

**ONALASKA
INDEPENDENT SCHOOL
DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

AUGUST 31, 2013

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, 2013 at a meeting of the Board of Trustees of such school district on the 21st day of October 2013.



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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Onalaska Independent School District (District), Texas, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 Onalaska Independent School District, Texas, as of August 31, 2013, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note I. F. *Accounting Changes* in the notes to the financial statements for August 31, 2013, the District adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Onalaska Independent School District, Texas' basic financial statements. The combining funds financial statements and other supplementary information, including the schedule of required responses to selected school first indicators, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining funds financial statements, other supplementary information, including the 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining funds financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2013, on our consideration of the Onalaska Independent School District, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Onalaska Independent School District, Texas' internal control over financial reporting and compliance.

Respectfully,

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

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

**Conroe, Texas
October 14, 2013**

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, 2013.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities at the close of the most recent fiscal year by \$6,944,070 (*net position*). Of this amount, \$4,347,737 (*unrestricted net position*) may be used to meet the District's ongoing obligations to students and creditors.
- The District's total net position increased by \$62,494.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,332,471, an increase of \$272,642 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,324,580, or 17 percent of total general fund expenditures.
- The District's total bonded debt decreased by \$141,526.

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 Position (Exhibit A-1)* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and 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 segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to 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 financial statements 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 effect 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 nine 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 seven governmental funds are combined into a single, aggregated presentation titled *other governmental funds*.

The District adopts an annual revenue and appropriations budget for its general fund. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget. 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 presents combining funds financial statements and other supplementary information, which includes schedules required by the Texas Education Agency. Such supplementary information can be found as noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$6,944,070 at the close of the most recent fiscal year.

ONALASKA INDEPENDENT SCHOOL DISTRICT'S NET POSITION

	Governmental Activities					
	2013		2012		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and Other Assets	\$ 5,791,908	43	\$ 5,690,962	42	\$ 100,946	2
Capital Assets	7,632,302	57	7,994,884	58	(362,582)	(5)
Total Assets	13,424,210	100	13,685,846	100	(261,636)	
Total Deferred Outflows of Resources	283,493	100	298,852	100	(15,359)	(5)
Noncurrent Liabilities Outstanding	6,160,740	91	6,302,266	90	(141,526)	(2)
Other Liabilities	602,893	9	677,343	10	(74,450)	(11)
Total Liabilities	6,763,633	100	6,979,609	100	(215,976)	
Net Position:						
Net Investment in Capital Assets	2,260,845	33	2,299,933	33	(39,088)	(2)
Restricted for Debt Service	335,488	5	464,972	7	(129,484)	(28)
Unrestricted	4,347,737	62	4,240,184	60	107,553	3
Total Net Position	\$ 6,944,070	100	\$ 7,005,089	100	\$ (61,019)	

Investment in capital assets (e.g., 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 position. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's net 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 position (\$335,488 or 5 percent of net position) are restricted for debt service.

The largest portion of the District's net position is unrestricted (62 percent). The *unrestricted net position* of \$4,347,737 may be used to meet the District's ongoing obligations to students and creditors.

Governmental activities. Governmental activities increased the District's net position by \$62,494 from current operations and a decrease of \$123,513 from the implementation of GASB 65 as described in the notes to the financial statements. Key elements of this change are as follows:

ONALASKA INDEPENDENT SCHOOL DISTRICT'S CHANGES IN NET POSITION

	Governmental Activities					
	2013		2012		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenue:						
Program Revenues:						
Charges for Services	\$ 272,655	3	\$ 294,992	3	\$ (22,337)	(8)
Operating Grants and Contributions	1,392,074	14	1,519,907	16	(127,833)	(8)
General Revenues:						
Property Taxes, Levied for General Purpose	4,227,581	44	3,959,837	42	267,744	7
Property Taxes, Levied for Debt Service	505,447	5	503,177	5	2,270	-
Investment Earnings	15,080	-	14,574	-	506	3
Grants and Contributions Not Restricted to Specific Programs	3,237,549	34	3,086,631	33	150,918	5
Miscellaneous	370	-	87,491	1	(87,121)	(100)
Total Revenues	9,650,756	100	9,466,609	100	184,147	
Expenses:						
Instruction	4,789,439	50	4,866,083	52	(76,644)	(2)
Instructional Resources and Media Services	48,966	1	49,768	1	(802)	(2)
Curriculum and Staff Development	107,091	1	44,045	-	63,046	143
Instructional Leadership	96,757	1	74,359	1	22,398	30
School Leadership	510,958	5	528,927	6	(17,969)	(3)
Guidance, Counseling, and Evaluation Services	129,499	1	152,282	2	(22,783)	(15)
Health Services	112,650	1	110,337	1	2,313	2
Student Transportation	506,711	6	511,559	6	(4,848)	(1)
Food Service	641,451	7	626,509	7	14,942	2
Extracurricular Activities	363,432	4	332,193	4	31,239	9
General Administration	427,921	4	416,725	4	11,196	3
Plant Maintenance and Operations	918,451	10	867,320	9	51,131	6
Data Processing Services	188,228	2	178,109	2	10,119	6
Community Services	-	-	-	-	-	-
Interest on Long-term Debt	314,028	3	305,453	3	8,575	3
Issuance Costs and Fees	500	-	6,706	-	(6,206)	(93)
Facilities Repair and Maintenance	215,210	2	1,555	-	213,655	13,740
Payments to Shared Service Arrangements	103,143	1	135,795	1	(32,652)	(24)
Other Intergovernmental Charges	113,827	1	112,329	1	1,498	1
Total Expenses	9,588,262	100	9,320,054	100	268,208	
Change in Net Position	62,494		146,555		(84,061)	
Net Position - Beginning	7,005,089		6,858,534		146,555	
Prior Period Adjustment - Implement GASB 65 for Bond Issuance Costs	(123,513)		-		(123,513)	
Net Position - Beginning, as restated	6,881,576		6,858,534		23,042	
Net Position - Ending	\$ 6,944,070		\$ 7,005,089		\$ (61,019)	

Revenues are generated primarily from two sources. Grants and contributions (program and general revenues totaling \$4,629,623) represent 48 percent of total revenues and property taxes (\$4,733,028) represent 49 percent of total revenues. The remaining 3 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$4,789,439), which represents 50 percent of total expenses. The remaining functional categories of expenses are individually 10 percent or less of total expenditures.

Although net position increased from current operations in the amount of \$62,494 no significant change in revenues or expenses were noted.

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 \$4,332,471 an increase of \$272,642 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 \$3,499,580 and unassigned fund balance was \$1,324,580. 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 17 percent and 46 percent, respectively, of total general fund expenditures.

The fund balance of the District's general fund increased by \$192,156 during the current fiscal year. The increase in fund balance was primarily due to the increase in property tax revenues exceeded the decrease in state funding.

The debt service fund has a total fund balance of \$744,403, 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 \$70,779. Although fund balance increased, no significant changes in revenues or expenses were noted.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The significant differences between the originally-adopted budget and the final amended budget of the general fund were primarily from an increase in state program revenues of \$340,000 resulting from increased ADA expectations and an increase in expenditures for instruction of \$300,000. Amendments were approved by the governing body.

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, 2013, amounts to \$7,632,302 (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 \$362,582, which resulted primarily from current year depreciation of assets exceeding the addition of capital assets.

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

- Elementary Campus Freezer \$17,550

ONALASKA INDEPENDENT SCHOOL DISTRICT'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities					
	2013		2012		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 129,553	2	\$ 129,553	2	\$ -	-
Buildings and Improvements	7,081,372	93	7,359,920	92	(278,548)	(4)
Furniture and Equipment	421,377	5	505,411	6	(84,034)	(17)
Totals	\$ 7,632,302	100	\$ 7,994,884	100	\$ (362,582)	

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 \$6,160,740, which is backed by the full faith and credit of the District.

ONALASKA INDEPENDENT SCHOOL DISTRICT'S OUTSTANDING NONCURRENT LIABILITIES

	Governmental Activities					
	2013		2012		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General Obligation Bonds (Net)	\$ 6,160,740	100	\$ 6,302,266	100	\$ (141,526)	(2)
Totals	\$ 6,160,740	100	\$ 6,302,266	100	\$ (141,526)	

The District's bonded debt decreased by \$141,526 (two percent) during the current fiscal year as a result of scheduled debt requirements.

The District's general obligation debt is backed by the full faith and credit District and is further guaranteed by the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy.

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 (2013-2014) totals 931 students, which is a .4 percent increase from the prior year.
- District staff totals 152 employees in 2013-2014, which includes 70 teachers and 23 teachers' aides and secretaries.
- The District maintains two campuses for instruction.
- The unemployment rate for the County is currently 8.3 percent, which is a decrease from a rate of 8.6 percent a year ago. This compares unfavorably to the state's average unemployment rate of 6.5 percent, which is a decrease from a rate of 7 percent a year ago.
- Property values of the District are projected to increase 8.7 percent in the 2013-2014 fiscal year from the prior fiscal year.
- A maintenance and operations tax rate of \$1.04 and a debt service tax rate of \$.116, a total of \$1.156 were adopted for 2013-2014. Preceding year rates were \$1.04, \$.125 and \$1.165, respectively.

All of these factors were considered in preparing the District's budget for the 2013-2014 fiscal year.

During the current fiscal year, unassigned (previously unreserved) fund balance in the general fund increased to \$1,324,580. 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.

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BASIC FINANCIAL STATEMENTS

ONALASKA INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION
AUGUST 31, 2013

1

Data Control Codes	Governmental Activities
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 4,639,896
1225 <i>Property Taxes Receivables (Net)</i>	861,415
1240 <i>Due from Other Governments</i>	214,342
1290 <i>Other Receivables (Net)</i>	46,419
1300 <i>Inventories</i>	29,836
Capital Assets:	
1510 <i>Land</i>	129,553
1520 <i>Buildings and Improvements (Net)</i>	7,081,372
1530 <i>Furniture and Equipment (Net)</i>	421,377
1000 Total Assets	<u>13,424,210</u>
DEFERRED OUTFLOWS OF RESOURCES:	
1700 <i>Deferred Charge on Refunding</i>	283,493
Total Deferred Outflows of Resources	<u>283,493</u>
LIABILITIES:	
2140 <i>Interest Payable</i>	4,871
2165 <i>Accrued Liabilities</i>	188,812
2180 <i>Due to Other Governments</i>	391,367
2300 <i>Unearned Revenue</i>	17,843
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	240,393
2502 <i>Due in More than One Year</i>	5,920,347
2000 Total Liabilities	<u>6,763,633</u>
NET POSITION:	
3200 <i>Net Investment in Capital Assets</i>	2,260,845
3850 <i>Restricted for Debt Service</i>	335,488
3900 <i>Unrestricted</i>	4,347,737
3000 Total Net Position	<u>\$ 6,944,070</u>

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT

EXHIBIT B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services			
	Governmental Activities:					
0011	Instruction	\$ 4,789,439	\$ 4,957	\$ 692,803	\$ (4,091,679)	
0012	Intructional Resource and Media Services	48,966	-	-	(48,966)	
0013	Curriculum and Staff Development	107,091	-	100,718	(6,373)	
0021	Instructional Leadership	96,757	-	74,167	(22,590)	
0023	School Leadership	510,958	-	-	(510,958)	
0031	Guidance, Counseling, and Evaluation Services	129,499	-	-	(129,499)	
0033	Health Services	112,650	-	-	(112,650)	
0034	Student Transportation	506,711	-	-	(506,711)	
0035	Food Services	641,451	111,944	524,386	(5,121)	
0036	Extracurricular Activities	363,432	150,949	-	(212,483)	
0041	General Administration	427,921	-	-	(427,921)	
0051	Plant Maintenance and Operations	918,451	4,805	-	(913,646)	
0053	Data Processing Services	188,228	-	-	(188,228)	
0072	Interest on Long-term Debt	314,028	-	-	(314,028)	
0073	Issuance Costs and Fees	500	-	-	(500)	
0081	Facilities Repair and Maintenance	215,210	-	-	(215,210)	
0093	Payments Related to Shared Services Arrangements	103,143	-	-	(103,143)	
0099	Other Intergovernmental Charges	113,827	-	-	(113,827)	
TG	Total Governmental Activities	<u>9,588,262</u>	<u>272,655</u>	<u>1,392,074</u>	<u>(7,923,533)</u>	
TP	Total Primary Government	<u>\$ 9,588,262</u>	<u>\$ 272,655</u>	<u>\$ 1,392,074</u>	<u>(7,923,533)</u>	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				4,227,581	
DT	Property Taxes, Levied for Debt Service				505,447	
IE	Investment Earnings				15,080	
GC	Grants and Contributions Not Restricted to Specific Programs				3,237,549	
MI	Miscellaneous				370	
TR	Total General Revenues				<u>7,986,027</u>	
CN	Change in Net Position				<u>62,494</u>	
NB	Net Position - Beginning				7,005,089	
PA	Prior Period Adjustment - Implement GASB 65 for Bond Issuance Costs				<u>(123,513)</u>	
	Net Position - Beginning, as restated				<u>6,881,576</u>	
NE	Net Position - Ending				<u>\$ 6,944,070</u>	

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-1

BALANCE SHEET – GOVERNMENTAL FUNDS

AUGUST 31, 2013

Data Control Codes	199	599	Other	98
	General Fund	Debt Service Fund	Governmental Funds	Total Governmental Funds
ASSETS:				
1110 Cash and Cash Equivalents	\$ 3,814,294	\$ 754,437	\$ 71,165	\$ 4,639,896
1225 Taxes Receivable (Net)	759,669	101,746	-	861,415
1240 Due from Other Governments	92,598	-	121,744	214,342
1260 Due from Other Funds	109,601	-	4,348	113,949
1290 Other Receivables (Net)	41,359	5,060	-	46,419
1300 Inventories	-	-	29,836	29,836
1000 Total Assets	<u>\$ 4,817,521</u>	<u>\$ 861,243</u>	<u>\$ 227,093</u>	<u>\$ 5,905,857</u>
LIABILITIES:				
2160 Accrued Wages Payable	\$ 177,651	\$ -	\$ 11,161	\$ 188,812
2170 Due to Other Funds	4,348	-	109,601	113,949
2180 Due to Other Governments	376,273	15,094	-	391,367
2300 Unearned Revenue	-	-	17,843	17,843
2000 Total Liabilities	<u>558,272</u>	<u>15,094</u>	<u>138,605</u>	<u>711,971</u>
DEFERRED INFLOWS OF RESOURCES:				
2600 Unavailable Revenue - Property Taxes	759,669	101,746	-	861,415
Total Deferred Inflows of Resources	<u>759,669</u>	<u>101,746</u>	<u>-</u>	<u>861,415</u>
FUND BALANCES:				
3410 Non-spendable - Inventories	-	-	11,993	11,993
3480 Restricted - Debt Service	-	744,403	-	744,403
3545 Committed - Other	-	-	76,495	76,495
3550 Assigned Construction	2,000,000	-	-	2,000,000
3570 Assigned - Capital Expenditures for Equipment	175,000	-	-	175,000
3600 Unassigned	1,324,580	-	-	1,324,580
3000 Total Fund Balances	<u>3,499,580</u>	<u>744,403</u>	<u>88,488</u>	<u>4,332,471</u>
4000 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,817,521</u>	<u>\$ 861,243</u>	<u>\$ 227,093</u>	<u>\$ 5,905,857</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 POSITION
 AUGUST 31, 2013*

EXHIBIT C-1R

Total Fund Balances - Governmental Funds (Exhibit C-1) \$ 4,332,471

Amounts reported for governmental activities in the statement of net position 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	\$ 13,076,596	
Accumulated Depreciation of Governmental Capital Assets	<u>(5,444,294)</u>	7,632,302

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. 861,415

Long-term liabilities, which includes 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 such liabilities, consist of:

Bonds Payable, at Original Par	\$ (4,330,127)	
Premium on Bonds Payable	(1,324,823)	
Accreted Interest	(505,790)	
Accrued Interest on the Bonds	<u>(4,871)</u>	(6,165,611)

Deferred charge on refunding is reported as a deferred outflow in the statement of net position and it is not reported in the funds due to it is not a current financial resource available to pay for current expenditures. 283,493

Total Net Position - Governmental Activities (Exhibit A-1) \$ 6,944,070

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, 2013

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>	\$ 4,579,658	\$ 511,474	\$ 249,328	\$ 5,340,460
5800 <i>State Program Revenues</i>	3,102,877	-	52,906	3,155,783
5900 <i>Federal Program Revenues</i>	106,801	-	1,021,445	1,128,246
5020 Total Revenues	<u>7,789,336</u>	<u>511,474</u>	<u>1,323,679</u>	<u>9,624,489</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	4,192,657	-	375,080	4,567,737
0012 <i>Instructional Resources and Media Services</i>	43,561	-	-	43,561
0013 <i>Curriculum and Staff Development</i>	5,048	-	100,718	105,766
0021 <i>Instructional Leadership</i>	22,590	-	74,167	96,757
0023 <i>School Leadership</i>	505,810	-	-	505,810
0031 <i>Guidance, Counseling, and Evaluation Services</i>	129,062	-	-	129,062
0033 <i>Health Services</i>	111,237	-	-	111,237
0034 <i>Student Transportation</i>	407,357	-	-	407,357
0035 <i>Food Service</i>	-	-	635,697	635,697
0036 <i>Extracurricular Activities</i>	231,787	-	128,310	360,097
0041 <i>General Administration</i>	426,457	-	-	426,457
0051 <i>Plant Maintenance and Operations</i>	906,964	-	-	906,964
0053 <i>Data Processing Services</i>	188,228	-	-	188,228
Debt Service:				
0071 <i>Principal on Long-term Debt</i>	-	267,079	-	267,079
0072 <i>Interest on Long-term Debt</i>	-	173,116	-	173,116
0073 <i>Issuance Costs and Fees</i>	-	500	-	500
Capital Outlay:				
0081 <i>Facilities Acquisition and Construction</i>	209,452	-	-	209,452
Intergovernmental:				
0093 <i>Payments Related to Shared Service Arrangements</i>	103,143	-	-	103,143
0099 <i>Other Intergovernmental Charges</i>	113,827	-	-	113,827
6030 Total Expenditures	<u>7,597,180</u>	<u>440,695</u>	<u>1,313,972</u>	<u>9,351,847</u>
1200 Net Change in Fund Balances	192,156	70,779	9,707	272,642
0100 Fund Balances - Beginning	3,307,424	673,624	78,781	4,059,829
3000 Fund Balances - Ending	<u>\$ 3,499,580</u>	<u>\$ 744,403</u>	<u>\$ 88,488</u>	<u>\$ 4,332,471</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, 2013

Total Net Changes in Fund Balances - Governmental Funds (Exhibit C-2) \$ 272,642

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>	\$ 17,550	
Depreciation Expense	<u>(380,132)</u>	(362,582)

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. 26,267

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 267,079

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, and includes amortization of related long-term debt accounts. The increase (decrease) in interest expense reported in the statement of activities consist of the following:

Interest Accreted on the Capital Appreciation Bonds	\$ (260,248)	
Accreted Interest Paid	62,921	
Amortization of Bond Premium and Discount	71,774	
Amortization of Deferred Charge on Refunding	<u>(15,359)</u>	<u>(140,912)</u>

Change in Net Position for Governmental Activities (Exhibit B-1) \$ 62,494

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, 2013

EXHIBIT C-4

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
5700	\$ 4,206,223	\$ 4,534,814	\$ 4,579,658	\$ 44,844
5800	2,830,398	3,171,360	3,102,877	(68,483)
5900	50,000	50,000	106,801	56,801
5020	<u>7,086,621</u>	<u>7,756,174</u>	<u>7,789,336</u>	<u>33,162</u>
EXPENDITURES:				
Current:				
Instruction & Instructional Related Services:				
0011	4,052,401	4,361,867	4,192,657	169,210
0012	53,200	46,692	43,561	3,131
0013	40,124	41,842	5,048	36,794
	<u>4,145,725</u>	<u>4,450,401</u>	<u>4,241,266</u>	<u>209,135</u>
Instructional and School Leadership:				
0021	-	22,590	22,590	-
0023	515,864	513,830	505,810	8,020
	<u>515,864</u>	<u>536,420</u>	<u>528,400</u>	<u>8,020</u>
Support Services - Student (Pupil):				
0031	154,384	152,954	129,062	23,892
0033	114,162	114,152	111,237	2,915
0034	414,945	414,945	407,357	7,588
0036	225,515	234,883	231,787	3,096
	<u>909,006</u>	<u>916,934</u>	<u>879,443</u>	<u>37,491</u>
Administrative Support Services:				
0041	446,535	446,338	426,457	19,881
	<u>446,535</u>	<u>446,338</u>	<u>426,457</u>	<u>19,881</u>
Support Services - Nonstudent Based:				
0051	971,271	971,271	906,964	64,307
0053	182,201	190,201	188,228	1,973
	<u>1,153,472</u>	<u>1,161,472</u>	<u>1,095,192</u>	<u>66,280</u>
Capital Outlay:				
0081	-	328,591	209,452	119,139
	<u>-</u>	<u>328,591</u>	<u>209,452</u>	<u>119,139</u>
Intergovernmental Charges:				
0093	145,000	145,000	103,143	41,857
0099	115,000	115,000	113,827	1,173
	<u>260,000</u>	<u>260,000</u>	<u>216,970</u>	<u>43,030</u>
6030	<u>7,430,602</u>	<u>8,100,156</u>	<u>7,597,180</u>	<u>502,976</u>
1200	(343,981)	(343,982)	192,156	536,138
0100	3,307,424	3,307,424	3,307,424	-
3000	<u>\$ 2,963,443</u>	<u>\$ 2,963,442</u>	<u>\$ 3,499,580</u>	<u>\$ 536,138</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, 2013

EXHIBIT E-1

Data
 Control
 Codes

865
 Agency
 Fund

ASSETS:

1110 *Cash and Cash Equivalents*
 1000 Total Assets

\$ 32,341
 \$ 32,341

LIABILITIES:

2190 *Due to Student Groups*
 2000 Total Liabilities

\$ 32,341
 \$ 32,341

The accompanying notes are an integral part of this statement.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

I. Summary of Significant Accounting Policies

A. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government (District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes intergovernmental revenues, and other nonexchange transactions.

B. 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. 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.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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 District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Additionally, the District reports the following fund types:

The *private purpose trust fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded 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.

The 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 claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. Accounting Changes

Change in Accounting Principles – As the result of implementing GASB Statement Nos. 63 and 65, the District has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of September 1, 2012 by \$123,513. The decrease results from no longer deferring and amortizing bond issuance costs. Further, the District has restated its long-term liabilities to reflect that a component of those liabilities as of August 31, 2012 – deferred charge of refunding – is now reported as a deferred outflow of resources on the government-wide Statement of Net Position. The effect of this change, as of August 31, 2012, is an increase of \$298,852 in long-term liabilities and a corresponding increase in deferred outflows of resources.

G. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

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

2. Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in investment pools. In accordance with state law, the pools operate in conformity with all of the requirements of the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Accordingly, the pools qualify as a 2a7-like pool and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The pools are subject to regulatory oversight by the State Treasurer, although it is not registered with the SEC.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure 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 of more than \$5,000 and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and Improvements	10-40
Furniture and Equipment	5-15

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue - property taxes*, is reported only in the governmental funds balance sheet. The amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

6. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

7. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action or resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of trustees (Board) has by policy authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

H. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

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. Compensated Absences

Vacation

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.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

Sick Leave

Accumulated sick leave lapses when employees leave the employment of the District and, upon separation from service, no monetary obligation exists.

4. 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 reporting period. Actual results could differ from those estimates.

II. Stewardship, Compliance, and Accountability

A. 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 ensure accuracy in building a statewide data base for policy development and funding plans.

B. 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.

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 and facilities acquisition and construction.

C. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

C. Excess of Expenditures Over Appropriations

For the year ended August 31, 2013, 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		\$	\$	\$

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

III. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits. 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 securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the TEA 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 approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments. The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm (NRIRF) not less than A or its equivalent; 2) Certificates of deposit issued by a depository located in Texas which is insured by the FDIC; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRIRF. 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act. State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations.

As of August 31, 2013, the District's deposits were deposited under the terms of the depository contract.

Credit risk. For fiscal year 2013, 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, 2013, 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 had no investments at August 31, 2013.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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:

	General	Debt Service	Nonmajor Governmental Funds	Total
Receivables:				
Property Taxes	\$ 808,158	\$ 108,240	\$ -	\$ 916,398
Due From Other Governments	92,598	-	121,744	214,342
Other	41,359	5,060	-	46,419
Gross Receivables	942,115	113,300	121,744	1,177,159
Less: Allowance for Uncollectibles	(48,489)	(6,494)	-	(54,983)
Net Total Receivables	\$ 893,626	\$ 106,806	\$ 121,744	\$ 1,122,176

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	\$ (1,864)
Uncollectibles Related to Debt Service Property Taxes	188
Total Uncollectibles of the Current Fiscal Year	\$ (1,676)

Approximately \$725,000 of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

C. Capital Assets

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

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 129,553	\$ -	\$ -	\$ 129,553
Total Capital Assets, not being Depreciated	129,553	-	-	129,553
Capital Assets, being Depreciated:				
Buildings and Improvements	11,271,851	-	-	11,271,851
Furniture and Equipment	1,657,642	17,550	-	1,675,192
Total Capital Assets, being Depreciated	12,929,493	17,550	-	12,947,043
Less Accumulated Depreciation for:				
Buildings and Improvements	(3,911,931)	(278,548)	-	(4,190,479)
Furniture and Equipment	(1,152,231)	(101,584)	-	(1,253,815)
Total Accumulated Depreciation	(5,064,162)	(380,132)	-	(5,444,294)
Total Capital Assets, being Depreciated, net	7,865,331	(362,582)	-	7,502,749
Governmental Activities Capital Assets, net	\$ 7,994,884	\$ (362,582)	\$ -	\$ 7,632,302

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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

Governmental Activities:		
11 Instruction		\$ 221,702
12 Instructional Resources and Media Services		5,405
13 Curriculum and Staff Development		1,325
23 School Leadership		5,148
31 Guidance, Counseling, and Evaluation Services		437
33 Health Services		1,413
34 Student Transportation		99,354
35 Food Service		23,304
36 Extracurricular Activities		3,335
41 General Administration		1,464
51 Plant Maintenance and Operations		17,245
Total Depreciation Expense-Governmental Activities		\$ 380,132

D. Interfund Receivables, Payables, and Transfers

Receivables/Payables

The composition of interfund receivable/payable balances as of August 31, 2013, is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 109,601	\$ 4,348
Other Governmental Funds - Nonmajor	4,348	109,601
Total	\$ 113,949	\$ 113,949

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.

Transfers

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The summary of the District's transfers for the year ended August 31, 2013, was as follows:

<u>Transfers Out</u>	<u>Transfer In</u>	<u>Amount</u>
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, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 4,597,206	\$ -	\$ (267,079)	\$ 4,330,127	\$ 240,393
Premium on Bonds	1,396,597	-	(71,774)	1,324,823	-
Accreted Interest (CAB)	308,463	260,248	(62,921)	505,790	-
Total Bonds Payable, net	6,302,266	260,248	(401,774)	6,160,740	240,393
Governmental Activity Long-term Liabilities	\$ 6,302,266	\$ 260,248	\$ (401,774)	\$ 6,160,740	\$ 240,393

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

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.

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
2011 Refunding (CAB)		\$ 1,887,206	2025	\$ 1,887,206	\$ -	\$ (267,079)	\$ 1,620,127
2011 Refunding	4.0-4.20%	2,710,000	2032	2,710,000	-	-	2,710,000
Totals				\$ 4,597,206	\$ -	\$ (267,079)	\$ 4,330,127

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

Year Ending August 31	Principal	Interest	Total Requirements
2014	\$ 240,393	\$ 204,802	\$ 445,195
2015	213,145	232,050	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	\$ 4,330,127	\$ 4,129,156	\$ 8,459,283

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, 2013, there were no defeased bonds.

As of August 31, 2013, the District has \$2,042 authorized but issued bonds.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Other Governmental Fund - Food Service	\$ 23,325
Other Governmental Fund - Campus Activity	53,170
Total Other Committed Fund Balance	\$ 76,495

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

AUGUST 31, 2013

G. Revenues from Local and Intermediate Sources

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

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Property Taxes	\$ 4,198,378	\$ 508,383	\$ -	\$ 4,706,761
Investment Income	11,842	3,091	147	15,080
Food Sales	-	-	111,944	111,944
Other	369,438	-	137,237	506,675
Total	\$ 4,579,658	\$ 511,474	\$ 249,328	\$ 5,340,460

IV. Other Information

A. Risk Management

Property/Casualty Insurance

The District is exposed to various risks of loss related to property/liability losses for which the District participates in the Texas Association of School Boards Risk Management Fund (Fund) for 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 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, 2013, 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 \$1,000,000 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, 2013, 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.

ONALASKA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013

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, Corrigan-Camden 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.

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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system 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.

Contributions. Contribution rates and contributions for fiscal years 2013-2011 are shown in the table below. State law establishes the contribution rates for the member and state. 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 Statutory Minimum
	Rate	Amount	Rate	Amount	Amount
2013	6.4%	\$ 335,716	6.400%	\$ 273,648	\$ 28,615
2012	6.4%	\$ 335,600	6.000%	\$ 259,221	\$ 30,427
2011	6.4%	\$ 353,961	6.644%	\$ 310,198	\$ 56,027

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, 2013

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 2013-2011.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2013	0.65%	\$ 34,096	0.50%	\$ 24,244	0.55%	\$ 28,851
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

In addition, the State of Texas contributed \$19,830, \$24,179, and \$14,470 in 2013, 2012, and 2011, 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 2013, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$12,867. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$12,867 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

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COMBINING FUNDS FINANCIAL STATEMENTS

ONALASKA INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 AUGUST 31, 2013

Data Control Codes	211	240	255
	ESEA Title I Improving Basic Programs	National School Breakfast/Lunch Program	ESEA Title II Training & Recruiting
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ -	\$ 22,343	\$ -
1240 <i>Due from Other Governments</i>	80,326	12,143	10,825
1260 <i>Due from Other Funds</i>	-	-	-
1300 <i>Inventories</i>	-	29,836	-
1000 Total Assets	<u>\$ 80,326</u>	<u>\$ 64,322</u>	<u>\$ 10,825</u>
LIABILITIES:			
2160 <i>Accrued Wages Payable</i>	\$ -	\$ 11,161	\$ -
2170 <i>Due to Other Funds</i>	80,326	-	10,825
2300 <i>Unearned Revenue</i>	-	17,843	-
2000 Total Liabilities	<u>80,326</u>	<u>29,004</u>	<u>10,825</u>
FUND BALANCES:			
3410 <i>Non-spendable - Inventories</i>	-	11,993	-
3545 <i>Committed - Other</i>	-	23,325	-
3000 Total Fund Balances	<u>-</u>	<u>35,318</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 80,326</u>	<u>\$ 64,322</u>	<u>\$ 10,825</u>

270	404	410	461	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
Rural and Low- Income Program	Student Success Initiative	State Textbook Fund	Campus Activity Funds	
\$ -	\$ -	\$ -	\$ 48,822	\$ 71,165
17,825	374	251	-	121,744
-	-	-	4,348	4,348
-	-	-	-	29,836
<u>\$ 17,825</u>	<u>\$ 374</u>	<u>\$ 251</u>	<u>\$ 53,170</u>	<u>\$ 227,093</u>
\$ -	\$ -	\$ -	\$ -	\$ 11,161
17,825	374	251	-	109,601
-	-	-	-	17,843
<u>17,825</u>	<u>374</u>	<u>251</u>	<u>-</u>	<u>138,605</u>
-	-	-	-	11,993
-	-	-	53,170	76,495
-	-	-	53,170	88,488
<u>\$ 17,825</u>	<u>\$ 374</u>	<u>\$ 251</u>	<u>\$ 53,170</u>	<u>\$ 227,093</u>

ONALASKA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ 111,944	\$ -
5800 <i>State Program Revenues</i>	-	3,224	-
5900 <i>Federal Program Revenues</i>	430,659	521,162	50,216
5020 Total Revenues	<u>430,659</u>	<u>636,330</u>	<u>50,216</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	305,990	-	-
0013 <i>Curriculum and Staff Development</i>	69,759	-	30,959
0021 <i>Instructional Leadership</i>	54,910	-	19,257
0035 <i>Food Service</i>	-	635,697	-
0036 <i>Extracurricular Activities</i>	-	-	-
6030 Total Expenditures	<u>430,659</u>	<u>635,697</u>	<u>50,216</u>
1200 Net Change in Fund Balances	-	633	-
0100 Fund Balances - Beginning	-	34,685	-
3000 Fund Balances - Ending	<u>\$ -</u>	<u>\$ 35,318</u>	<u>\$ -</u>

270	404	410	461	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Rural and Low- Income Program	Student Success Initiative	State Textbook Fund	Campus Activity Funds	
\$ -	\$ -	\$ -	\$ 137,384	\$ 249,328
19,408	3,737	45,945	-	52,906
<u>19,408</u>	<u>3,737</u>	<u>45,945</u>	<u>137,384</u>	<u>1,021,445</u>
19,408	3,737	45,945	-	375,080
-	-	-	-	100,718
-	-	-	-	74,167
-	-	-	-	635,697
-	-	-	128,310	128,310
<u>19,408</u>	<u>3,737</u>	<u>45,945</u>	<u>128,310</u>	<u>1,313,972</u>
-	-	-	9,074	9,707
-	-	-	44,096	78,781
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,170</u>	<u>\$ 88,488</u>

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OTHER SUPPLEMENTARY INFORMATION

ONALASKA INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2013*

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	Maintenance	Debt Service	
2004 and Prior Years	\$ Various	\$ Various	\$ Various	\$ Various	
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	1.04	0.128			386,966,695
2013 (School Year Under Audit)	1.04	0.125			401,325,494

1000 Totals

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

10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 139,554	\$ -	\$ 2,755	\$ 375	\$ (2,537)	\$ 133,887
36,071	-	1,975	250	(539)	33,307
49,995	-	2,548	322	(616)	46,509
57,352	-	2,876	398	(571)	53,507
60,041	-	3,883	604	(516)	55,038
56,202	-	5,668	873	(559)	49,102
120,754	-	12,671	1,950	(36)	106,097
151,723	-	32,818	4,416	(1,637)	112,852
216,763	-	99,020	12,189	2,565	108,119
-	4,675,442	3,954,870	475,345	(27,247)	217,980
<u>\$ 888,455</u>	<u>\$ 4,675,442</u>	<u>\$ 4,119,084</u>	<u>\$ 496,722</u>	<u>\$ (31,693)</u>	<u>\$ 916,398</u>
		\$ -	\$ -		

ONALASKA INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT J-2

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 173,792	\$ 173,792	\$ 111,944	\$ (61,848)
5800 <i>State Program Revenues</i>	3,000	3,000	3,224	224
5900 <i>Federal Program Revenues</i>	500,000	500,000	521,162	21,162
5020 Total Revenues	<u>676,792</u>	<u>676,792</u>	<u>636,330</u>	<u>(40,462)</u>
EXPENDITURES:				
Current:				
Support Services - Student (Pupil):				
0035 <i>Food Service</i>	676,792	696,962	635,697	61,265
Total Support Services - Student (Pupil)	<u>676,792</u>	<u>696,962</u>	<u>635,697</u>	<u>61,265</u>
6030 Total Expenditures	<u>676,792</u>	<u>696,962</u>	<u>635,697</u>	<u>61,265</u>
1200 Net Change in Fund Balance	-	(20,170)	633	20,803
0100 Fund Balance - Beginning	<u>34,685</u>	<u>34,685</u>	<u>34,685</u>	<u>-</u>
3000 Fund Balance - Ending	<u>\$ 34,685</u>	<u>\$ 14,515</u>	<u>\$ 35,318</u>	<u>\$ 20,803</u>

ONALASKA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ 440,196	\$ 440,695	\$ 511,474	\$ 70,779
5020 Total Revenues	<u>440,196</u>	<u>440,695</u>	<u>511,474</u>	<u>70,779</u>
EXPENDITURES:				
Debt Service:				
0071 <i>Principal on Long-term Debt</i>	267,079	267,079	267,079	-
0072 <i>Interest on Long-term Debt</i>	173,116	173,116	173,116	-
0073 <i>Issuance Costs and Fees</i>	1	500	500	-
Total Debt Service	<u>440,196</u>	<u>440,695</u>	<u>440,695</u>	<u>-</u>
6030 Total Expenditures	<u>440,196</u>	<u>440,695</u>	<u>440,695</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	70,779	70,779
0100 Fund Balance - Beginning	<u>673,624</u>	<u>673,624</u>	<u>673,624</u>	<u>-</u>
3000 Fund Balance - Ending	<u>\$ 673,624</u>	<u>\$ 673,624</u>	<u>\$ 744,403</u>	<u>\$ 70,779</u>

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OVERALL COMPLIANCE, INTERNAL CONTROL SECTION AND FEDERAL AWARDS

HLSK

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INDEPENDENT AUDITORS' 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Onalaska Independent School District (District), Texas, as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise Onalaska Independent School District, Texas' basic financial statements and have issued our report thereon dated October 14, 2013.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Onalaska Independent School District, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully,

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

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

**Conroe, Texas
October 14, 2013**

HLSK

Hereford, Lynch, Sellars & Kirkham

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program

We have audited Onalaska Independent School District (District), Texas' 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 Onalaska Independent School District, Texas' major federal programs for the year ended August 31, 2013. Onalaska Independent School District, Texas' major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Onalaska Independent School District, Texas' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Onalaska Independent School District, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Onalaska Independent School District, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, Onalaska Independent School District, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-001. Our opinion on each major federal program is not modified with respect to these matters.

Onalaska Independent School District, Texas' response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. Onalaska Independent School District, Texas' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Onalaska Independent School District, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Onalaska Independent School District, Texas' 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 that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Onalaska Independent School District, Texas' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully,

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

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

Conroe, Texas
October 14, 2013

ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2013

SECTION I – SUMMARY OF AUDITORS’ RESULTS	
FINANCIAL STATEMENTS	
1. Type of auditors’ report issued	Unmodified
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	Unmodified
6. Any Audit Findings Disclosed that are Required to be Reported in Accordance with Section 510(a) of OMB Circular A-133	Yes, See 2013-001
7. Identification of Major Programs	84.010A ESEA Title I
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	

ONALASKA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2013

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2013-001 CHILD NUTRITION CLUSTER – CFDA No. 10.553 and No. 10.555; Grant No. 71301301 and 71401301

Statement of Condition: The District expended \$17,550 to purchase and install a freezer without prior approval from the Texas Department of Agriculture (TDA).

Criteria: Allowable cost per the 2 CFR 225 Appendix B.

Cause: Procedures are in place to approve expenditures; however, additional prior approval was not obtained from TDA.

Effect: District has unallowable cost.

Recommendation: We recommend that the District revise procedures to insure approval for future capital purchases equal to or greater than \$5,000 prior to purchase and to obtain an after-the-fact approval from TDA for the purchase as noted above.

ONALASKA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2013

PRIOR YEAR FINDINGS

None reported

ONALASKA INDEPENDENT SCHOOL DISTRICT

*CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2013*

CURRENT YEAR FINDINGS

Responsible Party: Angela Foster

Corrective Action Plan: In September 2013, the District revised procedures and implemented a cross check of capital expenditures to insure compliance with allowable cost guidelines and the District filed for approval of the capital expenditures via TX-UNPS for the purchase of capital outlay in the Child Nutrition Cluster. The District received such approval on September 13, 2013.

ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2013

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	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	13610101187910	\$ 415,658
<i>Title I, School Improvement Program</i>	84.010A	13610104187910001	15,000
Total Program 84.010A			<u>430,658</u>
 <i>ESEA Title VI, Part B, Subpart 2 - Rural and Low Income School</i>	 84.358B	 13696001187910	 19,408
 <i>ESEA Title II, Part A-Teacher and Principal Training and Recruiting</i>	 84.367A	 13694501187910	 50,217
 TOTAL U.S. DEPARTMENT OF EDUCATION			 <u>500,283</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture - Non Cash Assistance:			
<i>National School Lunch Program</i>	10.555	00917	24,469
Pass Through State Department of Education- Cash Assistance:			
<i>School Breakfast Program</i>	10.553	71401301	185,021
<i>National School Lunch Program</i>	10.555	71301301	311,672
 TOTAL U.S. DEPARTMENT OF AGRICULTURE - CHILD NUTRITION CLUSTER			 <u>521,162</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 1,021,445</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, 2013

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>	\$ 1,021,445
General Fund - Federal Revenue	
School Health and Related Services (SHARS)	106,801
<i>Total Federal Revenues per Exhibit C-2</i>	<u>\$ 1,128,246</u>

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ONALASKA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2013

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 unmodified opinion in the Annual Financial Report? Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls? No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance? No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end? \$ 505,790