

IDALOU INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2013

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Idalou, Texas

ANNUAL FINANCIAL REPORT
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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, 2013 at a meeting of the Board of Trustees of such school district on the 24th day of September, 2013.

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) 832-1128

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 the Idalou Independent School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Idalou Independent School District's financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

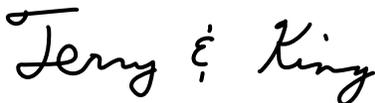
This information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. This information, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2013, on our consideration of the 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* in considering the Idalou Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry & King". The signature is written in black ink and is positioned below the text "Respectfully submitted,".

Terry & King, CPAs, P.C.
Lubbock, Texas
September 5, 2013

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, 2013. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$8,382,099 at June 30, 2013.
- During the year, the District's expenses were \$47,521 less than the \$8,989,092 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs increased 3% or \$265,022.
- The general fund reported a fund balance this year of \$4,304,961.

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

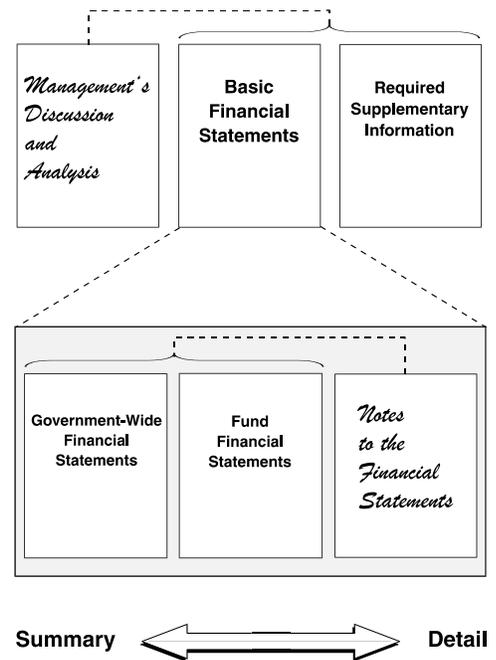


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of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

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

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, 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 position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$8,382,099 at June 30, 2013. (See Table A-1).

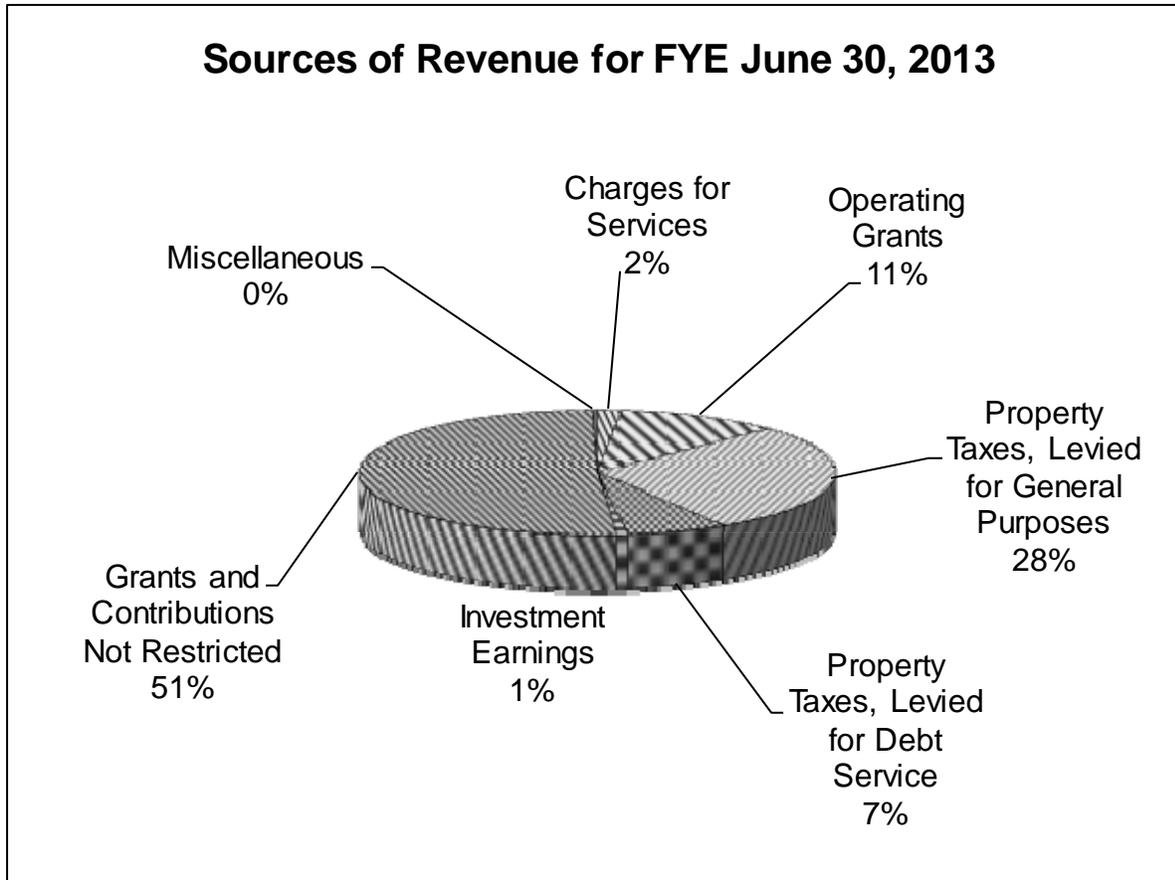
Table A-1
Idalou Independent School District's Net Position

	Governmental Activities		
	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Current assets:			
Cash and cash equivalents	4,308,617	6,889,293	-37%
Due from other governments	1,235,126	1,301,549	-5%
Taxes Receivable, net	74,582	45,604	64%
Deferred Expenditures	8,072	9,174	-12%
Capitalized Bond Issuance Costs	-	125,357	-100%
Total current assets:	<u>5,626,397</u>	<u>8,370,977</u>	<u>-33%</u>
Noncurrent assets:			
Land	659,374	659,374	0%
Construction in Progress	-	11,849,995	-100%
Buildings & Improvements	21,593,879	7,029,300	207%
Less accumulated depreciation, buildings & improvements	(4,309,641)	(3,819,027)	13%
Vehicles	331,033	331,033	0%
Less accumulated depreciation, vehicles	(299,110)	(286,144)	5%
Furniture & Equipment	1,035,257	635,905	63%
Less accumulated depreciation, furniture & equipment	(534,332)	(410,565)	30%
Total noncurrent assets	<u>18,476,460</u>	<u>15,989,871</u>	<u>16%</u>
Total Assets	<u><u>24,102,857</u></u>	<u><u>24,360,848</u></u>	<u><u>-1%</u></u>
Current liabilities:			
Accounts Payable	22,696	61,821	-63%
Bond Interest Payable	211,238	213,712	-1%
Withholdings Payable	2,220	559	297%
Accrued Wages Payable	243,347	226,317	8%
Accrued Expenditures	11,826	16,724	-29%
Deferred Revenue	383,322	193,427	98%
Total current liabilities	<u>874,649</u>	<u>712,560</u>	<u>23%</u>
Long-term liabilities:			
Due within one year	345,000	330,000	5%
Due in more than one year	14,195,000	14,540,000	-2%
Premium on bond issuance	306,109	318,353	-4%
Total long-term liabilities	<u>14,846,109</u>	<u>15,188,353</u>	<u>-2%</u>
Total Liabilities	<u><u>15,720,758</u></u>	<u><u>15,900,913</u></u>	<u><u>-1%</u></u>
Net Position:			
Net investment in capital assets	3,833,328	4,158,040	-8%
Restricted - Federal and State Programs	75,129	104,678	-28%
Restricted - Debt Service	94,100	133,630	-30%
Unrestricted	4,379,542	4,063,587	8%
Total Net Position	<u><u>8,382,099</u></u>	<u><u>8,459,935</u></u>	<u><u>-1%</u></u>

The District's restricted net position represent amounts restricted for Food Service (\$75,129) and amounts restricted for debt service (\$94,100). The \$4,379,542 of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$8,989,092. A significant portion, 35 percent, of the District's revenue comes from taxes. (See Figure A-3.) 62 percent comes from grants, while only 2 percent relates to charges for services.

The total cost of all programs and services was \$8,941,571; 56 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 2013. 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 \$22,758. Taxes collected in the year ending June 30, 2013 were \$3,102,410 compared to \$3,092,422 in the year ending June 30, 2012.

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

	Governmental Activities		Percentage Change
	<u>2013</u>	<u>2012</u>	
Program Revenues:			
Charges for Services	151,022	186,565	-19%
Operating Grants and Contributions	1,001,317	1,218,638	-18%
General Revenues:			
Property Taxes, Levied for General Purposes	2,546,512	2,507,944	2%
Property Taxes, Levied for Debt Service	616,528	605,887	2%
Grants and Contributions not restricted	4,586,492	4,591,511	0%
Investment Earnings	58,447	81,799	-29%
Other	28,774	34,247	-16%
Total Revenues	8,989,092	9,226,591	-3%
Instruction	4,900,789	4,728,646	4%
Instructional Resources and Media Services	147,378	138,599	6%
Curriculum Development and Instructional Staff Development	3,860	3,630	6%
School Leadership	477,377	437,399	9%
Guidance, Counseling and Evaluation Services	214,293	198,179	8%
Health Services	64,461	59,626	8%
Student (Pupil) Transportation	130,278	122,185	7%
Food Services	230,979	310,623	-26%
Curricular/Extracurricular Activities	566,996	537,470	5%
General Administration	454,252	405,104	12%
Plant Maintenance & Operation	880,687	846,025	4%
Security and Monitoring Services	9,459	9,594	-1%
Data Processing	80,250	77,365	4%
Interest on Long-Term Debt	555,181	561,593	-1%
Bond Issuance Costs and Fees	3,900	8,721	-55%
Payments to Shared Service Arrangements	193,531	199,677	-3%
Payments to Juvenile Justice Alternative Education Programs	-	2,139	-100%
Other Governmental Charges	27,900	29,974	-7%
Total Expenses	8,941,571	8,676,549	3%
Excess (Deficiency) Before Other Resources, Uses & Transfers	47,521	550,042	-91%
Other Resources (Uses)	-	-	0%
Transfers In (Out)	-	-	0%
Increase (Decrease) in Net Position	47,521	550,042	-91%
Net Position - Beginning	8,459,935	7,909,893	7%
Prior Period Adjustment	(125,357)	-	#DIV/0!
Net Position - Ending	8,382,099	8,459,935	-1%

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 \$8,941,571.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3,163,040.
- Some of the cost was paid by those who directly benefited from the programs \$151,022, and
- By grants and contributions \$5,587,809.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2013</u>	<u>2012</u>		<u>2013</u>	<u>2012</u>	
Instruction	4,900,789	4,728,646	4%	4,489,660	4,154,471	8%
School administration	454,252	405,104	12%	431,965	385,774	12%
Plant Maintenance & Operations	880,687	846,025	4%	861,071	827,604	4%
School Leadership	477,377	437,399	9%	407,438	371,237	10%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$8,989,092 for the period ended June 30, 2013, an increase of 3% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget 2 times. Even with these budget revisions the District's expenditures were \$686,359 below final budget amounts. Resources available were \$32,641 less than the final budgeted amount.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2013, the District had invested \$23,619,543 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 \$3,113,936 or 15 percent from last year.

Table A-4
District's Capital Assets

	Governmental Activities		Total Percentage Change
	<u>2013</u>	<u>2012</u>	<u>2012-2011</u>
Land	659,374	659,374	0%
Construction in Progress	-	11,849,995	(100%)
Buildings and improvements	21,593,879	7,029,300	207%
Vehicles	331,033	331,033	0%
Furniture & Equipment	1,035,257	635,905	63%
Totals at historical cost	<u>23,619,543</u>	<u>20,505,607</u>	<u>15%</u>
Total accumulated depreciation	(5,143,083)	(4,515,736)	14%
Net capital assets	<u>18,476,460</u>	<u>15,989,871</u>	<u>16%</u>

The District passed a \$15.3 million bond which was funded in the FY 2011 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>2013</u>	<u>2012</u>
2010 Unlimited Tax School Building Bonds	\$ 14,540,000	\$ 14,870,000
Premium on bond issuance	<u>306,109</u>	<u>318,353</u>
Total long-term debt	14,846,109	15,188,353
Less: Due within one year	<u>(345,000)</u>	<u>(330,000)</u>
Due in one year or more	<u>\$ 14,501,109</u>	<u>\$ 14,858,353</u>

At year-end the District had \$14,540,000 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 2014 budget preparation shows a slight increase.
- General operating fund spending per student should remain approximately the same.
- The District's 2014 student attendance is continuing to increase by 12 to 15 students per year.

These indicators were taken into account when adopting the general fund budget for 2014. 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 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

STATEMENT OF NET POSITION
June 30, 2013

1

<u>Data Control Codes</u>		<u>Governmental Activities</u>
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 4,308,617
1225	Taxes Receivable, Net	74,582
1240	Due from Other Governments	1,235,126
1410	Deferred Expenditures	8,072
	Capital Assets:	
1510	Land	659,374
1520	Buildings and Improvements, net	17,284,238
1530	Furniture and Equipment, net	<u>532,848</u>
1000	TOTAL ASSETS	<u>\$ 24,102,857</u>
	LIABILITIES:	
	Current Liabilities:	
2110	Accounts Payable	\$ 22,696
2140	Bond Interest Payable	211,238
2150	Withholdings Payable	2,220
2160	Accrued Wages Payable	243,347
2200	Accrued Expense	11,826
2300	Deferred Revenue	383,322
	Noncurrent Liabilities:	
2501	Due within one year	345,000
2502	Due in more than one year	14,195,000
2590	Premium on bond issuance	<u>306,109</u>
2000	<u>Total Liabilities</u>	<u>15,720,758</u>
	NET POSITION:	
3200	Net investment in capital assets	3,833,328
	Restricted for:	
3820	Federal and State Programs	75,129
3850	Debt Service	94,100
3900	Unrestricted	<u>4,379,542</u>
3000	<u>TOTAL NET POSITION</u>	<u>\$ 8,382,099</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, 2013

Data Control		1	3	4	Net (Expense)
			Program Revenues		Revenue and
			Charges for	Grants and	Changes in
Codes	Functions/Programs	Expenses	Services	Contributions	Net Assets
	Government Activities:				
11	Instruction and Instruction-Related Services	\$ 4,900,789	\$ 3,200	\$ 407,929	\$ (4,489,660)
12	Instructional Resources and Media Services	147,378	-	7,441	(139,937)
13	Curriculum Development and Instructional Staff Development	3,860	-	-	(3,860)
23	School Leadership	477,377	-	69,939	(407,438)
31	Guidance, Counseling, & Evaluation Services	214,293	-	12,436	(201,857)
33	Health Services	64,461	-	3,865	(60,596)
34	Student (Pupil) Transportation	130,278	-	-	(130,278)
35	Food Services	230,979	81,945	192,974	43,940
36	Extracurricular Activities	566,996	65,877	15,990	(485,129)
41	General Administration	454,252	-	22,287	(431,965)
51	Plant Maintenance and Operations	880,687	-	19,616	(861,071)
52	Security and Monitoring Services	9,459	-	-	(9,459)
53	Data Processing	80,250	-	-	(80,250)
72	Interest on Long-Term Debt	555,181	-	248,840	(306,341)
73	Bond Issuance Costs and Fees	3,900	-	-	(3,900)
93	Payments to Shared Service Arrangements	193,531	-	-	(193,531)
99	Other Governmental Charges	27,900	-	-	(27,900)
TG	<u>Total Government Activities</u>	<u>8,941,571</u>	<u>151,022</u>	<u>1,001,317</u>	<u>(7,789,232)</u>
TP	Total Primary Government	<u>8,941,571</u>	<u>151,022</u>	<u>1,001,317</u>	<u>(7,789,232)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,546,512
DT	Property Taxes, Levied for Debt Service				616,528
IE	Investment Earnings				58,447
GC	Grants and Contributions Not Restricted to Specific Programs				4,586,492
MI	Miscellaneous				<u>28,774</u>
TR	Total General Revenue				<u>7,836,753</u>
CN	Change in Net Position				47,521
NB	Net Position -- Beginning				8,459,935
PA	Prior Period Adjustment				<u>(125,357)</u>
NE	Net Position -- Ending				<u>\$ 8,382,099</u>

The accompanying notes are an integral part of this statement.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2013

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	\$ 3,674,118	\$ 356,393	\$ 202,977	\$ 75,129	\$ 4,308,617
1225	Taxes Receivable, Net	59,973	14,609	-	-	74,582
1240	Due from Other Governments	1,211,425	1,799	-	21,902	1,235,126
1260	Due from Other Funds	21,902	-	-	-	21,902
1290	Other Receivables	-	-	-	-	-
1410	Deferred Expenditures	8,072	-	-	-	8,072
1000	<u>TOTAL ASSETS</u>	<u>\$ 4,975,490</u>	<u>\$ 372,801</u>	<u>\$ 202,977</u>	<u>\$ 97,031</u>	<u>\$ 5,648,299</u>
LIABILITIES:						
Current Liabilities:						
2110	Accounts Payable	\$ 22,696	\$ -	\$ -	\$ -	\$ 22,696
2150	Withholdings Payable	2,220	-	-	-	2,220
2160	Accrued Wages Payable	243,347	-	-	-	243,347
2170	Due to Other Funds	-	-	-	21,902	21,902
2200	Accrued Expenditures	11,826	-	-	-	11,826
2300	Deferred Revenue	390,440	67,464	-	-	457,904
2000	<u>Total Liabilities</u>	<u>670,529</u>	<u>67,464</u>	<u>-</u>	<u>21,902</u>	<u>759,895</u>
FUND BALANCES:						
Restricted Fund Balances:						
3450	Food Service	-	-	-	75,129	75,129
3470	Capital Acquisition Program	-	-	202,977	-	202,977
3480	Debt Service	-	305,337	-	-	305,337
Committed Fund Balances:						
3510	Construction	1,000,000	-	-	-	1,000,000
3530	Capital Expenditures for Equipment	800,000	-	-	-	800,000
3600	Unassigned	2,504,961	-	-	-	2,504,961
3000	<u>Total Fund Balance</u>	<u>4,304,961</u>	<u>305,337</u>	<u>202,977</u>	<u>75,129</u>	<u>4,888,404</u>
4000	<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 4,975,490</u>	<u>\$ 372,801</u>	<u>\$ 202,977</u>	<u>\$ 97,031</u>	<u>\$ 5,648,299</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 POSITION
June 30, 2013

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 4,888,404
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.	18,476,460
2 Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	74,582
3 Some liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds	(14,751,238)
4 The amount of premium/discount on bonds is required to be recognized in the statement of net position.	<u>(306,109)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 8,382,099</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, 2013

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	\$ 2,685,127	\$ 612,954	\$ 7,358	\$ 82,857	\$ 3,388,296
5800	State Program Revenues	4,892,993	248,840	-	5,799	5,147,632
5900	Federal Program Revenues	<u>24,520</u>	<u>-</u>	<u>-</u>	<u>399,667</u>	<u>424,187</u>
5020	<u>Total Revenues</u>	<u>7,602,640</u>	<u>861,794</u>	<u>7,358</u>	<u>488,323</u>	<u>8,960,115</u>
EXPENDITURES:						
Current:						
0011	Instruction and Instruction-Related Services	4,324,729	-	-	184,758	4,509,487
0012	Instructional Resources and Media Services	135,581	-	-	29	135,610
0013	Curriculum Development and Instructional Staff Development	3,860	-	-	-	3,860
0023	School Leadership	394,966	-	-	44,295	439,261
0031	Guidance, Counseling, & Evaluation Services	197,183	-	-	-	197,183
0033	Health Services	59,314	-	-	-	59,314
0034	Student (Pupil) Transportation	119,876	-	-	-	119,876
0035	Food Services	-	-	-	288,790	288,790
0036	Cocurricular/Extracurricular Activities	530,650	-	-	-	530,650
0041	General Administration	417,982	-	-	-	417,982
0051	Plant Maintenance and Operations	820,380	-	15,214	-	835,594
0052	Security and Monitoring Services	9,459	-	-	-	9,459
0053	Data Processing	80,250	-	-	-	80,250
0071	Principal on Long-Term Debt	-	330,000	-	-	330,000
0072	Interest on Long-Term Debt	-	569,900	-	-	569,900
0073	Bond Issuance Costs and Fees	-	3,900	-	-	3,900
0081	Facilities Acquisition and Construction	-	-	3,020,331	-	3,020,331
0093	Payments to Shared Service Arrangements	193,531	-	-	-	193,531
0099	Tax Appraisal & Collection	<u>27,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,900</u>
6030	<u>Total Expenditures</u>	<u>7,315,661</u>	<u>903,800</u>	<u>3,035,545</u>	<u>517,872</u>	<u>11,772,878</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	286,979	(42,006)	(3,028,187)	(29,549)	(2,812,763)
Other Financing Sources and (Uses):						
7915	Operating Transfers In	-	-	-	-	-
8911	Operating Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>Total Other Financing Sources and (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balances	286,979	(42,006)	(3,028,187)	(29,549)	(2,812,763)
0100	Fund Balances -- Beginning	<u>4,017,983</u>	<u>347,343</u>	<u>3,231,164</u>	<u>104,678</u>	<u>7,701,168</u>
3000	<u>Fund Balances -- Ending</u>	<u>\$ 4,304,962</u>	<u>\$ 305,337</u>	<u>\$ 202,977</u>	<u>\$ 75,129</u>	<u>\$ 4,888,405</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, 2013

Net Change in Fund Balances -- Total Governmental Funds	\$ (2,812,763)
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.	3,113,936
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.	(627,347)
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.	28,977
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.	330,000
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.	12,243
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>2,475</u>
Change in Net Position of Governmental Activities - Statement of Activities	<u>\$ 47,521</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, 2013

	<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, 2013

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 position 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, 2013

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, 2013

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, 2013

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, 2013

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, 2013, the amount deemed uncollectible by this estimate was \$135,553. 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, 2013

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, 2013

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 position.

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 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, 2013

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, 2013

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, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was \$4,466,850 and the bank balance was \$4,753,539. The District's cash deposits at June 30, 2013 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, 2013

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, 2013 included certificates of deposit amounting to \$530,398 and investment pools in the amount of \$48,368.

<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	\$ 20,811
Local Government Investment Cooperative	Debt Service	AAAm	<u>27,557</u>
			48,368

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, 2013

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, 2013

D. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

<u>Government Activities</u>	Balance 07/01/12	Additions	Deletions/ Reclassifications	Balance 06/30/13
Land	\$ 659,374	\$ -	\$ -	\$ 659,374
Construction in Progress	11,849,995	-	(11,849,995)	-
Buildings & Improvements	7,029,300	2,714,585	11,849,995	21,593,880
Vehicles	331,033	-	-	331,033
Furniture & Equipment	<u>635,905</u>	<u>399,351</u>	-	<u>1,035,256</u>
Total Capital Assets	20,505,607	3,113,936	-	23,619,543
 <u>Less Accumulated</u>				
<u>Depreciation:</u>				
Buildings & Improvements	3,819,027	490,614	-	4,309,641
Vehicles	286,144	12,966	-	299,110
Furniture & Equipment	<u>410,565</u>	<u>123,767</u>	-	<u>534,332</u>
Total Accum. Depreciation	<u>4,515,736</u>	<u>627,347</u>	-	<u>5,143,083</u>
 Net Capital Assets	 <u>\$15,989,871</u>	 <u>\$ 2,486,589</u>	 <u>\$ -</u>	 <u>\$18,476,460</u>

Depreciation was charges to functions as follows:

11-Instructions	\$ 391,302
12-Instructional Resources & Media Services	11,767
23-School Leadership	38,116
31-Guidance, Counseling & Evaluation Services	17,110
33-Health Services	5,147
34-Student (Pupil) Transportation	10,402
36-Cocurricular/Extracurricular Activities	46,046
41-General Administration	36,270
51-Plant Maintenance & Operations	<u>71,187</u>
	<u>\$ 627,347</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 13
Year Ended June 30, 2013

E. Interfund Balances and Activities

Interfund balances at June 30, 2013 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>		
Special Revenue Funds	\$ <u>21,902</u>	\$ <u>-</u>
<u>Total General Fund</u>	<u>21,902</u>	<u>-</u>
 <u>Special Revenue Funds:</u>		
General Fund	<u>-</u>	<u>21,902</u>
<u>Total</u>	<u>\$ 21,902</u>	<u>\$ 21,902</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of special revenue funds.

F. 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 14
Year Ended June 30, 2013

G. 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%.

\$569,900 in interest was paid during the year ended June 30, 2013 on bonded indebtedness.

Changes in bonded indebtedness for the year ended June 30, 2013 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	\$ 14,870,000	\$ -	\$ 330,000	\$ 14,540,000	\$ 345,000
Unamortized Premium on bond Issuance	<u>318,353</u>	<u>-</u>	<u>12,244</u>	<u>306,109</u>	<u>-</u>
Net Bonds Payable	<u>\$ 15,188,353</u>	<u>\$ -</u>	<u>\$ 342,244</u>	<u>\$ 14,846,109</u>	<u>\$330,000</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 15
Year Ended June 30, 2013

G. Long-Term Obligations (continued)

Debt service requirements on bonded indebtedness at June 30, 2013 are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	405,000	522,600	927,600
2019-2023	2,290,000	2,355,800	4,645,800
2024-2028	2,790,000	1,859,800	4,649,800
2029-2033	3,415,000	1,253,800	4,668,800
2034-2038	<u>4,165,000</u>	<u>512,800</u>	<u>4,677,800</u>
	<u>\$ 14,540,000</u>	<u>\$ 8,702,625</u>	<u>\$ 23,242,625</u>

H. Pension Plan

1. Plan Description

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

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 16
Year Ended June 30, 2013

H. 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 6.4% of the District's covered payroll. The District's employees' contributions to the System for the years ending June 30, 2013, 2012, and 2011 were \$307,973, \$314,878, and \$319,743, 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, 2013, 2012 and 2011 were \$39,817, \$37,434, and \$46,693, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$311,878.

I. 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.

J. Property/Casualty Insurance

During the year ended June 30, 2013, 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, 2013, 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 17
Year Ended June 30, 2013

J. 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, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin, TX.

K. Unemployment Compensation Pool

During the year ended June 30, 2013, 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, 2012 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin, Texas.

L. 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 18
Year Ended June 30, 2013

L. 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 2013, 2012, and 2011. 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, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$48,121, \$49,200, and \$49,960, respectively, the active member contributions were \$31,279, \$31,981, and \$32,475, respectively, and the school district's contributions were \$26,466, \$27,060, and \$27,478, respectively, which equaled the required contributions each year.

M. 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, 2013, 2012, and 2011 were \$19,143, \$12,125, and \$14,101, respectively.

N. Litigation

There was no litigation pending or in progress against the District at June 30, 2013.

O. 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.

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 19
Year Ended June 30, 2013

P. 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.

Q. Prior Period Adjustment

In accordance with GASB Statement No. 65, bond issuance costs are no longer capitalized. Therefore, a prior period adjustment decreasing the net position of Governmental Activities in the amount of \$125,357 has been reported to reflect the expense of bond issuance costs in a prior period.

REQUIRED SUPPLEMENTARY INFORMATION

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,528,072	\$ 2,528,072	\$ 2,685,127	\$ 157,055
5800	State Program Revenues	5,083,209	5,083,209	4,892,993	(190,216)
5900	Federal Program Revenues	-	24,000	24,520	520
5020	Total Revenues	<u>7,611,281</u>	<u>7,635,281</u>	<u>7,602,640</u>	<u>(32,641)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	4,571,875	4,583,375	4,324,729	258,646
0012	Instructional Resources and Media Services	140,285	143,285	135,581	7,704
0013	Curriculum Dev. & Instructional Staff Dev.	7,750	7,750	3,860	3,890
	Total Instruction & Instr. Related Services	<u>4,719,910</u>	<u>4,734,410</u>	<u>4,464,170</u>	<u>270,240</u>
Instructional and School Leadership:					
0023	School Leadership	421,469	426,469	394,966	31,503
	Total Instr. & School Leadership	<u>421,469</u>	<u>426,469</u>	<u>394,966</u>	<u>31,503</u>
Support Services-Student (Pupil):					
0031	Guidance, Counseling & Evaluation Services	201,137	207,137	197,183	9,954
0033	Health Services	60,108	61,608	59,314	2,294
0034	Student (Pupil) Transportation	146,000	146,000	119,876	26,124
0036	Curricular/Extracurricular Activities	548,293	588,018	530,650	57,368
	Total Support Services - Student (Pupil)	<u>955,538</u>	<u>1,002,763</u>	<u>907,023</u>	<u>95,740</u>
Administrative Support Services:					
0041	General Administration	456,291	459,691	417,982	41,709
	Total Administrative Support Services	<u>456,291</u>	<u>459,691</u>	<u>417,982</u>	<u>41,709</u>
Support Services-Nonstudent Based					
0051	Plant Maintenance and Operations	1,010,447	1,013,447	820,380	193,067
0052	Security and Monitoring Services	13,000	13,000	9,459	3,541
0053	Data Processing	80,440	85,440	80,250	5,190
	Total Support Services-Nonstudent Based	<u>1,103,887</u>	<u>1,111,887</u>	<u>910,089</u>	<u>201,798</u>
Intergovernmental Charges					
0093	Payments to Fiscal Agent/Member Dist.-SSA	214,000	214,000	193,531	20,469
0095	Payments to Juvenile Justice Alternative Education Programs	20,000	20,000	-	20,000
0099	Tax Appraisal & Collection	32,800	32,800	27,900	4,900
	Total Intergovernmental Charges	<u>266,800</u>	<u>266,800</u>	<u>221,431</u>	<u>45,369</u>
6030	Total Expenditures	<u>7,923,895</u>	<u>8,002,020</u>	<u>7,315,661</u>	<u>686,359</u>
Other Financing Sources (Uses):					
7915	Operating Transfers In	-	-	-	-
8911	Operating Transfers Out	-	-	-	-
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	(312,614)	(366,739)	286,979	653,718
0100	Fund Balance - Beginning	4,017,983	4,017,983	4,017,983	-
3000	Fund Balance - Ending	<u>\$ 3,705,369</u>	<u>\$ 3,651,244</u>	<u>\$ 4,304,962</u>	<u>\$ 653,718</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT H-1

CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 100	\$ 7,358	\$ 7,258
5020	Total Revenues	<u>100</u>	<u>7,358</u>	<u>7,258</u>
	EXPENDITURES:			
	Current:			
0051	Plant Maintenance and Operations	16,000	15,214	786
	Capital Outlay:			
0081	Facilities Acquisition and Construction	<u>3,084,100</u>	<u>3,020,331</u>	<u>63,769</u>
6030	Total Expenditures	<u>3,100,100</u>	<u>3,035,545</u>	<u>64,555</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,100,000)</u>	<u>(3,028,187)</u>	<u>(57,297)</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	-	-	-
7080	Total Other Financing Sources and (Uses)	-	-	-
1200	Net Change in Fund Balance	(3,100,000)	(3,028,187)	71,813
0100	Fund Balance - Beginning	<u>3,231,164</u>	<u>3,231,164</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 131,164</u>	<u>\$ 202,977</u>	<u>\$ 71,813</u>

OTHER SUPPLEMENTARY INFORMATION

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended June 30, 2013

Last Ten Years Ended	1		2		3	10	20	31	32	40	50
	Maintenance	Debt Service	Maintenance	Debt Service							
08/31 or 06/30	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance 07/01/12	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 06/30/13		
Prior Years	Various	Various									
2004 and 2005	Various	Various	--	\$ 32,892	\$ -	\$ 2,481	\$ -	\$ (3,429)	\$ 26,982		
2006	1.40544	0.09456	125,310,533	14,778	-	231	-	(431)	14,116		
2007	1.44000	0.11000	131,419,017	11,370	-	127	-	(621)	10,622		
2008	1.31670	0.11000	131,419,017	13,251	-	323	-	(2,424)	10,504		
2009	1.17000	0.09500	183,348,379	9,168	-	193	-	(2,149)	6,826		
2010	1.17000	0.00000	198,705,556	10,438	-	1,234	-	(393)	8,811		
2011	1.17000	0.00000	202,228,376	12,434	-	2,770	-	(535)	9,129		
2012	1.17000	0.28500	210,451,340	22,223	-	5,274	1,285	(682)	14,982		
2013-School Year Under Audit	1.17000	0.28500	214,995,670	63,644	-	30,725	7,484	(6,504)	18,931		
1000	TOTALS			\$ 190,198	\$ 3,150,945	\$ 2,496,164	\$ 606,247	\$ (29,598)	\$ 209,134		

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 6/30/13

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF EXPENDITURES FOR COMPUTATION ON INDIRECT COST FOR 2014-2015
GENERAL AND SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2013

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Miscellaneous	7 Total
611X-6146	Payroll Costs	\$ -	\$ -	\$ 152,919	\$ 190,532	\$ -	\$ -	\$ 343,451
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	-	-	2,617	-	-	-	2,617
6212	Audit Services				12,325			12,325
6213	Tax Appraisal and Collection		37,162					37,162
621X	Other Prof. Services	-	-	-	-	-	-	-
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	-	-	2,000	2,000	-	-	4,000
6240	Contr. Maint. And Repair							-
6250	Utilities							-
6260	Rentals	-	-	6,438	-	-	-	6,438
6290	Miscellaneous Contr.	-	-	399	-	-	-	399
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	5,015	-	296	4,993	-	-	10,304
6410	Travel, Subsistence, Stipends	5,959	-	1,416	264	-	-	7,639
6420	Ins. and Bonding Costs	4,100	-	-	-	-	-	4,100
6430	Election Costs	-						-
6490	Miscellaneous Operating	5,989	-	4,383	7,075	-	-	17,447
6500	Debt Service							-
6600	Capital Outlay							-
6000	TOTAL	\$ 21,063	\$ 37,162	\$ 170,468	\$ 217,189	\$ -	\$ -	\$ 445,882

Total expenditures for General and Special Revenue Funds (9) 7,833,533

LESS: Deductions of Unallowable Costs:

	FISCAL YEAR		
Total Capital Outlay (6600)		(10)	93,605
Total Debt & Lease (6500)		(11)	-
Plant Maintenance (Function 51, 6100-6400)		(12)	794,286
Food (Function 35, 6341 and 6499)		(13)	300
Stipends (6413)		(14)	-
Column 4 (above) - Total Indirect Cost			217,189
			<u>1,105,380</u>

Net Allowed Direct Cost \$ 6,728,153

CUMULATIVE

Total Cost of Buildings Before Depreciation	(15)	21,593,880
Historical Cost of Buildings over 50 Years Old	(16)	500,990
Amount of Federal Money in Building Cost (Net of #16)	(17)	-
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,366,290
Historical Cost of Furniture & Equipment Over 16 Years Old	(19)	130,446
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	-

(8) Note A - No Function 53 expenditures and \$27,900 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, 2013

Data Control Code	Explanation	Amount
1	Total General Fund Balance 6/30/13 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 4,304,961
2	Total General Fund Non-spendable Fund Balance (from Exhibit C-1 - total of object 341X-644X for the General Fund Only)	-
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 -- total of object 345X-349X for the General Fund only)	-
4	Total General Fund Committed Fund Balance (from Exhibit C-1 -- total of object 351X-654X for the General Fund only)	1,800,000
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 -- total of object 355X-359X for the General Fund only)	-
6	Estimated amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	1,631,986
7	Estimate of two month's average cash disbursements during the fiscal year.	1,305,589
8	Estimate of delayed payments from state sources (58XX)	-
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.	-
10	Estimate of delayed payments from federal sources (59XX)	-
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)	-
10	Optimum Fund Balance and Cash Flow (2 + 3+ 4 + 5 + 6 + 7 + 8 + 9)	\$ 4,737,575
11	Excess/(Deficit) Undesignated Unreserved General Fund Fund Balance (1 - 10)	\$ (432,614)

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, 2013

Data Control Codes		<u>Budget</u>	<u>Actual</u>	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 127,410	\$ 82,857	\$ (44,553)
5800	State Program Revenues	2,525	2,088	(437)
5900	Federal Program Revenues	187,345	174,296	(13,049)
5020	Total Revenues	<u>317,280</u>	<u>259,241</u>	<u>(58,039)</u>
	EXPENDITURES:			
	Current:			
	Support Services-Student (Pupil):			
0035	Food Services	<u>379,280</u>	<u>288,790</u>	<u>90,490</u>
	Total Support Services - Student (Pupil)	<u>379,280</u>	<u>288,790</u>	<u>90,490</u>
6030	Total Expenditures	<u>379,280</u>	<u>288,790</u>	<u>90,490</u>
	Other Financing Sources (Uses):			
7915	Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
	Total Other Financing Sources and (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net Change in Fund Balance	(62,000)	(29,549)	32,451
0100	Fund Balance - Beginning	<u>104,678</u>	<u>104,678</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 42,678</u>	<u>\$ 75,129</u>	<u>\$ 32,451</u>

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

EXHIBIT J-5

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended June 30, 2013

Data Control Codes		Budget	Actual	Variance with Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 613,420	\$ 612,954	\$ (466)
5800	State Program Revenues	290,980	248,840	(42,140)
5020	Total Revenues	<u>904,400</u>	<u>861,794</u>	<u>(42,606)</u>
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	330,000	330,000	-
0072	Interest on Long-Term Debt	569,900	569,900	-
0073	Bond Issuance Costs and Fees	3,900	3,900	-
	Total Debt Service	<u>903,800</u>	<u>903,800</u>	<u>-</u>
6030	Total Expenditures	<u>903,800</u>	<u>903,800</u>	<u>-</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	600	(42,006)	(42,606)
0100	Fund Balance - Beginning	<u>347,343</u>	<u>347,343</u>	<u>-</u>
3000	Fund Balance - Ending	<u>\$ 347,943</u>	<u>\$ 305,337</u>	<u>\$ (42,606)</u>

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) 832-1128

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, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Idalou Independent School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Idalou Independent School District's basic financial statements and have issued our report thereon dated September 5, 2013.

Internal Control Over Financial Reporting

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

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

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



Independent Auditors' Report
Page 2

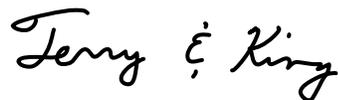
Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

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

Terry & King, CPAs, P.C.
Lubbock, Texas
September 5, 2013

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

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

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, 2013

<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, 2013

Not Applicable – None Required

IDALOU INDEPENDENT SCHOOL DISTRICT
Idalou, Texas

SCHOOLS FIRST QUESTIONNAIRE
For the Year Ended June 30, 2013

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