974 in Function 99 expenditures are included in this report on administrative costs.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF JUNE 30, 2012

Data Control Code	Explanation	Amount
1	Total General Fund Balance 6/30/12 (Exhibit C-1 object 3000 for the General Fund Only)	<u>\$ 4,017,983</u>
2	Total General Fund Non-spendable Fund Balance (from Exhibit C-1 - total of object 341X-644X for the General Fund Only)	<u>-</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 -- total of object 345X-349X for the General Fund only)	<u>-</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 -- total of object 351X-654X for the General Fund only)	<u>1,800,000</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 -- total of object 355X-359X for the General Fund only)	<u>-</u>
6	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	<u>1,646,980</u>
7	Estimate of two month's average cash disbursements during the fiscal year.	<u>1,317,584</u>
8	Estimate of delayed payments from state sources (58XX)	<u>-</u>
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	<u>-</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>-</u>
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	<u>-</u>
10	Optimum Fund Balance and Cash Flow (2 + 3+ 4 + 5 + 6 + 7 + 8 + 9)	<u>\$ 4,764,564</u>
11	Excess/(Deficit) Undesignated Unreserved General Fund Fund Balance (1 - 10)	<u>\$ (746,581)</u>

If item 11 is a positive number

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

(UNAUDITED)

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT J-4

NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 134,520	\$ 126,583	\$ (7,937)
5800	State Program Revenues	2,517	2,359	(158)
5900	Federal Program Revenues	176,467	186,515	10,048
5020	Total Revenues	<u>313,504</u>	<u>315,457</u>	<u>1,953</u>
	EXPENDITURES:			
	Current:			
	Support Services-Student (Pupil):			
0035	Food Services	<u>364,075</u>	<u>310,623</u>	<u>53,452</u>
	Total Support Services - Student (Pupil)	<u>364,075</u>	<u>310,623</u>	<u>53,452</u>
6030	Total Expenditures	<u>364,075</u>	<u>310,623</u>	<u>53,452</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	<u>571</u>	<u>571</u>	<u>-</u>
	Total Other Financing Sources and (Uses)	<u>571</u>	<u>571</u>	<u>-</u>
1200	Net Change in Fund Balance	(50,000)	5,405	55,405
0100	Fund Balance - Beginning	<u>99,273</u>	<u>99,273</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 49,273</u>	<u>\$ 104,678</u>	<u>\$ 55,405</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT J-5

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2012

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 572,825	\$ 605,525	\$ 32,700
5800	State Program Revenues	323,175	318,265	(4,910)
5020	Total Revenues	<u>896,000</u>	<u>923,790</u>	<u>27,790</u>
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	315,000	315,000	-
0072	Interest on Long-Term Debt	576,200	576,200	-
0073	Bond Issuance Costs and Fees	4,800	3,900	900
	Total Debt Service	<u>896,000</u>	<u>895,100</u>	<u>900</u>
6030	Total Expenditures	<u>896,000</u>	<u>895,100</u>	<u>900</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	-	-	-
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	-	28,690	28,690
0100	Fund Balance - Beginning	<u>-</u>	<u>318,653</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ -</u>	<u>\$ 347,343</u>	<u>\$ 28,690</u>

Terry & King, CPAs, P.C.

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P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

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Independent Auditors' Report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Idalou Independent School District
P.O. Box 1338
Idalou, Texas 79329

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idalou Independent School District as of and for the year ended June 30, 2012, which collectively comprise the Idalou Independent School District's basic financial statements and have issued our report thereon dated September 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Idalou Independent School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Idalou Independent School District's internal control over financial reporting.

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



Independent Auditors' Report
Page 2

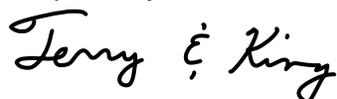
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Compliance and Other Matters

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

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry & King".

Terry & King, CPAs, P.C.
September 12, 2012

Terry & King, CPAs, P.C.

4216 102nd
P.O. Box 93550
Lubbock, TX 79493-3550

Randel J. Terry, CPA
Ryan R. King, CPA

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Independent Auditors' Report

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Idalou Independent School District
P.O. Box 1338
Idalou, Texas 79329

Members of the Board of Trustees:

Compliance

We have audited the compliance of Idalou Independent School District with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. Idalou Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Idalou Independent School District's management. Our responsibility is to express an opinion on Idalou Independent School District's compliance based on our audit.

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

In our opinion, Idalou Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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Internal Control Over Compliance

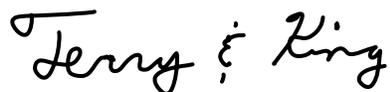
The management of Idalou Independent School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Idalou Independent School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.
September 12, 2012

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial Statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

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

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

Identification of major programs:	
<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.555	National School Lunch Program
84.410	Education Jobs Fund

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

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SUMMARY OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2012

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
Not Applicable - None		

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2012

Not Applicable – None Required

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title 1, Part A - Improving Basic Programs	84.010A	12610101152910	122,260
ESEA Title II, Part D - Teacher & Principal Training & Recruiting	84.367A	12694501152910	44,215
ARRA TTL XIV-State Fiscal Stabilization Fund (SFSF)	84.394A	11557001152910	16,393
Education Jobs Fund	84.410A	11550101152910	<u>139,436</u>
Total U.S. Department of Education			<u>322,304</u>
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
National School Lunch Program*	10.555	71301201	142,324
School Breakfast Program*	10.553	71401201	22,568
Commodity Supplemental Food Program	10.565	251-902	<u>21,623</u>
Total U.S. Department of Agriculture			<u>186,515</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 508,819</u>

* - Indicates a cluster program under OMB Circular A-133.

The accompanying notes are an integral part of this schedule.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Idalou 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 basic financial statements.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHOOLS FIRST QUESTIONNAIRE
For the Year Ended June 30, 2012

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District receive a clean audit? Was there an unqualified opinion on the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Were there any disclosures in the Annual Financial Report of material noncompliance?	No