

**ONALASKA
INDEPENDENT SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2012

ONALASKA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
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CERTIFICATE OF BOARD

ONALASKA INDEPENDENT SCHOOL DISTRICT
Name of School

POLK
County

187-910
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 August 31, 2012 at a meeting of the Board of Trustees of such school district on the 15th day of October 2012.



SIGNATURE OF BOARD SECRETARY



SIGNATURE OF BOARD PRESIDENT

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

FINANCIAL SECTION



HLSK

Hereford, Lynch, Sellars & Kirkham

Certified Public Accountants • A Professional Corporation

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Onalaska Independent School District
P.O. Box 2289
Onalaska, Texas 77360

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 Onalaska Independent School District (District), as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2012, on our consideration of the 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The accompanying other supplementary information, including schedule of required responses to selected school first indicators, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The other supplementary information, including schedule of required responses to selected school first indicators, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

Hereford, Lynch, Sellars & Kirkham, P.C.

HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants

Conroe, Texas
October 8, 2012

Management's Discussion and Analysis

As management of the Onalaska Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2012.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$7,005,089 (*net assets*). Of this amount, \$4,240,184 (*unrestricted net assets*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net assets increased by \$146,555.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,059,829, an increase of \$148,346 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,132,424, or 15 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$129,872.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets (Exhibit A-1)* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities (Exhibit B-1)* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and incurred but unpaid interest).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Current Debt Fees, Facilities Repair and Maintenance, Payments Related to Shared Services Arrangements, and Other Intergovernmental Charges.

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been specific activities or objectives. The District, like other state and local governments, uses fund accounting to segregated for ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand

the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and debt service fund, which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation titled other governmental funds.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is similar to the accounting used for proprietary funds.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information, which includes schedules required by the Texas Education Agency. Other supplementary information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a District's financial position. In the case of the District, assets exceeded liabilities by \$7,005,089 at the close of the most recent fiscal year.

ONALASKA INDEPENDENT SCHOOL DISTRICT'S NET ASSETS

	Governmental Activities					
	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 5,690,962	42	\$ 6,349,800	44	\$ (658,838)	(10)
Capital Assets	7,994,884	58	8,006,613	56	(11,729)	-
Total Assets	13,685,846	100	14,356,413	100	(670,567)	
Noncurrent Liabilities Outstanding	6,003,414	90	6,158,171	82	(154,757)	(3)
Other Liabilities	677,343	10	1,339,708	18	(662,365)	(49)
Total Liabilities	6,680,757	100	7,497,879	100	(817,122)	
Net Assets:						
Invested in Capital Assets, net of Related Debt	2,299,933	33	2,180,006	32	119,927	6
Restricted for Debt Service	464,972	7	526,246	8	(61,274)	(12)
Unrestricted	4,240,184	60	4,152,282	60	87,902	2
Total Net Assets	\$ 7,005,089	100	\$ 6,858,534	100	\$ 146,555	

Investment in capital assets (e.g., capitalized bond and debt issuance cost, land, buildings and improvements, furniture and equipment); less any related debt used to acquire those assets that are still outstanding represents 33 percent of the District's net assets. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Net assets (\$464,972 or 7 percent of net assets) are restricted for debt service.

The largest portion of the District's net assets are unrestricted (60 percent). The *unrestricted net assets* of \$4,240,184 may be used to meet the District's ongoing obligations to students and creditors. At the end of the current fiscal year, the District is able to report positive balances in both categories of net assets.

Governmental activities. Governmental activities increased the District's net assets by \$146,555. Key elements of this change are as follows:

ONALASKA INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	Governmental Activities					
	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 294,992	3	\$ 420,048	4	\$ (125,056)	(30)
Operating Grants and Contributions	1,519,907	16	1,823,555	18	(303,648)	(17)
General Revenues:						
Property Taxes, Levied for General Purpose	3,959,837	42	4,021,111	39	(61,274)	(2)
Property Taxes, Levied for Debt Service	503,177	5	524,452	5	(21,275)	(4)
Investment Earnings	14,574	-	34,321	-	(19,747)	(58)
Grants and Contributions Not Restricted to Specific Programs	3,086,631	33	3,519,334	34	(432,703)	(12)
Miscellaneous	87,491	1	39,691	-	47,800	120
Total Revenues	<u>9,466,609</u>	<u>100</u>	<u>10,382,512</u>	<u>100</u>	<u>(915,903)</u>	
Expenses:						
Instruction	4,866,083	52	5,560,586	52	(694,503)	(12)
Instructional Resources and Media Services	49,768	1	55,916	1	(6,148)	(11)
Curriculum and Staff Development	44,045	-	54,867	1	(10,822)	(20)
Instructional Leadership	74,359	1	100,072	1	(25,713)	(26)
School Leadership	528,927	6	531,548	5	(2,621)	-
Guidance, Counseling, and Evaluation Services	152,282	2	154,961	1	(2,679)	(2)
Health Services	110,337	1	114,082	1	(3,745)	(3)
Student Transportation	511,559	6	574,032	6	(62,473)	(11)
Food Service	626,509	7	676,895	7	(50,386)	(7)
Cocurricular/Extracurricular Activities	332,193	4	416,797	4	(84,604)	(20)
General Administration	416,725	4	441,540	4	(24,815)	(6)
Plant Maintenance and Operations	867,320	9	1,010,770	10	(143,450)	(14)
Data Processing Services	178,109	2	180,753	2	(2,644)	(1)
Community Services	-	-	916	-	(916)	(100)
Interest on Long-term Debt	305,453	3	269,697	3	35,756	13
Current Debt Fees	6,706	-	2,778	-	3,928	141
Facilities Repair and Maintenance	1,555	-	-	-	1,555	100
Payments to Shared Service Arrangements	135,795	1	155,530	1	(19,735)	(13)
Other Intergovernmental Charges	112,329	1	103,908	1	8,421	8
Total Expenses	<u>9,320,054</u>	<u>100</u>	<u>10,405,648</u>	<u>100</u>	<u>(1,085,594)</u>	
Change in Net Assets	146,555		(23,136)		169,691	
Net Assets - Beginning	6,858,534		6,881,670		(23,136)	
Net Assets - Ending	<u>\$ 7,005,089</u>		<u>\$ 6,858,534</u>		<u>\$ 146,555</u>	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$4,606,538) represent 49 percent of total revenues and property taxes (\$4,463,014) represent 47 percent of total revenues. The remaining 4 percent is generated from investment earnings, charges for services, and miscellaneous revenues. The most significant decreases in revenue were decreases in general grants resulting from the federal stimulus funds.

The primary functional expense of the District is instruction (\$4,866,083), which represents 52 percent of total expenses. The remaining functional categories of expenses are individually less than 10 percent of total expenditures. Expenditures decreased primarily in instruction due to planned reductions and due to certain salaries were paid by the Education Jobs grant.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,059,829 an increase of \$148,346 in comparison with the prior year.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, total fund balance of the general fund was \$3,307,424 and unassigned fund balance was \$1,132,424. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned and total fund balance represents 15 percent and 44 percent, respectively, of total general fund expenditures.

The fund balance of the District's general fund increased by \$57,886 during the current fiscal year. The increase in fund balance was primarily due to the decrease in instructional expenditures exceeded net decrease in revenues resulting from reduction in state aid and increase in property tax revenues.

The debt service fund has a total fund balance of \$673,624, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$72,917. The increase in fund balance is the result of decrease in debt requirements.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. There were no significant differences between the original budget and the final amended budget of the general fund.

There were no significant variations between final budget and actual results.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental type activities as of August 31, 2012, amounts to \$7,994,884 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was \$11,729, which resulted primarily from the current year depreciation of assets exceeded addition of capital assets.

Major capital asset events during the current fiscal year included the following:

- Two School Buses \$175,234
- AG Facility Improvements \$184,485
- Bucket Truck \$15,000

ONALASKA INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS

	Governmental Activities					
	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 129,553	2	\$ 129,553	2	\$ -	-
Buildings and Improvements, net	7,359,920	92	7,464,776	93	(104,856)	(1)
Furniture and Equipment, net	505,411	6	412,284	5	93,127	23
Totals	\$ 7,994,884	100	\$ 8,006,613	100	\$ (11,729)	

Additional information on the District's capital assets can be found in notes to the financial statements as noted in the table of contents of this report.

Long-term Liabilities. At the end of the current fiscal year, the District had total long-term liabilities outstanding of \$6,003,414, which is backed by the full faith and credit of the District.

ONALASKA INDEPENDENT SCHOOL DISTRICT'S OUTSTANDING NONCURRENT LIABILITIES

	Governmental Activities					
	2012		2011		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 6,003,414	100	\$ 6,133,286	100	\$ (129,872)	(2)
Compensated Absences	-	-	24,885	-	(24,885)	(100)
Totals	\$ 6,003,414	100	\$ 6,158,171	100	\$ (154,757)	

The District's bonded debt decreased by \$129,872 (two percent) during the current fiscal year as a result of scheduled debt requirements.

The District's most recent bond issue received a "AAA" rating from Moody's for general obligation debt.

State statutes do not limit the rate or amount for the support of school districts bonded indebtedness.

Additional information on the District's long-term debt can be found in the notes to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year's Budgets and Rates

- Current enrollment (2012-2013) totals 927 students, which is a 5 percent decrease from the prior year.
- District staff totals 145 employees in 2012-2013, which includes 68 teachers and 21 teachers' aides and secretaries.
- The District maintains two campuses for instruction.
- The unemployment rate for the County is currently 8.6 percent, which is a decrease from a rate of 10.2 percent a year ago. This compares unfavorably to the state's average unemployment rate of 7 percent, which is a decrease from a rate of 10.5 percent a year ago.
- Property values of the District are projected to decrease 11 percent in the 2012-2013 fiscal year from the prior fiscal year.
- A maintenance and operations tax rate of \$1.04 and a debt service tax rate of \$.125, a total of \$1.17 were adopted for 2012-2013. Preceding year rates were \$1.04, \$.128 and \$1.168, respectively.

All of these factors were considered in preparing the District's budget for the 2012-2013 fiscal year.

During the current fiscal year, unassigned (previously unreserved) fund balance in the general fund decreased to \$1,132,424. The District plans to utilize unassigned fund balance to fund current expenditures prior to collecting the current year tax levy.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager, Onalaska Independent School District, P.O. Box 2289, Onalaska, Texas, 77360.

BASIC FINANCIAL STATEMENTS

ONALASKA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2012

EXHIBIT A-1

1

<u>Data Control Codes</u>	<u>Governmental Activities</u>
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 4,598,901
1225 <i>Property Taxes Receivables (Net)</i>	835,148
1240 <i>Due from Other Governments</i>	102,801
1290 <i>Other Receivables (Net)</i>	10,029
1300 <i>Inventories</i>	20,570
1420 <i>Capital Bond and Other Debt Issuance Costs</i>	123,513
Capital Assets:	
1510 <i>Land</i>	129,553
1520 <i>Buildings and Improvements (Net)</i>	7,359,920
1530 <i>Furniture and Equipment (Net)</i>	505,411
1000 Total Assets	<u>13,685,846</u>
LIABILITIES:	
2140 <i>Interest Payable</i>	4,871
2165 <i>Accrued Liabilities</i>	186,498
2180 <i>Due to Other Governments</i>	473,477
2300 <i>Unearned Revenue</i>	12,497
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	267,079
2502 <i>Due in More than One Year</i>	5,736,335
2000 Total Liabilities	<u>6,680,757</u>
NET ASSETS	
3200 <i>Invested in Capital Assets (Net of Related Debt)</i>	2,299,933
3850 <i>Restricted for Debt Service</i>	464,972
3900 <i>Unrestricted</i>	4,240,184
3000 Total Net Assets	<u>\$ 7,005,089</u>

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT B-1

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
0011	<i>Instruction</i>	\$ 4,866,083	\$ -	\$ 966,698	\$ (3,899,385)
0012	<i>Intructional Resource and Media Services</i>	49,768	-	-	(49,768)
0013	<i>Curriculum and Staff Development</i>	44,045	-	11,682	(32,363)
0021	<i>Instructional Leadership</i>	74,359	-	74,359	-
0023	<i>School Leadership</i>	528,927	-	-	(528,927)
0031	<i>Guidance, Counseling, and Evaluation Services</i>	152,282	-	-	(152,282)
0033	<i>Health Services</i>	110,337	-	-	(110,337)
0034	<i>Student Transportation</i>	511,559	-	-	(511,559)
0035	<i>Food Services</i>	626,509	144,302	467,168	(15,039)
0036	<i>Extracurricular Activities</i>	332,193	150,690	-	(181,503)
0041	<i>General Administration</i>	416,725	-	-	(416,725)
0051	<i>Plant Maintenance and Operations</i>	867,320	-	-	(867,320)
0053	<i>Data Processing Services</i>	178,109	-	-	(178,109)
0072	<i>Interest on Long-term Debt</i>	305,453	-	-	(305,453)
0073	<i>Current Debt Fees</i>	6,706	-	-	(6,706)
0081	<i>Facilities Repair and Maintenance</i>	1,555	-	-	(1,555)
0093	<i>Payments Related to Shared Services Arrangements</i>	135,795	-	-	(135,795)
0099	<i>Other Intergovernmental Charges</i>	112,329	-	-	(112,329)
TG	Total Governmental Activities	<u>9,320,054</u>	<u>294,992</u>	<u>1,519,907</u>	<u>(7,505,155)</u>
TP	Total Primary Government	<u>\$ 9,320,054</u>	<u>\$ 294,992</u>	<u>\$ 1,519,907</u>	<u>(7,505,155)</u>
	General Revenues:				
MT	<i>Property Taxes, Levied for General Purposes</i>				3,959,837
DT	<i>Property Taxes, Levied for Debt Service</i>				503,177
IE	<i>Investment Earnings</i>				14,574
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				3,086,631
MI	<i>Miscellaneous</i>				87,491
TR	Total General Revenues				<u>7,651,710</u>
CN	Change in Net Assets				146,555
NB	Net Assets - Beginning				6,858,534
NE	Net Assets - Ending				<u>\$ 7,005,089</u>

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
AUGUST 31, 2012

EXHIBIT C-1

Data Control Codes	199	599	Other	98	
	General Fund	Debt Service Fund	Governmental Funds	Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 3,847,134	\$ 687,600	\$ 64,167	\$ 4,598,901
1225	Taxes Receivable (Net)	730,466	104,682	-	835,148
1240	Due from Other Governments	89,584	-	13,217	102,801
1260	Due from Other Funds	-	-	4,348	4,348
1290	Other Receivables (Net)	8,911	1,118	-	10,029
1300	Inventories	-	-	20,570	20,570
1000	Total Assets	<u>\$ 4,676,095</u>	<u>\$ 793,400</u>	<u>\$ 102,302</u>	<u>\$ 5,571,797</u>
LIABILITIES:					
Current Liabilities:					
2160	Accrued Wages Payable	\$ 175,474	\$ -	\$ 11,024	\$ 186,498
2170	Due to Other Funds	4,348	-	-	4,348
2180	Due to Other Governments	458,383	15,094	-	473,477
2300	Deferred Revenue	730,466	104,682	12,497	847,645
2000	Total Liabilities	<u>1,368,671</u>	<u>119,776</u>	<u>23,521</u>	<u>1,511,968</u>
FUND BALANCES:					
3410	Non-spendable - Inventories	-	-	20,570	20,570
3480	Restricted - Debt Service	-	673,624	-	673,624
3545	Committed - Other	-	-	58,211	58,211
3550	Assigned - Construction	2,000,000	-	-	2,000,000
3570	Assigned - Capital Expenditures for Equipment	175,000	-	-	175,000
3600	Unassigned	1,132,424	-	-	1,132,424
3000	Total Fund Balances	<u>3,307,424</u>	<u>673,624</u>	<u>78,781</u>	<u>4,059,829</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,676,095</u>	<u>\$ 793,400</u>	<u>\$ 102,302</u>	<u>\$ 5,571,797</u>

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
AUGUST 31, 2012

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) \$ 4,059,829

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental Capital Assets Costs	\$ 13,059,046	
Accumulated Depreciation of Governmental Capital Assets	<u>(5,064,162)</u>	7,994,884

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		835,148
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Issuance cost related to debt is not a financial resource and, therefore, is not reported in the funds. Issuance cost is amortized over the life of the debt.		123,513
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to bonds payable, consist of:

Bonds Payable, at Original Par	\$ (4,597,206)	
Premium on Bonds Payable	(1,396,597)	
Accreted Interest	(308,463)	
Defeasance Costs	298,852	
Accrued Interest on the Bonds	<u>(4,871)</u>	<u>(6,008,285)</u>

Total Net Assets - Governmental Activities (Exhibit A-1) \$ 7,005,089

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT C-2

Data Control Codes	199	599	Other	98
	General Fund	Debt Service Fund	Governmental Funds	Total Governmental Funds
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 4,216,938	\$ 513,470	\$ 273,004	\$ 5,003,412
5800 <i>State Program Revenues</i>	3,369,386	-	85,972	3,455,358
5900 <i>Federal Program Revenues</i>	48,848	-	1,102,332	1,151,180
5020 Total Revenues	<u>7,635,172</u>	<u>513,470</u>	<u>1,461,308</u>	<u>9,609,950</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	4,022,746	-	635,095	4,657,841
0012 <i>Instructional Resources and Media Services</i>	43,593	-	-	43,593
0013 <i>Curriculum and Staff Development</i>	30,554	-	11,682	42,236
0021 <i>Instructional Leadership</i>	-	-	74,359	74,359
0023 <i>School Leadership</i>	525,564	-	-	525,564
0031 <i>Guidance, Counseling, and Evaluation Services</i>	152,195	-	-	152,195
0033 <i>Health Services</i>	109,393	-	-	109,393
0034 <i>Student Transportation</i>	596,906	-	-	596,906
0035 <i>Food Service</i>	-	-	603,955	603,955
0036 <i>Extracurricular Activities</i>	210,679	-	118,674	329,353
0041 <i>General Administration</i>	416,703	-	-	416,703
0051 <i>Plant Maintenance and Operations</i>	857,506	-	-	857,506
0053 <i>Data Processing Services</i>	178,838	-	-	178,838
Debt Service:				
0071 <i>Principal on Long-term Debt</i>	-	330,000	-	330,000
0072 <i>Interest on Long-term Debt</i>	-	110,195	-	110,195
0073 <i>Issuance Costs and Fees</i>	-	358	-	358
Capital Outlay:				
0081 <i>Facilities Acquisition and Construction</i>	184,485	-	-	184,485
Intergovernmental:				
0093 <i>Payments Related to Shared Service Arrangements</i>	135,795	-	-	135,795
0099 <i>Other Intergovernmental Charges</i>	112,329	-	-	112,329
6030 Total Expenditures	<u>7,577,286</u>	<u>440,553</u>	<u>1,443,765</u>	<u>9,461,604</u>
1200 Net Change in Fund Balances	57,886	72,917	17,543	148,346
0100 Fund Balances - Beginning	3,249,538	600,707	61,238	3,911,483
3000 Fund Balances - Ending	<u>\$ 3,307,424</u>	<u>\$ 673,624</u>	<u>\$ 78,781</u>	<u>\$ 4,059,829</u>

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-3

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2012

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2) \$ 148,346

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital Assets <i>increased</i>	\$ 374,719	
Depreciation Expense	<u>(386,448)</u>	(11,729)

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (143,341)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds:

Amortization of Issuance Costs		(6,348)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 205,102

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The increase (decrease) in interest reported in the statement of activities consist of the following:

Accrued Interest on Current Interest Bonds Payable (<i>increased</i>) <i>decreased</i>	\$ 4,870	
Interest Accreted on the Capital Appreciation Bonds	(256,543)	
Accreted Interest Paid	124,898	
Amortization of Bond Premium and Discount	71,774	
Amortization of Defeasance Costs	<u>(15,359)</u>	(70,360)

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. 24,885

Change in Net Assets for Governmental Activities (Exhibit B-1) \$ 146,555

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT C-4

Data Control Codes	Budgeted Amounts			Variance with Final Budget Positive (Negative)	
	Original	Final	Actual		
REVENUES:					
5700	<i>Local and Intermediate Sources</i>	\$ 3,946,300	\$ 4,016,474	\$ 4,216,938	\$ 200,464
5800	<i>State Program Revenues</i>	3,329,782	3,661,385	3,369,386	(291,999)
5900	<i>Federal Program Revenues</i>	30,000	30,000	48,848	18,848
5020	Total Revenues	<u>7,306,082</u>	<u>7,707,859</u>	<u>7,635,172</u>	<u>(72,687)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	<i>Instruction</i>	3,901,265	4,276,576	4,022,746	253,830
0012	<i>Instructional Resources and Media Services</i>	51,590	51,590	43,593	7,997
0013	<i>Curriculum and Staff Development</i>	44,324	40,155	30,554	9,601
	Total Instruction & Instr. Related Services	<u>3,997,179</u>	<u>4,368,321</u>	<u>4,096,893</u>	<u>271,428</u>
Instructional and School Leadership:					
0023	<i>School Leadership</i>	527,866	527,866	525,564	2,302
	Total Instructional & School Leadership	<u>527,866</u>	<u>527,866</u>	<u>525,564</u>	<u>2,302</u>
Support Services - Student (Pupil):					
0031	<i>Guidance, Counseling, and Evaluation Services</i>	153,669	153,669	152,195	1,474
0033	<i>Health Services</i>	112,522	112,522	109,393	3,129
0034	<i>Student Transportation</i>	446,038	622,072	596,906	25,166
0036	<i>Extracurricular Activities</i>	221,015	219,465	210,679	8,786
	Total Support Services - Student (Pupil)	<u>933,244</u>	<u>1,107,728</u>	<u>1,069,173</u>	<u>38,555</u>
Administrative Support Services:					
0041	<i>General Administration</i>	552,879	437,879	416,703	21,176
	Total Administrative Support Services	<u>552,879</u>	<u>437,879</u>	<u>416,703</u>	<u>21,176</u>
Support Services - Nonstudent Based:					
0051	<i>Plant Maintenance and Operations</i>	965,198	997,383	857,506	139,877
0053	<i>Data Processing Services</i>	184,716	184,716	178,838	5,878
	Total Support Services - Nonstudent Based	<u>1,149,914</u>	<u>1,182,099</u>	<u>1,036,344</u>	<u>145,755</u>
Capital Outlay:					
0081	<i>Facilities Acquisition and Construction</i>	-	184,650	184,485	165
	Total Capital Outlay	<u>-</u>	<u>184,650</u>	<u>184,485</u>	<u>165</u>
Intergovernmental Charges:					
0093	<i>Payments Related to Shared Service Arrangements</i>	145,000	145,000	135,795	9,205
0099	<i>Other Intergovernmental Charges</i>	-	115,000	112,329	2,671
	Total Intergovernmental Charges	<u>145,000</u>	<u>260,000</u>	<u>248,124</u>	<u>11,876</u>
6030	Total Expenditures	<u>7,306,082</u>	<u>8,068,543</u>	<u>7,577,286</u>	<u>491,257</u>
1200	Net Change in Fund Balance	-	(360,684)	57,886	418,570
0100	Fund Balance - Beginning	<u>3,249,538</u>	<u>3,249,538</u>	<u>3,249,538</u>	-
3000	Fund Balance - Ending	<u>\$ 3,249,538</u>	<u>\$ 2,888,854</u>	<u>\$ 3,307,424</u>	<u>\$ 418,570</u>

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
AUGUST 31, 2012

EXHIBIT E-1

Data Control Codes		829 Agency Fund
Data Control Codes		Private- Purpose Trust Funds
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 28,004
1000	Total Assets	<u>\$ 28,004</u>
	LIABILITIES:	
	Current Liabilities:	
2190	<i>Due to Student Groups</i>	\$ 28,004
2000	Total Liabilities	<u>\$ 28,004</u>

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Onalaska Independent School District (District) is governed by a seven-member board of trustees (Board), which has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Because members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity. The accompanying financial statements present the District. There are no component units, entities for which the District is considered to be financially accountable, included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Depreciation expense has been allocated to all applicable functions in order to present the expenditures of the District more accurately in the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payment made for principal and interest on long-term general obligation debt of governmental funds.

ONALASKA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2012

Additionally, the District reports the following fund types:

The *agency fund* is used to account for assets held by the District as an agent for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operation.

Interfund activities between governmental funds appear as due to/from other funds on the governmental fund balance sheet and as other resources and other uses on the governmental fund statement of revenues, expenditures, and changes in fund balance. Interfund activities between governmental funds and fiduciary funds remain as due to/from other funds on the government-wide statement of activities.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted (committed, assigned, or unassigned) resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any unrestricted fund balance classification could be used.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificate of deposits with original maturities of one year or less from the date of acquisition.

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges collateral, which complies with state law. The collateral is approved by the Texas Education Agency and shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of collateral is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

State statutes authorize the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, or investment pools.

Investments for the District are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares. The District does not currently participate in any investment pools.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All property tax receivables are shown net of an allowance for uncollectible. The property tax receivable allowance is equal to 6 percent of outstanding property taxes at August 31, 2012. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of financial statements.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

Property values are determined by the Polk County Central Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

3. Inventories and Deferred Expenses

All inventories are valued at cost using the first-in first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as deferred expense items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the governmental column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items), was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost, which equals or exceeds \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and improvements and furniture and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	10-40
Furniture and Equipment	5-15

5. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused sick pay benefits. There is no liability for unpaid accumulated sick leave since the District's policy does not require benefits to be paid when employees separate from service with the District. The District does not have a liability for unpaid vacation at year-end due to the District's policy does not allow a carryover of vacation not taken at August 31.

6. Long-term Obligations

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

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.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

7. Fund Equity

Beginning with fiscal year 2012, the District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

Beginning fund balances for the Districts governmental funds have been restated to reflect the above classifications.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Superintendent or his designee through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

8. Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

9. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a statewide data base for policy development and funding plans.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast and Lunch Program special revenue fund, and the debt service fund. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements.

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a department. Transfers of appropriations between campus/departments require the approval of the District's Management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. The District made several supplemental budgetary appropriations for the general fund throughout the year which were primarily to increase instruction, student transportation, and facilities acquisition and construction.

B. Excess of Expenditures Over Appropriations

For the year ended August 31, 2012, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
None		\$	\$	\$

III. Detailed Notes on All Funds

A. Deposits and Investments

As of August 31, 2012, the District's deposits were deposited under the terms of the depository contract and the District's investments consisted of certificates of deposit and savings accounts at the local depository.

Credit risk. For fiscal year 2012, the District is not exposed to credit risk.

Interest rate risk. Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the maturity of any individual investment from the time of purchase shall not exceed one year.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2012, the District's deposits at the local bank were insured and collateralized with securities held by the District's agent and in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are held by the District.

B. Receivables

Receivables as of year-end for the District's individual major funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Receivables:				
Property Taxes	\$ 777,091	\$ 111,364	\$ -	\$ 888,455
Due From Other Governments	89,584	-	13,217	102,801
Other	8,911	1,118	-	10,029
Gross Receivables	875,586	112,482	13,217	1,001,285
Less: Allowance for Uncollectibles	(46,625)	(6,682)	-	(53,307)
Net Total Receivables	\$ 828,961	\$ 105,800	\$ 13,217	\$ 947,978

ONALASKA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2012

Tax revenues of the general and debt service fund are reported net of uncollectible amounts. Total uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Uncollectibles Related to General Fund Property Taxes	\$ (10,525)
Uncollectibles Related to Debt Service Property Taxes	(2,011)
Total Uncollectibles of the Current Fiscal Year	\$ <u>(12,536)</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent Property Taxes Receivable (General Fund)	\$ 730,466	\$ -
Delinquent Property Taxes Receivable (Debt Service Fund)	104,682	-
Grant Draw downs Prior to Meeting all Eligibility Requirements	-	12,497
Total Deferred/Unearned Revenue For Governmental Funds	\$ <u>835,148</u>	\$ <u>12,497</u>

C. Capital Assets

Capital asset activity for the year ended August 31, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 129,553	\$ -	\$ -	\$ 129,553
Total Capital Assets, not being Depreciated	<u>129,553</u>	<u>-</u>	<u>-</u>	<u>129,553</u>
Capital Assets, being Depreciated:				
Building and Improvements	11,097,088	174,763	-	11,271,851
Furniture and Equipment	1,457,686	199,956	-	1,657,642
Total Capital Assets, being Depreciated	<u>12,554,774</u>	<u>374,719</u>	<u>-</u>	<u>12,929,493</u>
Less Accumulated Depreciation for:				
Building and Improvements	(3,632,312)	(279,619)	-	(3,911,931)
Furniture and Equipment	(1,045,402)	(106,829)	-	(1,152,231)
Total Accumulated Depreciation	<u>(4,677,714)</u>	<u>(386,448)</u>	<u>-</u>	<u>(5,064,162)</u>
Total Capital Assets, being Depreciated, net	<u>7,877,060</u>	<u>(11,729)</u>	<u>-</u>	<u>7,865,331</u>
Governmental Activities Capital Assets, net	<u>\$ 8,006,613</u>	<u>\$ (11,729)</u>	<u>\$ -</u>	<u>\$ 7,994,884</u>

Depreciation expense charged to functions/programs of the District was as follows:

Governmental Activities:	
11 Instruction	\$ 224,022
12 Instructional Resources and Media Services	6,175
13 Curriculum and Staff Development	1,809
23 School Leadership	5,478
31 Guidance, Counseling, and Evaluation Services	696
33 Health Services	1,413
34 Student Transportation	106,255
35 Food Service	22,573
36 Cocurricular/Extracurricular Activities	3,335
41 General Administration	1,465
51 Plant Maintenance and Operations	11,672
81 Facilities, Repairs and Maintenance	1,555
Total Depreciation Expense-Governmental Activities	\$ <u>386,448</u>

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

D. Interfund Receivables, Payables, and Transfers

The composition of interfund receivable/payable balances as of August 31, 2012, is as follows:

Fund	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 4,348
Other Governmental Funds - Nonmajor	4,348	-
Total	\$ 4,348	\$ 4,348

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." The summary of the District's transfers for the year ended August 31, 2012, was as follows:

Transfers Out	Transfer In	Amount
None		\$ -
Total		\$ -

E. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund.

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 4,802,308	\$ -	\$ (205,102)	\$ 4,597,206	\$ 267,079
Premium on Bonds	1,468,371	-	(71,774)	1,396,597	-
Accreted Interest (CAB)	176,818	256,543	(124,898)	308,463	-
Deferred Interest Expense Adjustment	(314,211)	-	15,359	(298,852)	-
Total Bonds Payable, net	6,133,286	256,543	(386,415)	6,003,414	267,079
Compensated Absences	24,885	-	(24,885)	-	-
Governmental Activity Long-term Liabilities	\$ 6,158,171	\$ 256,543	\$ (411,300)	\$ 6,003,414	\$ 267,079

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities and to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 14-31 year current interest and capital appreciation bonds (CAB) with various amounts of principal maturing each year.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2001 CAB	2.60-5.77%	\$ 3,517,958	2025	\$ 205,102	\$ -	\$ (205,102)	\$ -
2011 Refunding (CAB)	1.25-4.20%	1,887,206	2025	1,887,206	-	-	1,887,206
2011 Refunding	4.0-4.20%	2,710,000	2032	2,710,000	-	-	2,710,000
Totals				\$ 4,802,308	\$ -	\$ (205,102)	\$ 4,597,206

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending August 31	Principal Value	Interest	Total Requirements
2013	\$ 267,079	\$ 173,116	\$ 440,195
2014	240,394	204,801	445,195
2015	213,144	232,051	445,195
2016	188,984	256,211	445,195
2017	167,560	277,635	445,195
2018	148,566	296,629	445,195
2019	131,725	313,470	445,195
2020	116,794	328,401	445,195
2021	103,555	341,640	445,195
2022	91,817	353,378	445,195
2023	81,408	363,787	445,195
2024	72,182	373,013	445,195
2025	63,998	381,197	445,195
2026	345,000	103,295	448,295
2027	355,000	89,295	444,295
2028	370,000	74,795	444,795
2029	385,000	59,695	444,695
2030	400,000	43,795	443,795
2031	420,000	26,933	446,933
2032	435,000	9,135	444,135
Totals	\$ 4,597,206	\$ 4,302,272	\$ 8,899,478

In prior years, the District defeased certain previously issued and outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2012, there were no defeased bonds.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other Governmental Fund - Food Service	\$ 14,115
Other Governmental Fund - Campus Activity	44,096
Total Other Reserves of Fund Balance	\$ 58,211

G. Revenues from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General	Debt Service	Nonmajor Governmental Funds	Totals
Property Taxes	\$ 4,095,762	\$ 510,593	\$ -	\$ 4,606,355
Investment Income	11,609	2,877	88	14,574
Food Sales	-	-	144,302	144,302
Other	109,567	-	128,614	238,181
Total	\$ 4,216,938	\$ 513,470	\$ 273,004	\$ 5,003,412

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

IV. Other Information

A. Risk Management

Unemployment Compensation and Property/Casualty Insurance

The District participates in the Texas Association of School Boards Risk Management Fund (Fund) for unemployment compensation and property/liability insurance. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for coverages and develop a comprehensive loss control program. The District pays a premium to the Fund for its unemployment and property/casualty coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and may provide, through commercial companies, reinsurance contracts. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Health Care Coverage

During the year ended August 31, 2012, employees of the District were covered by a health insurance plan. The District paid premiums of \$225 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

Workers' Compensation

The District participates in the Deep East Texas Workers' Compensation Insurance Fund. The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for workers' compensation coverage and develop a comprehensive loss control program. The District pays an annual premium to the Fund for its workers' compensation coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will provide, through commercial companies, reinsurance contracts. The Fund maintains stop loss coverage for any claim in excess of the Fund's self-insured retention of \$850,000 per individual. In the event that the Fund was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

B. Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2012, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Joint Venture-Shared Service Arrangement

The District participates in the following shared service arrangements.

Polk County Special Services Cooperative

The District participates in a shared service arrangement for special education funded under IDEA-B Formula and Preschool and for the education of students with a visual impairment funded under State Supplemental Visually Impaired Funds with other school districts. The District does not account for revenues or expenditures in these programs and does not disclose them in these financial statements. The revenues and expenditures are disclosed in the financial statements of the fiscal agent, Livingston I.S.D. 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 shared service arrangement.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

Education Service Center, Region VI Shared Services Arrangement

The District participates in a shared services arrangement for the education funded under Title III, Part A with other school districts. 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 part of the financial activities of the shared services arrangement.

D. Defined Benefit Pension Plan

Pension Plan for Employees Participating in Teacher Retirement System

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

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.4% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Contribution rates and contributions for fiscal years 2012-2010 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state's and/or member's contribution and on the portion of the employees' salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Member		State		School District
	Rate	Amount	Rate	Amount	Statutory Amount
2012	6.4%	\$ 335,600	6.000%	\$ 259,221	\$ 30,427
2011	6.4%	\$ 353,961	6.644%	\$ 310,198	\$ 56,027
2010	6.4%	\$ 359,662	6.644%	\$ 324,280	\$ 47,856

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2012

E. School District Retiree Health Plan

Plan Description. The Onalaska Independent School 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 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 Teacher Retirement System of Texas issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates and amounts are shown in the table below for fiscal years 2012-2010.

Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2012	0.65%	\$ 34,084	1.00%	\$ 48,203	0.55%	\$ 28,841
2011	0.65%	\$ 35,949	1.00%	\$ 51,287	0.55%	\$ 30,419
2010	0.65%	\$ 36,528	1.00%	\$ 52,719	0.55%	\$ 30,908

In addition, the State of Texas contributed \$24,179, \$14,470, and \$13,527 in 2012, 2011, and 2010, respectively, for on-behalf payments for Medicare Part D and Early Retiree Reinsurance Program.

For the current fiscal year and each of the past two years, the District's actual contributions were equal to 100 percent of the required contributions. The contributions made by the State are on behalf of the District and have been recorded in the governmental funds' financial statements of the District as both state revenues and expenditures. These contributions are the legal responsibility of the State.

F. Nonmonetary Transactions

During 2012, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$29,910. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$29,910 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

OTHER SUPPLEMENTARY INFORMATION



ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2012

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance	Debt Service	Maintenance	Debt Service		
2003 and Prior Years	\$	Various	\$	Various	\$	Various
2004		1.4833		.1877		212,320,287
2005		1.4833		.1877		226,466,026
2006		1.4833		.1877		231,261,066
2007		1.3552		.1877		254,443,710
2008		1.04		.1618		275,794,808
2009		1.04		.1602		300,401,933
2010		1.04		.1601		332,946,504
2011		1.04		.14		378,728,814
2012 (School Year Under Audit)		1.04		0.128		386,966,695
1000 Totals						
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code						

50	40	32	31	20	10
Ending Balance 8/31/12	Entire Years Adjustments	Debt Service Collections	Maintenance Collections	Current Years Total Levy	Beginning Balance 9/1/11
\$ 108,958	\$(63,665)	\$ 1,276	\$ 6,620	\$ -	\$ 180,519
30,596	(14,901)	251	1,847	-	47,595
36,071	(16,466)	435	3,442	-	56,414
49,995	(13,160)	667	5,269	-	69,091
57,352	(10,943)	706	5,100	-	74,101
60,041	(5,202)	1,090	7,007	-	73,340
56,202	(4,207)	1,776	11,527	-	73,712
120,754	(4,638)	3,422	22,228	-	151,042
151,723	(1,937)	16,585	123,201	-	293,446
216,763	(20,219)	469,347	3,813,442	4,519,771	-
<u>\$ 888,455</u>	<u>\$(155,338)</u>	<u>\$ 495,555</u>	<u>\$ 3,999,683</u>	<u>\$ 4,519,771</u>	<u>\$ 1,019,260</u>

ONALASKA INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT J-2

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES:					
5700	Local and Intermediate Sources	\$ 158,103	\$ 158,103	\$ 144,302	\$ (13,801)
5800	State Program Revenues	2,500	2,500	3,294	794
5900	Federal Program Revenues	500,000	500,000	463,874	(36,126)
5020	Total Revenues	<u>660,603</u>	<u>660,603</u>	<u>611,470</u>	<u>(49,133)</u>
EXPENDITURES:					
Current:					
Support Services - Student (Pupil):					
0035	Food Service	660,603	660,603	603,955	56,648
	Total Support Services - Student (Pupil)	<u>660,603</u>	<u>660,603</u>	<u>603,955</u>	<u>56,648</u>
6030	Total Expenditures	<u>660,603</u>	<u>660,603</u>	<u>603,955</u>	<u>56,648</u>
1200	Net Change in Fund Balance	-	-	7,515	7,515
0100	Fund Balance - Beginning	27,170	27,170	27,170	-
3000	Fund Balance - Ending	<u>\$ 27,170</u>	<u>\$ 27,170</u>	<u>\$ 34,685</u>	<u>\$ 7,515</u>

ONALASKA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
5700	<i>Local and Intermediate Sources</i>			
5020	Total Revenues			
	\$ 440,195	\$ 440,553	\$ 513,470	\$ 72,917
	<u>440,195</u>	<u>440,553</u>	<u>513,470</u>	<u>72,917</u>
EXPENDITURES:				
Debt Service:				
0071	<i>Principal on Long-term Debt</i>			
0072	<i>Interest on Long-term Debt</i>			
0073	<i>Issuance Costs and Fees</i>			
		Total Debt Service		
	330,000	330,000	330,000	-
	110,195	110,195	110,195	-
	-	358	358	-
	<u>440,195</u>	<u>440,553</u>	<u>440,553</u>	<u>-</u>
6030	Total Expenditures			
	<u>440,195</u>	<u>440,553</u>	<u>440,553</u>	<u>-</u>
1200	Net Change in Fund Balance			
	-	-	72,917	72,917
0100	Fund Balance - Beginning			
3000	Fund Balance - Ending			
	<u>600,707</u>	<u>600,707</u>	<u>600,707</u>	<u>-</u>
	<u>\$ 600,707</u>	<u>\$ 600,707</u>	<u>\$ 673,624</u>	<u>\$ 72,917</u>

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OVERALL COMPLIANCE, INTERNAL CONTROL SECTION AND FEDERAL AWARDS



HLSK

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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
Onalaska Independent School District
P.O. Box 2289
Onalaska, Texas 77360

Members of the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Onalaska Independent School District (District), as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 8, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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

Compliance and Other Matters

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

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

Respectfully submitted,

Hereford, Lynch, Sellars & Kirkham, P.C.

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants**

**Conroe, Texas
October 8, 2012**

HLSK

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

Board of Trustees
Onalaska Independent School District
P.O. Box 2289
Onalaska, Texas 77360

Members of the Board of Trustees:

Compliance

We have audited Onalaska Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2012. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2012.

Internal Control Over Compliance

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

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

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

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

Respectfully submitted,

Hereford, Lynch, Sellars & Kirkham, P.C.

**HEREFORD, LYNCH, SELLARS & KIRKHAM, P.C.
Certified Public Accountants**

**Conroe, Texas
October 8, 2012**

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ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unqualified
2. Internal Control over Financial Reporting:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
3. Noncompliance material to Financial Statements noted?	No
FEDERAL AWARDS	
4. Internal control over major programs:	
a. Material Weakness(es) identified?	No
b. Significant Deficiency(ies) identified that are not considered to be material weaknesses?	None reported
5. Type of auditors’ report issued on compliance with major programs	Unqualified
6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133	No
7. Identification of Major Programs	Title I, Part A Cluster Education Jobs Fund - 84.410A
8. Dollar Threshold Used to Distinguish Between Type A and Type B Federal Programs	\$300,000
9. Auditee Qualified as a Low-Risk Auditee?	Yes
SECTION II – FINANCIAL STATEMENT FINDINGS	
None reported	
SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS	
None reported	

**ONALASKA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2012**

PRIOR YEAR FINDINGS

None reported

**ONALASKA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2012**

CURRENT YEAR FINDINGS

None reported

ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Project Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through State Department of Education:			
<i>ESEA Title I, Part A-Improving Basic Programs</i>	84.010A	12610101187910	\$ 351,401
<i>Education Job Funds</i>	84.410A	11550101187910	196,043
<i>ESEA Title II, Part A-Teacher and Principal Training and Recruiting</i>	84.367A	12694501187910	52,390
<i>ESEA Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	84.358B	12696001187910	22,077
<i>Carl D. Perkins Career and Technical Basic Grant</i>	84.048A	12420006187910	16,547
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>638,458</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through State Department of Education:			
Child Nutrition Cluster:			
Non-Cash Assistance (Commodities):			
<i>National School Lunch Program</i>	10.555	187009A	26,331
Cash Assistance:			
<i>School Breakfast Program</i>	10.553	71401201	143,107
<i>National School Lunch Program</i>	10.555	71301201	294,436
TOTAL U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER			<u>463,874</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,102,332</u>

The accompanying notes are an integral part of this schedule.

ONALASKA INDEPENDENT SCHOOL DISTRICT

*NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2012*

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Onalaska Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Presented below is a reconciliation of federal revenues:

<i>Total Expenditures of Federal Awards per Exhibit K-1</i>	\$ 1,102,332
General Fund - Federal Revenue	
School Health and Related Services (SHARS)	48,848
Total Federal Revenues per Exhibit C-2	<u>\$ 1,151,180</u>

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ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2012

EXHIBIT L-1

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ 308,463