ODEM-EDROY
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2017

Lovvorn & Kieschnick
CERTIFIED PUBLIC ACCOUNTANTS

LOVVORN & KIESCHNICK, LLP

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ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

DIRECTORY OF OFFICIALS

AUGUST 31, 2017

BOARD OF TRUSTEES

JOSH ROGERS	PRESIDENT
JACOB ROMERO	VICE-PRESIDENT
JANIE G. VARGAS	SECRETARY
BENJAMIN BREWER	MEMBER
JON R. WHATLEY	MEMBER
MANUEL LUNOFF III	MEMBER
JOHNNY G. NIÑO	MEMBER

OTHER OFFICIALS

DR. LISA A. GONZALES	SUPERINTENDENT
TONYA ROMERO	BUSINESS MANAGER

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Odem-Edroy Independent School District
Annual Financial Report
For The Year Ended August 31, 2017

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Introductory Section

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CERTIFICATE OF BOARD

Odem-Edroy Independent School District	San Patricio	205905
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) X approved __disapproved for the period ended August 31, 2017, at a meeting of the board of trustees of such school district on the 15th day of January, 2018.

Benjamin Brewer	Josh Rogers
Board (Acting) Secretary	Board President

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

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Financial Section

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Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report

To the Board of Trustees
Odem-Edroy Independent School District
One Owl Square
Odem, Texas 78370

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Odem-Edroy Independent School District ("the District") as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District as of August 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Odem-Edroy Independent School District's basic financial statements. The introductory section is presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal* Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and *Audit Requirements for Federal Awards, and is also not a required part of* the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated Januaury 12, 2018 on our consideration of Odem-Edroy Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Odem-Edroy Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Lovvorn + Kieschnick, LLP

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
Januaury 12, 2018

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Management's Discussion and Analysis

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ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2017
UNAUDITED

This section of Odem-Edroy Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

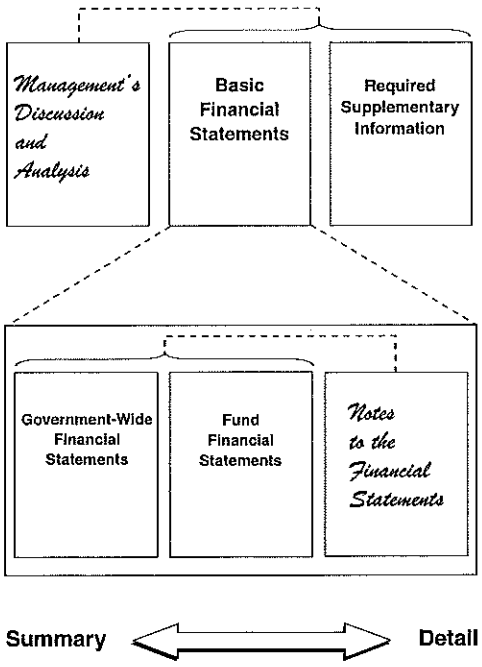
- The District's total combined net position was $4,239,494 at August 31, 2017.
- During the year, the District's expenses were $453,774 less than the $13,344,668 generated in taxes and other revenues for governmental activities.
- The general fund reported a fund balance this year of $1,647,405.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

Government-wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position—the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Internal Service fund*—The District's worker compensation insurance coverage costs are accounted for in an internal service fund. Costs related to worker compensation insurance coverage services provided to parties inside the District are distributed to the users of support services on a cost-reimbursement basis.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their

intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's combined net position was $4,239,494 at August 31, 2017. (See Table A-1.)

Table A-1

Odem-Edroy Independent School District's Net Position

(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2017	2016*	2017-2016
Assets			
Cash and Cash Equivalents	3.3	4.5	-26.7%
Current Investments	3.7	19.4	-80.9%
Property Taxes Receivable (Net)	0.3	0.3	0.0%
Due from Other Governments	0.7	0.5	40.0%
Other Current Assets	0.1	0.2	0.0%
Capital Assets			
Land	0.1	0.1	0.0%
Buildings, Net	7.0	6.9	1.4%
Furniture and Equipment, Net	0.7	0.8	-12.5%
Construction in Progress	23.3	2.7	763.0%
Total Assets	39.2	35.4	10.7%
Deferred Outflows of Resources			
Deferred Charge for Refundings	-	-	0.0%
Deferred Outflow Related to Pensions	0.8	0.9	-11.1%
Total Deferred Outflows of Resources	0.8	0.9	-11.1%
Liabilities			
Accounts Payable	3.8	0.1	3700.0%
Accrued Liabilities	0.7	0.5	40.0%
Noncurrent Liabilities			
Due within One Year	0.4	0.4	0.0%
Due in More Than One Year	28.6	29.1	-1.7%
Net Pension Liability	2.2	2.2	0.0%
Total Liabilities	35.7	32.3	10.5%
Deferred Inflows of Resources			
Deferred Inflow Related to Pensions	0.2	0.2	0.0%
Total Deferred Inflows of Resources	0.2	0.2	0.0%
Net Position			
Invested in Capital Assets, Net of Related Debt	4.3	3.7	16.2%
Unrestricted	(0.1)	0.1	-200.0%
Total Net Position	4.2	3.8	10.5%

The $(0.1 million) of unrestricted net position represents that part of the net position that is not restricted by parties outside the District.

*Restated.

Changes in Net Position

The District's total revenues were $13.3 million. A significant portion, 37 percent, of the District's revenue comes from taxes. 39 percent comes from state aid—formula grants, while only 17 percent from operating grants, and 7 percent other.

The total cost of all programs and services was $12.9 million.

Governmental Activities

- The Maintenance and Operation tax rate was $1.17. The Interest and Sinking property tax rate increased from $0.4572 to $0.4789.

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

	Governmental Activities		Total Percentage Change
	2017	2016*	2017-2016
Program Revenues:			
Charges for Services	0.1	0.1	0.0%
Operating Grants and Contributions	2.4	2.8	-14.3%
General Revenues:			
Property Taxes	4.9	5.2	-5.8%
State Aid – Formula	5.3	5.7	-7.0%
Investment Earnings	0.2	-	0.0%
Other	0.4	0.4	0.0%
Total Revenues	13.3	14.2	-6.3%
Expenses:			
Instruction	5.6	5.8	-3.4%
Instructional Resources and Media Services	0.2	0.2	0.0%
Curriculum Dev. and Instructional Staff Dev.	0.7	0.8	-12.5%
Instructional Leadership	0.1	0.1	0.0%
School Leadership	0.7	0.7	0.0%
Guidance, Counseling and Evaluation Services	0.3	0.3	0.0%
Health Services	0.1	0.1	0.0%
Student (Pupil) Transportation	0.3	0.4	-25.0%
Food Services	0.6	0.6	0.0%
Curricular/Extracurricular Activities	0.7	0.9	-22.2%
General Administration	0.6	0.6	0.0%
Plant Maintenance & Oper.	1.5	1.6	-6.3%
Data Processing Services	0.2	0.2	0.0%
Interest on Long-Term Debt	1.1	1.1	0.0%
Bond Issuance Costs and Fees	0.1	0.0	0.0%
Other Intergovernmental Charges	0.1	0.1	0.0%
Total Expenses	12.9	13.5	-4.4%
Increase (Decrease) in Net Position	0.4	0.7	-42.9%

*Restated.

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was $12.9 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only $4.9 million. Some of the cost was paid by grants totaling $2.3 million.

Table A-3

Net Cost of Selected Odem-Edroy Independent School District Functions

(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	2017	2016	% Change	2017	2016	% Change
Instruction	5.6	5.8	-3.4%	4.6	4.6	0.0%
School Administration	0.6	0.6	0.0%	0.5	0.6	-16.7%
Plant Maintenance & Operations	1.5	1.6	-6.3%	1.5	1.5	0.0%
Debt Service - Interest & Fiscal Charges	1.1	1.1	0.0%	1.1	1.1	0.0%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $13.2 million, an increase of 8% from the preceding year.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Actual expenditures were $465,587 under final budget amounts. The most significant positive variance resulted from instructional expenditures. Revenues were under budget by $316,450.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested $31.1 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a net increase (including additions and deductions) of 20.5 million.

Table A-4

Odem-Edroy Independent School District's Capital Assets

(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2017	2016	2017-2016
Land	0.1	0.1	0.0%
Buildings and Improvements	15.3	15.0	2.0%
Vehicles	1.2	1.2	0.0%
Equipment	2.3	2.3	0.0%
Construction in Progress	23.3	2.7	763.0%
Totals at Historical Cost	42.2	21.3	98.1%
Total Accumulated Depreciation	11.1	10.7	3.7%
Net Capital Assets	31.1	10.6	193.4%

Long Term Debt

At year-end the District had $26.4 million in bonds outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

As a result of the District adopting GASB 68 in fiscal year 2015, the District's proportional share of the Teacher Retirement System net pension liability is reflected as a long-term debt of the District at August 31, 2017.

Table A-5

Odem-Edroy Independent School District's Long-Term Debt

(in millions of dollars)

	Governmental Activities		Total Percentage Change
	2017	2016	2017-2016
Bonds and Notes Payable	26.4	27.2	-2.9%
Plus Premiums and Accretion	2.5	2.2	13.6%
Total Debt - Bonds and Notes	28.9	29.4	-1.7%
Net Pension Liability	2.3	2.2	4.5%
Total Long-Term Debt	31.2	31.6	-1.3%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's refined average daily attendance continues to be a daily focus.
- Student enrollment with school choice is a constant factor in Odem-Edroy ISD with regard to increased enrollment goals and the budget development process. Parents have choices for their students to attend other nearby schools being as close as 7-10 miles within the Odem-Edroy ISD boundaries. (i.e. public schools)
- Additional revenue from a Chapter 313 agreement is expected to be $205,104 in lieu of taxes, which is a decrease from the previous year; however, this is an expected fluctuation over the 15- year agreement.
- The District aggressively supports our grant writer as every grant we are awarded positively impacts our local and annual budget.
- Our District serves a large population of economically disadvantaged students, and their needs are great and diverse which directly impacts our financial needs and the budget development process.
- The District lost one of its largest taxing entities in Tri-Can when it re-located. This taxing entity reduced its taxable value tremendously which will result in continued loss of tax dollars for our District.

The District passed a balanced budget for 2017-2018 with revenue available for appropriation and expected expenditures equaling $9,624,311. If these estimates are realized, the District's budgetary general fund balance should remain the same at close of 2017-2018.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

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Basic Financial Statements

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
AUGUST 31, 2017

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	*Cash and Cash Equivalents*	$ 3,257,713
1120	*Current Investments*	3,698,422
1225	*Property Taxes Receivable (Net)*	338,409
1240	*Due from Other Governments*	712,170
1290	*Other Receivables (Net)*	8,505
1300	*Inventories*	23,612
1410	*Unrealized Expenses*	106,620
1490	*Other Current Assets*	7,618
	Capital Assets:	
1510	*Land*	145,973
1520	*Buildings and Improvements, Net*	7,043,143
1530	*Furniture and Equipment, Net*	679,247
1580	*Construction in Progress*	23,261,850
1000	Total Assets	39,283,281
	DEFERRED OUTFLOWS OF RESOURCES:	
1701	*Deferred Charge for Refunding*	40,447
1705	*Deferred Outflow Related to Pensions*	781,115
1700	Total Deferred Outflows of Resources	821,562
	LIABILITIES:	
2110	*Accounts Payable*	3,793,762
2140	*Interest Payable*	46,105
2165	*Accrued Liabilities*	630,207
2300	*Unearned Revenue*	1,750
	Noncurrent Liabilities:	
2501	*Due Within One Year*	570,456
2502	*Due in More Than One Year*	28,410,416
2540	*Net Pension Liability*	2,249,076
2000	Total Liabilities	35,701,772
	DEFERRED INFLOWS OF RESOURCES:	
2605	*Deferred Inflow Related to Pensions*	163,577
2600	Total Deferred Inflows of Resources	163,577
	NET POSITION:	
3200	Net Investment in Capital Assets	4,258,687
	Restricted For:	
3820	Federal and State Programs	57
3840	Other	19,027
3900	Unrestricted	(38,277)
3000	Total Net Position	$ 4,239,494

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues: Charges for Services	4 Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	Governmental Activities:				
11	*Instruction*	$ 5,608,991	$ 24,264	$ 995,751	$ (4,588,976)
12	*Instructional Resources and Media Services*	154,004	758	9,653	(143,593)
13	*Curriculum and Staff Development*	631,542	556	496,607	(134,379)
21	*Instructional Leadership*	97,765	250	48,028	(49,487)
23	*School Leadership*	679,972	3,324	49,532	(627,116)
31	*Guidance, Counseling, & Evaluation Services*	295,201	1,262	52,257	(241,682)
33	*Health Services*	103,601	509	7,240	(95,852)
34	*Student Transportation*	335,987	1,620	18,503	(315,864)
35	*Food Service*	631,727	76,470	461,562	(93,695)
36	*Cocurricular/Extracurricular Activities*	710,179	3,023	28,926	(678,230)
41	*General Administration*	610,732	2,920	108,012	(499,800)
51	*Facilities Maintenance and Operations*	1,521,968	7,487	55,841	(1,458,640)
52	*Security and Monitoring Services*	29,776	146	1,824	(27,806)
53	*Data Processing Services*	197,442	970	11,536	(184,936)
72	*Interest on Long-term Debt*	1,087,407	--	--	(1,087,407)
73	*Bond Issuance Costs and Fees*	99,992	--	--	(99,992)
99	*Other Intergovernmental Charges*	94,608	--	--	(94,608)
TG	Total Governmental Activities	12,890,894	123,559	2,345,272	(10,422,063)
TP	Total Primary Government	$ 12,890,894	$ 123,559	$ 2,345,272	(10,422,063)

	General Revenues:	
MT	*Property Taxes, Levied for General Purposes*	3,370,413
DT	*Property Taxes, Levied for Debt Service*	1,567,322
IE	*Investment Earnings*	179,304
GC	*Grants and Contributions Not Restricted to Specific Programs*	5,303,746
MI	*Miscellaneous*	223,016
	Chapter 313 Payment	232,036
TR	Total General Revenues	10,875,837
CN	Change in Net Position	453,774
NB	Net Position - Beginning	3,785,720
NE	Net Position - Ending	$ 4,239,494

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund
	ASSETS:		
1110	*Cash and Cash Equivalents*	$ 1,043,062	$ 260,365
1120	*Current Investments*	600,000	--
1225	*Taxes Receivable, Net*	271,856	66,553
1240	*Due from Other Governments*	524,203	--
1260	*Due from Other Funds*	162,521	--
1290	*Other Receivables*	6,115	2,390
1300	*Inventories*	2,220	--
1410	*Unrealized Expenditures*	106,620	--
1490	*Other Current Assets*	--	--
1000	Total Assets	2,716,597	329,308
	LIABILITIES:		
	Current Liabilities:		
2110	*Accounts Payable*	$ 142,350	$ 4,291
2150	*Payroll Deductions & Withholdings*	121,944	--
2160	*Accrued Wages Payable*	406,341	--
2170	*Due to Other Funds*	117,935	2,324
2200	*Accrued Expenditures*	8,767	--
2300	*Unearned Revenue*	--	--
2000	Total Liabilities	797,337	6,615
	DEFERRED INFLOWS OF RESOURCES:		
2601	*Unearned Revenue - Property Taxes*	271,855	66,553
2600	Total Deferred Inflows of Resources	271,855	66,553
	FUND BALANCES:		
	Nonspendable Fund Balances:		
3410	*Inventories*	2,220	--
3430	*Prepaid Items*	106,620	--
	Restricted Fund Balances:		
3480	*Retirement of Long-Term Debt*	--	256,140
3490	*Other Restrictions of Fund Balance*	--	--
	Committed Fund Balances:		
3545	*Other Committed Fund Balance*	--	--
3600	Unassigned	1,538,565	--
	Unassigned, Reported in Nonmajor:		
3610	*Special Revenue Funds*	--	--
3000	Total Fund Balances	1,647,405	256,140
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	$ 2,716,597	$ 329,308

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
$ 1,897,383	$ 19,840	$ 3,220,650
3,098,422	--	3,698,422
--	--	338,409
--	187,967	712,170
--	49,501	212,022
--	--	8,505
--	21,392	23,612
--	--	106,620
--	7,618	7,618
4,995,805	286,318	8,328,028
$ 3,572,413	$ 74,708	$ 3,793,762
--	1,007	122,951
--	40,127	446,468
--	140,068	260,327
--	2,023	10,790
--	1,750	1,750
3,572,413	259,683	4,636,048
--	--	338,408
--	--	338,408
--	21,392	23,612
--	--	106,620
--	--	256,140
1,423,392	19,084	1,442,476
--	7,551	7,551
--	--	1,538,565
--	(21,392)	(21,392)
1,423,392	26,635	3,353,572
$ 4,995,805	$ 286,318	$ 8,328,028

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ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2017

Total fund balances - governmental funds balance sheet	$ 3,353,572
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	31,130,213
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	338,408
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	35,369
Payables for bond principal which are not due in the current period are not reported in the funds.	(26,424,350)
Payables for bond interest which are not due in the current period are not reported in the funds.	(46,105)
Unamortized deferred charge for refunding is not reported in the funds.	40,447
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,249,076)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(163,577)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	781,115
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(485,952)
Bond premiums are amortized in the SNA but not in the funds.	(2,070,570)
Net position of governmental activities - Statement of Net Position	$ 4,239,494

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund
	REVENUES:		
5700	*Local and Intermediate Sources*	$ 3,704,182	$ 1,547,320
5800	*State Program Revenues*	5,684,666	68,761
5900	*Federal Program Revenues*	151,705	--
5020	Total Revenues	9,540,553	1,616,081
	EXPENDITURES:		
	Current:		
0011	*Instruction*	4,609,100	--
0012	*Instructional Resources and Media Services*	146,829	--
0013	*Curriculum and Staff Development*	108,094	--
0021	*Instructional Leadership*	48,837	--
0023	*School Leadership*	645,136	--
0031	*Guidance, Counseling, & Evaluation Services*	244,599	--
0033	*Health Services*	98,405	--
0034	*Student Transportation*	313,768	--
0035	*Food Service*	--	--
0036	*Cocurricular/Extracurricular Activities*	586,579	--
0041	*General Administration*	566,647	598
0051	*Facilities Maintenance and Operations*	1,880,873	--
0052	*Security and Monitoring Services*	28,452	--
0053	*Data Processing Services*	188,455	--
0071	*Principal on Long-term Debt*	60,000	350,647
0072	*Interest on Long-term Debt*	1,317	1,214,471
0073	*Bond Issuance Costs and Fees*	--	99,992
0081	*Capital Outlay*	--	--
0099	*Other Intergovernmental Charges*	94,608	--
6030	Total Expenditures	9,621,699	1,665,708
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	(81,146)	(49,627)
	Other Financing Sources and (Uses):		
7911	*Capital-Related Debt Issued (Regular Bonds)*	--	3,585,000
7915	*Transfers In*	--	--
7916	*Premium on Issuance of Bonds*	--	489,637
8911	*Transfers Out*	(22,542)	--
8949	*Payment to Escrow Agent*	--	(3,972,857)
7080	Total Other Financing Sources and (Uses)	(22,542)	101,780
1200	Net Change in Fund Balances	(103,688)	52,153
0100	Fund Balances - Beginning	1,751,093	203,987
3000	Fund Balances - Ending	$ 1,647,405	$ 256,140

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
$ 166,391	$ 220,565	$ 5,638,458
--	638,100	6,391,527
--	1,040,381	1,192,086
166,391	1,899,046	13,222,071
--	709,811	5,318,911
--	--	146,829
--	482,947	591,041
--	43,094	91,931
--	--	645,136
--	33,644	278,243
--	--	98,405
--	--	313,768
--	562,087	562,087
--	93,779	680,358
--	15,624	582,869
--	--	1,880,873
--	--	28,452
--	--	188,455
--	--	410,647
--	--	1,215,788
--	--	99,992
20,532,965	--	20,532,965
--	--	94,608
20,532,965	1,940,986	33,761,358
(20,366,574)	(41,940)	(20,539,287)
--	--	3,585,000
--	22,542	22,542
--	--	489,637
--	--	(22,542)
--	--	(3,972,857)
--	22,542	101,780
(20,366,574)	(19,398)	(20,437,507)
21,789,966	46,033	23,791,079
$ 1,423,392	$ 26,635	$ 3,353,572

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED AUGUST 31, 2017

Net change in fund balances - total governmental funds	$ (20,437,507)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	20,961,877
The depreciation of capital assets used in governmental activities is not reported in the funds.	(410,395)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	57,194
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	410,647
The accretion of interest on capital appreciation bonds is not reported in the funds.	91,942
(Increase) decrease in accrued interest from beginning of period to end of period.	(46,105)
The net revenue (expense) of internal service funds is reported with governmental activities.	57
Payments to an escrow agent on refunding bonds are not reported as an other financing use in the SOA.	3,972,857
Amortization of bond premium and deferred amount is an expense in the SOA but not in the funds.	82,544
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(3,585,000)
Bond premiums are reported in the funds but not in the SOA.	(489,637)
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(154,700)
Change in net position of governmental activities - Statement of Activities	$ 453,774

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
AUGUST 31, 2017

Data Control Codes		Nonmajor Internal Service Fund Insurance Fund
	ASSETS:	
	Current Assets:	
1110	*Cash and Cash Equivalents*	$ 37,063
	Receivables:	
1260	*Due from Other Funds*	68,434
	Total Current Assets	105,497
1000	Total Assets	105,497
	LIABILITIES:	
	Current Liabilities:	
2170	*Due to Other Funds*	$ 20,130
2200	*Accrued Expenses*	49,998
	Total Current Liabilities	70,128
2000	Total Liabilities	70,128
	NET POSITION:	
3900	*Unrestricted*	35,369
3000	Total Net Position	$ 35,369

The accompanying notes are an integral part of this statement.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - INTERNAL SERVICE FUND FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		Nonmajor Internal Service Fund Insurance Fund
	OPERATING REVENUES:	
5700	*Local and Intermediate Sources*	$ 68,491
5020	Total Revenues	68,491
	OPERATING EXPENSES:	
6400	*Other Operating Costs*	68,434
6030	Total Expenses	68,434
1300	Change in Net Position	57
0100	Total Net Position - Beginning	35,312
3300	Total Net Position - Ending	$ 35,369

The accompanying notes are an integral part of this statement.

EXHIBIT D-3

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	$ --
Cash Received from Grants	--
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	108,361
Cash Payments to Employees for Services	--
Cash Payments to Other Suppliers for Goods and Services	(95,890)
Cash Payments for Grants to Other Organizations	--
Other Operating Cash Receipts (Payments)	--
Net Cash Provided (Used) by Operating Activities	12,471
Cash Flows from Non-capital Financing Activities:	
Proceeds (Payments) from (for) Borrowings	--
Net Cash Provided (Used) by Non-capital Financing Activities	--
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	--
Net Cash Provided (Used) for Investing Activities	--
Net Increase (Decrease) in Cash and Cash Equivalents	12,471
Cash and Cash Equivalents at Beginning of Year	24,592
Cash and Cash Equivalents at End of Year	$ 37,063
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	$ 57
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	--
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(28,564)
Increase (Decrease) in Accounts Payable	(29,150)
Increase (Decrease) in Interfund Payables	20,130
Increase (Decrease) in Unearned Revenue	--
Increase (Decrease) in Accrued Expenses	49,998
Total Adjustments	12,414
Net Cash Provided (Used) by Operating Activities	$ 12,471

The accompanying notes are an integral part of this statement.

EXHIBIT E-1

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2017

Data Control Codes		Private-purpose Trust Fund Scholarship Fund	Agency Fund Student Activity
	ASSETS:		
1110	*Cash and Cash Equivalents*	$ 608,422	$ 27,084
1000	Total Assets	608,422	27,084
	LIABILITIES:		
	Current Liabilities:		
2190	*Due to Student Groups*	$ --	$ 27,084
2000	Total Liabilities	--	27,084
	NET POSITION:		
3800	*Held in Trust - Temporarily Restricted*	8,422	--
3801	*Held in Trust - Permanently Restricted*	600,000	
3000	Total Net Position	$ 608,422	$ --

EXHIBIT E-2

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Fund Scholarship Fund
Additions:	
Investment Income	$ 4,208
Net (Decrease) in Fair Value of Investments	--
Employer Contributions	--
Plan Member Contributions	--
Total Additions	4,208
Deductions:	
Scholarship Awards	--
Benefits	--
Refunds of Contributions	--
Administrative Expenses	--
Total Deductions	--
Change in Net Position	4,208
Net Position-Beginning of the Year	604,214
Net Position-End of the Year	$ 608,422

The accompanying notes are an integral part of this statement.

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A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This fund is used to account for general long-term debt principal and interest for debt issues and other long-term debts for which a tax has been dedicated.

Capital Projects Fund: This fund is used to account for the proceeds from the issuance of bonds to be used for the District's construction projects and all related construction activities.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they

have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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

c. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

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

d. Capital Assets

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

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

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

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

f. Receivable and Payable Balances

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

Except for delinquent taxes, there are no significant receivables which are not scheduled for collection within one year of year end.

g. Interfund Activity

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

h. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

i. Data Control Codes

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

j. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

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

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the

Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

At August 31, 2017, the District reported the following:

Net Pension Asset	$	--
Net Pension Liability	$	2,249,076

5. New Accounting Standards Adopted

In fiscal year 2017, the District adopted four new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

-- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
-- Statement No. 77, *Tax Abatement Disclosures*
-- Statement No. 80, *Blending Requirements for Certain Component Units*
-- Statement No. 82, *Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73*

a. Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability.

The District does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

b. The requirements of GASB Statement No. 77 improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The note disclosures have been updated for the affects the adoption of GASB Statement No. 77.

c. GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The District did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

d. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
In the Debt Service and Child Nutrition Funds, certain functional expenditures and other financing uses exceeded the appropriated amounts.	In the future, the budget will be amended before overspending, including budgeting for refunding bonds in the Debt Service Fund.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

C. Deposits and Investments

The Public Funds Investment Act (Texas Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturiy allowed based on the stated maturity date for the protfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas;

(2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

   At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $990,887 and the bank balance was $981,469. The District's cash deposits at August 31, 2017 and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

   As of August 31, 2017 the District had the following investments and maturities:

		Investment Maturities (In Years)		
Investments	Fair Values	Less than 1	1 to 2	2 to 3
Investment in Lone Star	$ 2,902,322	$ 2,902,322	--	--
Investment in TexPool	10	10	--	--
Commercial Paper	1,641,122	1,641,122		
Certificate of Deposits	844,818	844,818		
Notes	999,886	999,886		
Bonds	212,596	212,596		
Total Fair Value	$ 6,600,754	$ 6,600,754	$ --	$ --

Interest Rate Risk - In accordance with state law and District policy, the District does not pruchase any investments with maturities greater than 10 years.

Credit Risk - In accordance with state law and the District's investment policy investments in mutual funds, and investment pools must be rated at least AAA, commercial paper must be rated at least A-1 or P-1, and investments in obligations from other states, municipalities, counties, etc. must be rated at least A. the District's investments in investment pools were rated AAA.

Concentration of Credit Risk -The District does not place a limit on the amount the District may invest in any one issuer. The District does not have a concentration of credit risk.

Custodial Credit Risk - For an investment, custodial credit risk 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 possesion of an outside party. The District does not have a custodial credit risk.

Federated Investors manages the assets, provides participant services, and arranges for all custody and other functions in support of TexPool operations under a contract with the State Comptroller of Public Accounts. The state comptroller maintains oversight responsibility for TexPool, including the ability to influence operations, designation of management and accountability for fiscal matters. Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net assets to compute share price. The fair value of the District's

position in TexPool is the same as the value of TexPool shares.

Lone Star Investment Pool is administered by First Public. The fair value of the funds in Lone Star is also the same fair value as Lone Star shares.

Limitations exist for withdrawals in this way: ACH (Automated Clearing House) withdrawals from Lone Star and TexPool are restricted to the account designated by the direct deposit form currently on record. The current authorized direct deposit form designates only the District Depository Bank as the entitiy to use for deposits or withdrawals by ACH. The Superintendent must authorize any new or replacement direct deposit form that would alter or replace the depository bank.

Limitations exist for wire transfers in this way: A Wire Transfer to or from Lone Star or TexPool requires two signatures from authorized representatives in order to be processed.

3. Fair Value Measurements

The District categorize their fair value measurements within the fair value heirarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are qouted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following fair value heirarchy as of August 31, 2017:

	Level 1	Level 2	Level 3	Total
Commercial Paper	$ 1,641,122	$ --	$ --	$ 1,641,122
Certificate of Deposits	844,818	--	--	844,818
Notes	999,886	--	--	999,886
Bonds	212,596	--	--	212,596
Total	$ 3,698,422	$ --	$ --	$ 3,698,422

D. Capital Assets

Capital asset activity for the year ended August 31, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 145,973	$ --	$ --	$ 145,973
Construction in progress	2,728,885	20,532,965	--	23,261,850
Total capital assets not being depreciated	2,874,858	20,532,965	--	23,407,823
Capital assets being depreciated:				
Buildings and improvements	14,871,545	428,913	--	15,300,458
Equipment	2,330,383	--	--	2,330,383
Vehicles	1,200,744	--	--	1,200,744
Total capital assets being depreciated	18,402,672	428,913	--	18,831,585
Less accumulated depreciation for:				
Buildings and improvements	(7,992,018)	(265,297)	--	(8,257,315)
Equipment	(1,893,275)	(85,558)	--	(1,978,833)
Vehicles	(813,507)	(59,540)	--	(873,047)
Total accumulated depreciation	(10,698,800)	(410,395)	--	(11,109,195)
Total capital assets being depreciated, net	7,703,872	18,518	--	7,722,390
Governmental activities capital assets, net	$ 10,578,730	$ 20,551,483	$ --	$ 31,130,213

Depreciation was charged to functions as follows:

Instruction	$	169,102
Instructional Resources and Media Services		4,634
Curriculum and Staff Development		18,725
Instructional Leadership		2,914
School Leadership		20,261
Guidance, Counseling, & Evaluation Services		8,772
Health Services		3,072
Student Transportation		59,540
Food Services		17,814
Extracurricular Activities		21,453
General Administration		18,115
Plant Maintenance and Operations		59,127
Security and Monitoring Services		901
Data Processing Services		5,965
	$	410,395

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2017, consisted of the following:

Due To Fund	Due From Fund		Amount	Purpose
General Fund	Other Governmental Funds	$	140,068	Short-term loans
General Fund	Debt Service Fund		2,323	Debt service payments
General Fund	Internal Service Fund		20,130	To cover claims
Other Governmental Funds	General Fund		49,501	Short-term loans
Internal Service Fund	General Fund		68,434	To cover claims
	Total	$	280,456	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2017, consisted of the following:

Transfers From	Transfers To		Amount	Reason
General fund	Other Governmental Funds	$	22,542	Supplement other funds sources
	Total	$	22,542	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Refunding Bonds

On October 20, 2016 the District issued $3,585,000 Unlimited Tax Refunding Bonds, Series 2016 serial bonds with interest rates varying from 2.00% to 4.00%. The District issued the bonds to advance refund $3,930,000 of outstanding series 2006 Unlimited Tax Refunding Bonds with interest rates varying from 4.00% to 4.25%. The District used the net proceeds to purchase U.S. government securities. These securities were

deposited in an irrevocable trust to provide for all future debt service on the refunded portions of the 2006 series bonds. As a result, that portion of the 2006 series bonds are considered defeased, and the District has removed the liability from its accounts.

The advance refunding reduced total debt service payments over the next 15 years by approximately $726,942. This results in an economic gain (difference between the present values of the debt service payments of old and new debt) of $604,204. The average interest rates of the bonds refunded is 4.16%. The net proceeds from the refunding were $3,972,857 after payment of $101,780 in issuance costs and underwriting fees.

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017, are as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/16	Issued	Retired	Amounts Outstanding 8/31/17	Amounts Due Within One Year
Unlimited Tax School Building Bonds Series 2001	6.25%	--	145,000	--	145,000	--	--
Maintenance Tax Notes, Series 2012	0.085%	--	60,000	--	60,000	--	--
Unlimited Tax Refunding Bonds, Bonds, Series 2006	4.00%	--	3,994,997	--	3,945,647	49,350	27,106
Unlimited Tax School Building Bonds Series 2015	4.00%	--	22,980,000	--	130,000	22,850,000	195,000
Unlimited Tax Refunding Bonds, Series 2016	2.00% to 4.00%	3,585,000	--	3,585,000	60,000	3,525,000	--
Sub-Totals			27,179,997	3,585,000	4,340,647	26,424,350	222,106
Accretion on Refundings			577,894	27,412	119,354	485,952	257,894
Bond Premiums on Refunding			1,665,887	489,637	84,954	2,070,570	90,456
Net Pension Liability			2,222,159	216,019	189,102	2,249,076	--
Total Governmental Activities			$ 31,645,937	$ 4,318,068	$ 4,734,057	$ 31,229,948	$ 570,456

2. Debt Service Requirements

Governmental Activiy Debt service requirements on long-term debt at August 31, 2017, are as follows:

Year Ending	General Obligation Bonds		
August 31,	Principal	Interest	Total
2018	222,106	1,364,406	1,586,512
2019	282,245	1,365,368	1,647,613
2020	600,000	1,097,413	1,697,413
2021	615,000	1,082,162	1,697,162
2022	630,000	1,063,713	1,693,713
2023-2027	3,445,000	5,020,312	8,465,312
2028-2032	4,135,000	4,380,794	8,515,794
2033-2037	5,200,000	3,538,831	8,738,831
2038-2042	6,535,000	2,201,750	8,736,750
2043-2045	4,760,000	483,750	5,243,750
Totals	$ 26,424,351	$ 21,598,499	$ 48,022,850

General Obligation Bonds are paid by the Debt Service Fund.

Defeased Bonds Outstanding -

The District had no defeased bonds outstanding as of August 31, 2017.

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions

Odem-Edroy Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Events Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC rule 15c2-12 to enable investors to analyze the financial condition and operations of Odem-Edroy Independent School District.

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Unemployment Compensation

During the year ended August 31, 2017, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund's Unemployment Compensation Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. The Fund meets its obligations to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggragate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct and independent financial audit after the close of each plan year on August 31. The audit is approved by the Fund's Board of Trustees in February of the

following year. The Fund's audited financial statements as of August 31, 2017, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Worker's Compensation

The District has established the Worker's Compensation Internal Service Fund to account for and finance workers compensation claims. It is a modified self-insurance plan, known as SchoolComp. The Plan year began September 1, 2016 and ended September 1, 2017. The District's maximum financial exposure for the plan year is $97,168. Any costs above $97,168 or the 2016-2017 plan year are the shared responsibility of the remaining School Comp members. The District's self-insured retention per occurrence is $29,150.

Costs for any one claim above the self-insured retention are the shared resposibility of the remaining SchoolComp members. Excess insurance is provided by Safety National Casualty Corporation and admitted carrier. The policy provides for specific stop-loss attachment at $350,000 per occurrence and aggregate stop-loss attachment at $8,455,917. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the District participate in the program and make payments to the fund based on actuarial estimates ot the amounts needed to pay prior-year and current-year claims and to establish a reserve for losses relating to catastrophes. That reserve was $35,369 at 8/31/17 and is reported as net assets in the Workers' Compensation Internal Service Fund. The claims liability of $49,998 reported in the fund at 8/31/17, is based on the information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonable estimated.

Changes in the balances of claims liabilities during the past year are:

	Year Ended 08/31/17
Unpaid claims, beginning of year	$ 30,895
Current year claims and changes in estimate	66,689
Claim payments	(47,586)
Unpaid claims, end of year	$ 49,998

H. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Compreher Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%

District's 2017 Employer Contributions	$	175,218
District's 2017 Member Contributions	$	509,963
NECE 2016 On-Behalf Contributions to District	$	345,976

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

--- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

--- During a new member's first 90 days of employment.

--- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

--- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

--- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution the state contribution as an employment after retirement surcharge.

--- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2016

Asset Class	Target Allocation	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns *
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	$ 3,480,812	$ 2,249,076	$ 1,204,315

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2017, the District reported a liability of $2,249,076 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 2,249,076
State's proportionate share that is associated with District	4,106,686
Total	$ 6,355,762

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0059517%. which was an increase (decrease) of -0.0003347%from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period:

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2017, the District recognized pension expense of $426,176 and revenue of $426,176 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 35,265	$ 67,156
Changes in actuarial assumptions	68,548	62,341
Difference between projected and actual investment earnings	190,447	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	311,637	34,080
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	175,218	--
Total	$ 781,115	$ 163,577

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Pension Expense Amount
2018	$ 75,303
2019	$ 75,303
2020	$ 196,780
2021	$ 65,972
2022	$ 30,954
Thereafter	$ (1,992)

I. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at www.trs.state.tx.us under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2017, 2016 and 2015. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were $66,229, $85,052, and $64,261, respectively, the active member contributions were $43,048, $39,089, and $41,770, respectively, and the District's contributions were $36,425, $36,047, and $35,343, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were $19,405, $25,634, and $26,275, respectively.

J. Employee Health Care Coverage

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $250 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Aetna - TRS Activecare are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31,2017.

L. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2017, are reported on the combined financial statements as Due from Other Governments and are summarized below:

Fund	State Entitlements	State Grants	Federal Grants	Total
General	$ 524,203	$ --	$ --	$ 524,203
Other Governmental	--	130,392	57,574	187,966
Total	$ 524,203	$ 130,392	$ 57,574	$ 712,169

M. Unearned Revenue

Unearned revenue at year end consisted of the following:

Revenue Description	Other Governmental Funds	Total
Grant Programs	1,750	1,750
Total Unearned Revenue	$ 1,750	$ 1,750

N. Tax Abatements

The Odem-Edroy ISD Board of Trustees has approved an agreement with one company for a Limitation on Appraised Value of Property for School Distict Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and date centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The applications, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website:
https://www.comptroller.texas.gov/economy/local/ ch313/agreement-docs.php.

After approval, the applicant company must maintain a viable presence in the district for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

In the event that a company terminates this Agreement without the consent of the District, or in the event that the company or is successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, the the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of this Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Sec. 33.01(c), or its successor statute. The agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

Below is the abatement information that is required by GASB Statement No. 77 for M&O purposes. It includes the net benefit to the District but does not include any I&S impact.

Project	< A > Project Value 2016	< B > Project's Value Limitation Amount 2016	< C > Amount of Applicant's M&O Taxes Paid 2016	< D < Amount of Applicant's M&O Taxes Reduced 2016	< E > Company Revenue Loss Payment to School District 2016	< F > Company Supplemental Payment to School District 2016	< G > Net Benefit (Loss) to the School District 2016 (C+E+F)
1.	$52,313,820	$10,000,000	$117,000	$495,072	--	$232,036	$349,036

Project Description
1. EC & R Papalote Creek Wind Farm I (Application #139)
   First Year Value Limitation: 2011

O. Fund Balances

The following is a summary of Governmental Fund fund balances of the District at the year ended August 31, 2017:

General Fund	
Nonspendable:	
Inventories	$ 2,220
Prepaid Items	106,620
	108,840
Unassigned	1,538,565
Total General Fund fund balance	1,647,405
Debt Service Fund	
Restricted For:	
Retirement of Long-Term Debt	256,140
Capital Projects Fund	
Restricted For:	
Retirement of Long-Term Debt	1,423,392
Other Governmental Funds:	
Nonspendable:	
Inventories	21,392
Restricted:	
Educator Excellence Innovation	57
Donor Fund	19,027
	19,084
Committed:	
Campus Activity	7,551
Unassigned:	
Child Nutrition	(21,392)
Total Other Governmental Fund fund balances	26,635
Total Governmental Fund fund balances	$ 3,353,572

P. Restatement of Net Position and Fund Balance

During the year, management determined there was an overstatement in days of attendance calculated for August 2016, which resulted in an overstatement in foundation revenue and receivable from State. Management also determined the Construction Fund fund balance was overstated due to the misclassification of the discount paid when securities were purchased and the change in value of those securities. Management determined the Scholarship account net position in the Private Purpose Trust Fund was understated due to a misclassification of a payable. Beginning Equity for the General Fund, Construction Fund, Private Purpose Trust Fund and Government-wide Net Position has been restated as follows:

	General Fund Fund Balance	Construction Fund Fund Balance	Government - wide Net Position	Private Purpose Trust Fund Scholarship Fund
Beginning equity, as originally stated	$ 1,900,787	$ 21,932,431	$ 4,077,879	$ 6,600
Restatement for overstated Receivable and Revenue	(149,694)	--	(149,694)	--
Restatement for discount paid on securities purchased and change in value in prior year	--	(142,465)	(142,465)	--
Restatement for overstated Payable	--	--	--	597,614
Beginning equity, as restated	$ 1,751,093	$ 21,789,966	$ 3,785,720	$ 604,214

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 3,790,468	$ 3,790,467	$ 3,704,182	$ (86,285)
5800	*State Program Revenues*	5,927,536	5,927,536	5,684,666	(242,870)
5900	*Federal Program Revenues*	139,000	139,000	151,705	12,705
5020	Total Revenues	9,857,004	9,857,003	9,540,553	(316,450)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	*Instruction*	4,940,996	4,778,633	4,609,100	169,533
0012	*Instructional Resources and Media Services*	144,538	144,100	146,829	(2,729)
0013	*Curriculum and Staff Development*	97,397	130,969	108,094	22,875
	Total Instruction & Instr. Related Services	5,182,931	5,053,701	4,864,023	189,678
	Instructional and School Leadership:				
0021	*Instructional Leadership*	121,278	97,990	48,837	49,153
0023	*School Leadership*	666,593	665,155	645,136	20,019
	Total Instructional & School Leadership	787,871	763,145	693,973	69,172
	Support Services - Student (Pupil):				
0031	*Guidance, Counseling and Evaluation Services*	222,568	251,130	244,599	6,531
0033	*Health Services*	105,737	105,299	98,405	6,894
0034	*Student (Pupil) Transportation*	229,392	333,954	313,768	20,186
0036	*Cocurricular/Extracurricular Activities*	654,881	640,838	586,579	54,259
	Total Support Services - Student (Pupil)	1,212,578	1,331,221	1,243,351	87,870
	Administrative Support Services:				
0041	*General Administration*	598,583	594,339	566,647	27,692
	Total Administrative Support Services	598,583	594,339	566,647	27,692
	Support Services - Nonstudent Based:				
0051	*Plant Maintenance and Operations*	1,492,565	1,898,684	1,880,873	17,811
0052	*Security and Monitoring Services*	29,163	29,225	28,452	773
0053	*Data Processing Services*	249,076	248,638	188,455	60,183
	Total Support Services - Nonstudent Based	1,770,804	2,176,547	2,097,780	78,767
	Debt Service:				
0071	*Principal on Long-Term Debt*	60,000	60,000	60,000	--
0072	*Interest on Long-Term Debt*	1,332	1,332	1,317	15
	Total Debt Service	61,332	61,332	61,317	15
0099	*Other Intergovernmental Charges*	107,000	107,000	94,608	12,392
	Total Intergovernmental Charges	107,000	107,000	94,608	12,392
6030	Total Expenditures	9,721,099	10,087,286	9,621,699	465,587
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	135,905	(230,283)	(81,146)	149,137
	Other Financing Sources (Uses):				
8911	*Transfers Out*	(45,905)	(45,905)	(22,542)	23,363
8949	*Other Uses*	(90,000)	(90,000)	--	90,000
7080	Total Other Financing Sources and (Uses)	(135,905)	(135,905)	(22,542)	113,363

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
1200	Net Change in Fund Balance	--	(366,188)	(103,688)	262,500
0100	Fund Balance - Beginning	1,751,093	1,751,093	1,751,093	--
3000	Fund Balance - Ending	$ 1,751,093	$ 1,384,905	$ 1,647,405	$ 262,500

EXHIBIT G-2

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2017

	Measurement Year Ended August 31,		
	2016	2015	2014
District's Proportion of the Net Pension Liability (Asset)	0.0059517%	0.0062864%	0.0046431%
District's Proportionate Share of Net Pension Liability (Asset)	$ 2,249,076	$ 2,222,159	$ 1,240,236
States Proportionate Share of the Net Pension Liability (Asset) associated with the District	4,106,686	3,993,045	3,430,045
Total	$ 6,355,762	$ 6,215,204	$ 4,670,281
District's Covered Employee Payroll	$ 6,302,594	$ 6,426,118	$ 6,351,725
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Employee Payroll	35.68%	34.58%	19.53%
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.00%	78.43%	83.25%

The District will continue to add data until ten years are presented. GASB Statement No. 68 was implemented in fiscal year 2015 and prior year information is not available.

EXHIBIT G-3

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2017

	Fiscal Year Ended August 31,		
	2017	2016	2015
Contractually Required Contribution	$ 175,218	$ 189,102	$ 186,572
Contribution in Relation to the Contractually Required Contribution	(175,218)	(189,102)	(186,572)
Contribution Deficiency (Excess)	$ -	$ -	$ -
District's Covered Employee Payroll	$ 6,622,891	$ 6,554,676	$ 6,426,118
Contributions as a percentage of Covered Employee Payroll	2.65%	2.88%	2.90%

The District will continue to add date until ten years are presented. GASB Statement No. 68 was implemented in fiscal year 2015 and prior year information is not available

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. 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.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2017

Year Ended August 31	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Assessed/Appraised Value For School Tax Purposes
2008 and Prior Years	$ Various	$ Various	$ Various
2009	1.17	.1224	227,398,836
2010	1.17	.1224	218,806,343
2011	1.1209	.1056	276,490,929
2012	1.17	.1225	248,250,000
2013	1.04	.1267	283,259,110
2014	1.17	.1173	336,993,059
2015	1.17	.1283	366,415,540
2016	1.17	.4572	367,275,626
2017 (School Year Under Audit)	1.17	.4789	292,875,068
1000 Totals			

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

10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
$ 145,703	$ --	$ 687	$ 71	$ (10,397)	$ 134,548
19,868	--	974	102	(218)	18,574
27,430	--	1,659	174	(217)	25,380
28,075	--	2,569	242	(207)	25,057
29,954	--	4,001	419	(724)	24,810
36,109	--	2,834	345	(442)	32,488
61,371	--	8,836	886	(828)	50,821
92,871	--	20,717	2,272	(289)	69,593
229,115	--	56,928	22,246	(9,738)	140,203
--	4,829,217	3,176,926	1,503,008	134,978	284,261
$ 670,496	$ 4,829,217	$ 3,276,131	$ 1,529,765	$ 111,918	$ 805,735
$ --	$ --	$ --	$ --	$ --	$ --

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
GENERAL FUND
AS OF AUGUST 31, 2017

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2017 (Exhibit C-1 object 3000 for the General Fund only)	$ 1,647,405
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	108,839
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	1,600,000
8	Estimate of delayed payments from state sources (58XX)	654,595
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	57,574
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	2,421,008
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	$ (773,603)

If Item 13 is a Positive Number
Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 75,000	$ 75,000	$ 76,470	$ 1,470
5800	*State Program Revenues*	3,500	3,500	17,941	14,441
5900	*Federal Program Revenues*	404,000	404,000	440,619	36,619
5020	Total Revenues	482,500	482,500	535,030	52,530
	EXPENDITURES:				
	Current:				
	Support Services - Student (Pupil):				
0035	*Food Services*	528,405	528,405	562,087	(33,682)
	Total Support Services - Student (Pupil)	528,405	528,405	562,087	(33,682)
6030	Total Expenditures	528,405	528,405	562,087	(33,682)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(45,905)	(45,905)	(27,057)	18,848
	Other Financing Sources (Uses):				
7915	*Transfers In*	--	--	8,631	8,631
7080	Total Other Financing Sources and (Uses)	--	--	8,631	8,631
1200	Net Change in Fund Balance	(45,905)	(45,905)	(18,426)	27,479
0100	Fund Balance - Beginning	18,426	18,426	18,426	--
3000	Fund Balance - Ending	$ (27,479)	$ (27,479)	$ --	$ 27,479

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
	REVENUES:				
5700	*Local and Intermediate Sources*	$ 1,577,154	$ 1,577,154	$ 1,547,320	$ (29,834)
5800	*State Program Revenues*	--	--	68,761	68,761
5020	Total Revenues	1,577,154	1,577,154	1,616,081	38,927
	EXPENDITURES:				
	Current:				
	Administrative Support Services:				
0041	*General Administration*	--	--	598	(598)
	Total Administrative Support Services	--	--	598	(598)
	Debt Service:				
0071	*Principal on Long-Term Debt*	350,647	350,647	350,647	--
0072	*Interest on Long-Term Debt*	1,214,471	1,214,471	1,214,471	--
0073	*Bond Issuance Costs and Fees*	3,757	3,757	99,992	(96,235)
	Total Debt Service	1,568,875	1,568,875	1,665,110	(96,235)
6030	Total Expenditures	1,568,875	1,568,875	1,665,708	(96,833)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	8,279	8,279	(49,627)	(57,906)
	Other Financing Sources (Uses):				
7911	*Capital-Related Debt Issued (Regular Bonds)*	--	--	3,585,000	3,585,000
7916	*Premium or Discount on Issuance of Bonds*	--	--	489,637	489,637
8949	*Payment to Escrow Agent*	--	--	(3,972,857)	(3,972,857)
7080	Total Other Financing Sources and (Uses)	--	--	101,780	101,780
1200	Net Change in Fund Balance	8,279	8,279	52,153	43,874
0100	Fund Balance - Beginning	203,987	203,987	203,987	--
3000	Fund Balance - Ending	$ 212,266	$ 212,266	$ 256,140	$ 43,874

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

Board of Trustees
Odem-Edroy Independent School District
One Owl Square
Odem, Texas 78370

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Odem-Edroy Independent School District, as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Odem-Edroy Independent School District's basic financial statements, and have issued our report thereon dated Januaury 12, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the Odem-Edroy Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

Lovvorn + Kieschnick, LLP

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
Januaury 12, 2018

Lovvorn & Kieschnick, LLP
418 Peoples Street, Ste. 308
Corpus Christi, TX 78401

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Odem-Edroy Independent School District
One Owl Square
Odem, Texas 78370

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Odem-Edroy Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Odem-Edroy Independent School District's major federal programs for the year ended August 31, 2017. Odem-Edroy Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Odem-Edroy Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Odem-Edroy Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Odem-Edroy Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

Management of the Odem-Edroy Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Odem-Edroy Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Odem-Edroy Independent School District's internal control over compliance.

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

Respectfully submitted,

Lovvorn + Kieschnick, LLP

Lovvorn & Kieschnick, LLP

Corpus Christi, TX
Januaury 12, 2018

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Noncompliance material to financial statements noted?	____	Yes	X	No

2. Federal Awards

Internal control over major programs:				
One or more material weaknesses identified?	____	Yes	X	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	____	Yes	X	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200?	____	Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010A	Title I, Part A - Improving Basic Programs
	Child Nutrition Cluster:
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes	____	No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
2016-1 Condition: The District budgeted for capital expenditures for classroom sets of tablets and mobile carts and spent $285,986 for these assets. The District's application also included these as capital expenditures. None of these purchases exceeded the unit cost of$5,000, but all were coded in the class/object code of 6600 capital expenditures. Criteria: Effective for grants for the 2013-2014 school year, notice was givn from the Office of Grants and Federal Fiscal Compliance that grantees will no longer be required to budget purchases of items that make up a complete set" in class/object code 6600 when the cost of the set equals or exceeds the grantee's capitalization threshold of $5,000, whichever is less. Instead, the grantees will budget the purchases of those items indiviually in the appropriate class/object code and will not consider the net invoice price of the "complete set." The District has adopted EDGAR (CFR 200.12). Equipment means tangible personal property (including information technology systems) which exceeds $5,000 per unit cost in accordance with CFR 200.33. Cause: According to the grant writer, TEA approved the expenses in 6600 in the grant document, therefore that is where the district budgeted and expended the funds. If the District made a journal entry to move the supplies to 6300, then the District would have been out of compliance by being over budget in an onject code. Effect or Potential Effect: The District was not in compliance with their Federal State and Grants Manual, and not in compliance with the Uniform Administrative Requirements, Cost Principles and Audit Requirementsd for Federal Awards. Recommendation: The District should establish procedures to ensure they are following their guidelines as set forth in their State & Federal Grants Manual.	Implemented	

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

Program	Corrective Action Plan
None	No corrective action required

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(2A)		(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U. S. Department of Health and Human Services				
Passed Through State Department of Education:				
Medicaid Administration Claiming Program	93.778	205-905	$ --	$ 3,813
Total U. S. Department of Health and Human Services			--	3,813
U. S. Department of Education				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	1761010120590	--	199,069
ESEA Title I Part A - Improving Basic Programs	84.010A	1861010120590	--	15,643
Total CFDA Number 84.010A			--	214,712
IDEA-B Cluster:				
IDEA-B Formula	84.027A	1766000120590	--	190,260
IDEA-B Formula	84.027A	1866000120590	--	6,787
IDEA-B Preschool	84.173A	1766100120590	--	556
Total IDEA-B Cluster			--	197,603
Career and Technical - Basic Grant	84.048A	1742000617895	--	12,352
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	1769450120590	--	55,156
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	1869450120590	--	1,912
Total CFDA Number 84.367A			--	57,068
Texas Literacy Iniative	84.371C	1664600371100	--	128,098
Total Passed Through State Department of Education			--	609,833
Total U. S. Department of Education			--	609,833
U. S. Department of Agriculture				
Passed Through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	205-905	--	70,689
National School Lunch Program	10.555	205-905	--	327,634
Total Child Nutrition Cluster			--	398,323
Commodity Supplemental Food Program	10.565	205-905	--	42,296
Total Passed Through State Department of Education				440,619
Total U. S. Department of Agriculture			--	440,619
TOTAL EXPENDITURES OF FEDERAL AWARDS			--	1,054,265

The accompanying notes are an integral part of this schedule.

ODEM-EDROY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2017

Federal Assistance Reconciliation

Federal Grants and Contracts Revenues per Exhibit C-2	1,192,086
Less: School Health & Related Services (SHARS) revenues reported in General Fund	(137,821)
Total Federal Revenues per Schedule of Expenditures of Federal Awards	1,054,265

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Odem-Edroy Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Odem-Edroy Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.