

**IRION COUNTY  
INDEPENDENT SCHOOL DISTRICT**  
*MERTZON, TEXAS*

**ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED AUGUST 31, 2012**

IRION COUNTY ISD  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2012

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CERTIFICATE OF BOARD

Irion County Independent School District  
Name of School District

Irion  
County

118902  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 2012 at a meeting of the Board of Trustees of such school district on \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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

## INDEPENDENT AUDITOR'S REPORT

January 24, 2013

Board of Trustees  
Irion County Independent School District  
Mertzon, Texas

### Members of the Board:

We have audited the accompanying financial statements of the governmental activities of Irion County Independent School District as of and for the year ended August 31, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on the basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Irion County Independent School District at August 31, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2013, on our consideration of Irion County Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the District's basic financial statements.

In addition, the introductory section, the combining financial statements, the TEA required schedules, and the statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements and the TEA required schedules (except for Exhibit J-3, The Fund Balance and Cash Flow Calculation Worksheet, which is marked **UNAUDITED** and on which we express no opinion) have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

**Jones, Hay, Marschall & McKinney, PC**  
Certified Public Accountants

## Management's Discussion and Analysis

### IRION COUNTY ISD

In this section of the Annual Financial Report, we, the managers of Irion County Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2012. Please read it in conjunction with the auditor's report on page 2 and the District's Basic Financial Statements, which begin on page 7.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities (on pages 7 through 9). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside the district.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Reports on Internal Controls, Compliance and Federal Awards contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

#### **Reporting the District as a Whole**

##### *The Statement of Net Assets and the Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 7. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

## Reporting the District's Most Significant Funds

### *Fund Financial Statements*

The fund financial statements begin on page 10 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds to account for special grants and revenues. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

### **The District as Trustee**

### *Reporting the District's Fiduciary Responsibilities*

The District is the trustee, or fiduciary, for the money raised by student activity programs. All of the District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

**Table I - Irion County  
Independent School District  
NET ASSETS**

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 7,281,269	\$ 6,534,530
Capital assets	15,412,374	15,916,374
Total assets	<u>\$ 22,693,643</u>	<u>\$ 22,450,904</u>
Long-term liabilities	\$ 2,155,000	\$ 3,925,000
Other liabilities	808,236	677,728
Total liabilities	<u>\$ 2,963,236</u>	<u>\$ 4,602,728</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 13,257,374	\$ 11,991,374
Restricted	15,892	15,892
Unrestricted	6,457,141	5,840,910
Total Net Assets	<u>\$ 19,730,407</u>	<u>\$ 17,848,176</u>

**Table II - Irion County  
Independent School District  
CHANGES IN NET ASSETS**

		<u>Governmental Activities</u>	
		<u>2012</u>	<u>2011</u>
Revenues:			
Program Revenues:			
Charges for Services		\$ 144,296	\$ 138,834
Operating Grants and Contributions		1,279,629	1,080,210
General Revenues:			
Maintenance and Operations Taxes		7,475,662	7,246,519
Debt Service Taxes		1,983,941	1,885,889
Investment Earnings		12,046	35,268
Miscellaneous		<u>43,293</u>	<u>0</u>
	Total Revenue	<u>\$10,938,867</u>	<u>\$10,386,720</u>
Expenses:			
Instruction, Curriculum and Media Services		\$2,346,177	\$2,631,832
Instructional/School Leadership		281,612	291,231
Guidance, Social Work, Health and Transportation		193,071	202,939
Food Services		262,509	254,402
Cocurricular Activities		289,846	296,551
General Administration		326,474	326,980
Plant Maintenance and Operations		554,049	678,409
Data Processing		66,063	65,083
Debt Services		145,491	198,385
Other		<u>4,591,344</u>	<u>3,652,810</u>
	Total Expenses	<u>\$9,056,636</u>	<u>\$8,598,622</u>
Change in Net Assets		\$1,882,231	\$1,788,098
Net Assets at Beginning of Year		17,848,176	16,089,760
Prior Period Adjustment		<u>0</u>	<u>(29,682)</u>
Net Assets at End of Year		<u>\$19,730,407</u>	<u>\$17,848,176</u>

Net assets of the District's governmental activities increased from \$17,848,176 to \$19,730,407. Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - was \$6,457,141. The District's total revenues increased by 5% (\$552,147). This increase was due mainly to an increase in tax revenues. The total cost of all programs and services increased 5% (\$458,014). This increase was due mainly to additional expenditures for the purchase of attendance credits over the prior year.

**THE DISTRICT'S FUNDS**

At the end of the year, the District's governmental funds (as presented in the balance sheet on page 10) totaled \$6,199,103, which is more than last year's total of \$5,645,537. Included in this year's total change in fund balance are capital project expenditures of \$83,258 and excess principal payments made on outstanding bonds payable (\$1,770,000 total payments).

**CAPITAL ASSET ADMINISTRATION**

At the end of the year, the District had an investment in capital assets of \$15,412,374. This amount represents a decrease in capital assets of \$504,000. No disposals were made in the current year. Depreciation expense for the year was \$587,258.

## DEBT

At year end, the District had long-term current interest bonds totaling \$2,155,000 outstanding. These bonds mature on February 15 between 2013 through 2024. Overall long-term debt was down 45% (\$1,770,000) from the prior year.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

After maintaining a tax rate of \$1.50 for eight years, the District lowered the tax rate to \$1.37 for 2007. For 2008, the rate was lowered to \$1.3103. This rate includes \$1.04 for maintenance and operations plus .2703 for the purpose of payment of principal and interest on debts. For 2009, 2010 and 2011 the rate was 1.31015. This rate includes 1.04000 for maintenance and operations plus .27015 for the purpose of payment of principal and interest on debt. For 2012 the rate was 1.3104. This rate includes 1.04000 for maintenance and operations plus 0.2704 for the purpose of payment of principal and interest on debt. Due to the age of the facilities, the District issued a \$9,000,000 bond in a prior year for the purpose of renovation and construction of facilities.

The District remains a Chapter 41 "property wealthy district." This is due primarily to mineral production in the county. The District is likely to maintain Chapter 41 status as long as oil and gas production and prices remain high. Districts with Chapter 41 status must continue to practice mandated wealth equalization. This limits the District's gain from the increased tax base. The District recognizes that the oil and gas industry is volatile and uncertain, making it difficult to plan for the future. Irion County ISD has experienced a small decline in enrollment. This could become a budgeting factor if the trend continues.

While the District benefits from increased revenue generated by high oil and gas prices, it also suffers from the effects of associated increased fuel and energy costs. The unpredictability of market prices makes it difficult to accurately budget for utilities and transportation.

In a prior year, the District entered into a 313 Economic Development agreement with a wind power company. As a result, there are functioning wind turbines in the county that have been placed on the tax roll. The district will continue to receive payment for providing limitations on the appraised value of qualified property. Funds generated from the tax incentives are not subject to recapture under current school funding rules. Because the District carries a metropolitan statistical area designation due to census data, the threshold for economic development has been set at \$40,000,000.

The District continues to pursue all sources of revenue to supplement current funding sources.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's office at P. O. Box 469, Mertzon, Texas, 76941.



# **BASIC FINANCIAL STATEMENTS**

IRION COUNTY ISD  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

Data Control Codes	1	2 Primary Government	3
	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 6,239,964	\$ 5,808	\$ 6,245,772
1120 Current Investments	879,200	-	879,200
1220 Property Taxes Receivable (Delinquent)	114,364	-	114,364
1230 Allowance for Uncollectible Taxes	(9,447)	-	(9,447)
1240 Due from Other Governments	5,732	-	5,732
1410 Deferred Expenses	14,299	-	14,299
1490 Other Current Assets	31,349	-	31,349
Capital Assets:			
1510 Land	162,906	-	162,906
1520 Buildings, Net	14,670,131	-	14,670,131
1530 Furniture and Equipment, Net	579,337	-	579,337
1000 Total Assets	<u>22,687,835</u>	<u>5,808</u>	<u>22,693,643</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	30,532	-	30,532
2160 Accrued Wages Payable	70,512	-	70,512
2180 Due to Other Governments	705,730	-	705,730
2200 Accrued Expenses	1,462	-	1,462
Noncurrent Liabilities			
2502 Due in More Than One Year	2,155,000	-	2,155,000
2000 Total Liabilities	<u>2,963,236</u>	<u>-</u>	<u>2,963,236</u>
<b>NET ASSETS</b>			
3200 Invested in Capital Assets, Net of Related Debt	13,257,374	-	13,257,374
3820 Restricted for Federal and State Programs	15,892	-	15,892
3900 Unrestricted Net Assets	6,451,333	5,808	6,457,141
3000 Total Net Assets	<u>\$ 19,724,599</u>	<u>\$ 5,808</u>	<u>\$ 19,730,407</u>

The notes to the financial statements are an integral part of this statement.

IRION COUNTY ISD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>GOVERNMENTAL ACTIVITIES:</b>			
11 Instruction	\$ 2,273,379	\$ -	\$ 1,279,629
12 Instructional Resources and Media Services	64,893	-	-
13 Curriculum and Staff Development	7,905	-	-
21 Instructional Leadership	3,778	-	-
23 School Leadership	277,834	-	-
31 Guidance, Counseling and Evaluation Services	67,609	-	-
33 Health Services	51,373	-	-
34 Student (Pupil) Transportation	74,089	-	-
35 Food Services	262,509	47,919	-
36 Extracurricular Activities	289,846	15,344	-
41 General Administration	321,974	-	-
51 Facilities Maintenance and Operations	554,049	81,026	-
52 Security and Monitoring Services	1,966	-	-
53 Data Processing Services	66,063	-	-
72 Debt Service - Interest on Long Term Debt	145,491	-	-
91 Contracted Instructional Services Between Schools	4,396,149	-	-
93 Payments related to Shared Services Arrangements	37,652	-	-
99 Other Intergovernmental Charges	155,577	-	-
[TG] Total Governmental Activities:	9,052,136	144,289	1,279,629
<b>BUSINESS-TYPE ACTIVITIES:</b>			
01 Enterprise Funds - Locally Defined	4,500	7	-
[TB] Total Business-Type Activities:	4,500	7	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 9,056,636	\$ 144,296	\$ 1,279,629

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Assets
NB	Net Assets--Beginning
NE	Net Assets--Ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets		
6	7	8
	Primary Government	
Governmental Activities	Business-type Activities	Total
\$ (993,750)	\$ -	\$ (993,750)
(64,893)	-	(64,893)
(7,905)	-	(7,905)
(3,778)	-	(3,778)
(277,834)	-	(277,834)
(67,609)	-	(67,609)
(51,373)	-	(51,373)
(74,089)	-	(74,089)
(214,590)	-	(214,590)
(274,502)	-	(274,502)
(321,974)	-	(321,974)
(473,023)	-	(473,023)
(1,966)	-	(1,966)
(66,063)	-	(66,063)
(145,491)	-	(145,491)
(4,396,149)	-	(4,396,149)
(37,652)	-	(37,652)
(155,577)	-	(155,577)
<u>(7,628,218)</u>	<u>-</u>	<u>(7,628,218)</u>
-	(4,493)	(4,493)
-	(4,493)	(4,493)
<u>(7,628,218)</u>	<u>(4,493)</u>	<u>(7,632,711)</u>
7,475,662	-	7,475,662
1,983,941	-	1,983,941
12,046	-	12,046
43,293	-	43,293
<u>9,514,942</u>	<u>-</u>	<u>9,514,942</u>
1,886,724	(4,493)	1,882,231
17,837,875	10,301	17,848,176
<u>\$ 19,724,599</u>	<u>\$ 5,808</u>	<u>\$ 19,730,407</u>

IRION COUNTY ISD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 5,959,467	\$ 249,784	\$ 30,713	\$ 6,239,964
1120	Investments - Current	879,200	-	-	879,200
1220	Property Taxes - Delinquent	95,572	18,792	-	114,364
1230	Allowance for Uncollectible Taxes (Credit)	(9,447)	-	-	(9,447)
1240	Receivables from Other Governments	547	-	5,185	5,732
1410	Deferred Expenditures	14,299	-	-	14,299
1490	Other Current Assets	31,349	-	-	31,349
1000	<b>Total Assets</b>	<u>\$ 6,970,987</u>	<u>\$ 268,576</u>	<u>\$ 35,898</u>	<u>\$ 7,275,461</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
2110	Accounts Payable	\$ 17,859	\$ -	\$ -	\$ 17,859
2160	Accrued Wages Payable	63,026	-	7,486	70,512
2180	Due to Other Governments	705,730	-	-	705,730
2200	Accrued Expenditures	1,124	-	338	1,462
2300	Deferred Revenues	255,973	18,792	6,030	280,795
2000	<b>Total Liabilities</b>	<u>1,043,712</u>	<u>18,792</u>	<u>13,854</u>	<u>1,076,358</u>
<b>Fund Balances:</b>					
<b>Restricted Fund Balance:</b>					
3450	Federal or State Funds Grant Restriction	-	-	22,044	22,044
3480	Retirement of Long-Term Debt	-	249,784	-	249,784
3490	Other Restricted Fund Balance	211,554	-	-	211,554
<b>Committed Fund Balance:</b>					
3510	Construction	550,000	-	-	550,000
3530	Capital Expenditures for Equipment	200,000	-	-	200,000
<b>Assigned Fund Balance:</b>					
3570	Capital Expenditures for Equipment	50,000	-	-	50,000
3590	Other Assigned Fund Balance	1,727,771	-	-	1,727,771
3600	Unassigned Fund Balance	3,187,950	-	-	3,187,950
3000	<b>Total Fund Balances</b>	<u>5,927,275</u>	<u>249,784</u>	<u>22,044</u>	<u>6,199,103</u>
4000	<b>Total Liabilities and Fund Balances</b>	<u>\$ 6,970,987</u>	<u>\$ 268,576</u>	<u>\$ 35,898</u>	<u>\$ 7,275,461</u>

The notes to the financial statements are an integral part of this statement.

IRION COUNTY ISD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
AUGUST 31, 2012

<b>Total Fund Balances - Governmental Funds</b>	\$ 6,199,103
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$21,393,240 and the accumulated depreciation was \$5,476,866. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.	11,991,374
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.	1,853,258
<b>3</b> The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.	(587,258)
<b>4</b> Deferred property tax revenues reported in the fund financial statements at the beginning of the year should be included in net assets. The effect of including these deferred revenues is to increase (decrease) net assets.	128,374
<b>5</b> Decreases in deferred tax revenues in the fund financial statements during the year decreases revenues in the government-wide financial statements. The effect of this decrease in revenues decreases net assets.	(23,458)
<b>6</b> Other deferred revenues reported in the fund financial statements at the beginning of the year should be included in net assets. The effect of including these deferred revenues is to increase net assets.	85,280
<b>7</b> Increases in other deferred revenues in the fund financial statements during the year increases revenues in the government-wide financial statements. The effect of this increase in revenues increases net assets.	90,599
<b>8</b> Unpaid worker's compensation claims are not recognized in the fund financial statements. This liability decreases the net assets in the government-wide financial statements.	(12,673)
<b>19 Net Assets of Governmental Activities</b>	<u>\$ 19,724,599</u>

The notes to the financial statements are an integral part of this statement.

IRION COUNTY ISD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds	
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 7,647,332	\$ 1,984,463	\$ 47,919	\$ 9,679,714
5800	State Program Revenues	936,730	-	24,757	961,487
5900	Federal Program Revenues	-	-	230,518	230,518
5020	Total Revenues	<u>8,584,062</u>	<u>1,984,463</u>	<u>303,194</u>	<u>10,871,719</u>
<b>EXPENDITURES:</b>					
<b>Current:</b>					
0011	Instruction	1,800,165	-	183,320	1,983,485
0012	Instructional Resources and Media Services	56,127	-	-	56,127
0013	Curriculum and Instructional Staff Development	6,686	-	150	6,836
0021	Instructional Leadership	-	-	3,267	3,267
0023	School Leadership	240,254	-	-	240,254
0031	Guidance, Counseling and Evaluation Services	58,464	-	-	58,464
0033	Health Services	44,424	-	-	44,424
0034	Student (Pupil) Transportation	64,112	-	-	64,112
0035	Food Services	6,697	-	220,305	227,002
0036	Extracurricular Activities	251,000	-	-	251,000
0041	General Administration	277,864	-	-	277,864
0051	Facilities Maintenance and Operations	532,686	-	-	532,686
0052	Security and Monitoring Services	1,700	-	-	1,700
0053	Data Processing Services	66,063	-	-	66,063
<b>Debt Service:</b>					
0071	Principal on Long Term Debt	-	1,769,997	-	1,769,997
0072	Interest on Long Term Debt	-	145,494	-	145,494
<b>Intergovernmental:</b>					
0091	Contracted Instructional Services Between Schools	4,396,149	-	-	4,396,149
0093	Payments to Fiscal Agent/Member Districts of SSA	37,652	-	-	37,652
0099	Other Intergovernmental Charges	155,577	-	-	155,577
6030	Total Expenditures	<u>7,995,620</u>	<u>1,915,491</u>	<u>407,042</u>	<u>10,318,153</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>588,442</u>	<u>68,972</u>	<u>(103,848)</u>	<u>553,566</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	-	-	110,000	110,000
8911	Transfers Out (Use)	(110,000)	-	-	(110,000)
7080	Total Other Financing Sources (Uses)	<u>(110,000)</u>	<u>-</u>	<u>110,000</u>	<u>-</u>
1200	Net Change in Fund Balances	478,442	68,972	6,152	553,566
0100	Fund Balance - September 1 (Beginning)	<u>5,448,833</u>	<u>180,812</u>	<u>15,892</u>	<u>5,645,537</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 5,927,275</u>	<u>\$ 249,784</u>	<u>\$ 22,044</u>	<u>\$ 6,199,103</u>

The notes to the financial statements are an integral part of this statement.

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	553,566
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase (decrease) net assets.		1,853,258
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(587,258)
Decreases in deferred property tax revenues in the fund financial statements should be reported as a decrease of tax revenues in the government-wide financial statements. The effect of this decrease in deferred revenues decreases net assets.		(23,458)
Increases of other deferred revenues in the fund financial statements should be reported as an increase of revenues in the government-wide financial statements. The effect of this increase in deferred revenues increases net assets.		90,599
The current year decrease in unpaid worker's compensation claims are not recognized in the fund financial statements. The effect of recognizing this decrease of expense increases net assets.		17
 <b>Change in Net Assets of Governmental Activities</b>	 \$	 <u>1,886,724</u>

The notes to the financial statements are an integral part of this statement.



IRION COUNTY ISD  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
AUGUST 31, 2012

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 5,808
Total Assets	5,808
NET ASSETS	
Unrestricted Net Assets	5,808
Total Net Assets	\$ 5,808

The notes to the financial statements are an integral part of this statement.

IRION COUNTY ISD  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 7
Total Operating Revenues	<u>7</u>
OPERATING EXPENSES:	
Professional and Contracted Services	4,500
Total Operating Expenses	<u>4,500</u>
Operating Income (Loss)	(4,493)
Total Net Assets - September 1 (Beginning)	<u>10,301</u>
Total Net Assets - August 31 (Ending)	<u><u>\$ 5,808</u></u>

The notes to the financial statements are an integral part of this statement.

IRION COUNTY ISD  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2012

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$          7
Cash Payments for Other Operating Expenses	(4,500)
Net Cash Used for Operating Activities	<u>(4,493)</u>
Net Decrease in Cash and Cash Equivalents	(4,493)
Cash and Cash Equivalents at Beginning of Year	<u>10,301</u>
Cash and Cash Equivalents at End of Year	<u>\$      5,808</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash     Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss):	<u>\$      (4,493)</u>

The notes to the financial statements are an integral part of this statement.

IRION COUNTY ISD  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
AUGUST 31, 2012

	Agency Fund	Fiduciary Component Unit
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 34,072	\$ -
Total Assets	<u>\$ 34,072</u>	<u>\$ -</u>
<b>LIABILITIES</b>		
Due to Student Groups	\$ 34,072	-
Total Liabilities	<u>\$ 34,072</u>	<u>-</u>

The notes to the financial statements are an integral part of this statement.

IRION COUNTY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2012

**Note 1 - Reporting Entity**

The Board of School Trustees (the Board) has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Irion County Independent School District (the District). Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters, the District is not included in any other governmental "reporting entity" as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*.

Since the District receives funding from local, state and federal governmental sources, it must comply with the requirements of the entities providing those funds.

**Note 2 - Government-wide and Fund Financial Statements**

The government-wide financial statements (statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

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

**Note 3 - Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current period are all considered to be susceptible to accrual and have been recognized as revenue in the current period.

The District reports the following major governmental funds:

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

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of the District.

The *Special Revenue Funds* are used to account for federal and state revenues that are restricted to various uses.

The District reports the following major proprietary fund:

The *Proprietary Fund* is used to account for activities associated with the construction of a "wind farm" (a series of wind powered electricity generators) on property within the District and the subsequent collections of "payments in lieu of taxes" from the owners of the wind farm.

**Note 4 - Assets, Liabilities and Net Assets or Equity**

***Deposits and Investments***

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

Temporary Investments, certificates of deposit, are reported at fair value.

***Receivables and Payables***

All accounts and property tax receivables are shown net of an allowance for uncollectibles. The property tax allowance is equal to 7.5% of current year outstanding property taxes at August 31, 2012.

Property taxes are levied by October 1 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 and receivable within the current period.

***Restricted, Committed, and Assigned Assets***

Restricted assets as of August 31, 2012 were \$22,044 restricted for food service, \$249,784 restricted for debt service, and \$211,554 restricted for attendance credits. Committed assets as of August 31, 2012 were \$550,000 for facilities and \$200,000 for equipment. Assigned assets as of August 31, 2012 were \$1,777,771 for vehicles and other purposes.

***Capital Assets***

Capital assets, which include property, plant and equipment, are reported in the general fund in the government-wide financial statements. Long-lived assets with a cost of \$5,000 or more are capitalized. Capital assets are recorded at historical cost or estimated historical cost. Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Furniture and Equipment	10-25
Computer Equipment	5

### ***Compensated Absences***

Employees are allowed to accrue five state and three local personal days each year. State personal days are cumulative and carry over from year to year. Unused local personal days are paid by the District at year end at substitute rates (\$65 for degreed staff and \$58 for non-degreed staff). The employees' accumulating rights to receive compensation for future absences are contingent upon future illnesses. Since such amounts cannot be reasonably estimated, a liability for unused sick leave has not been recorded in the financial statements.

Teachers and administrative personnel (except for the superintendent) do not receive paid vacations but are paid only for the number of days they are required to work each year (187 days for teachers and 226 days for administrative personnel). Two administrative assistants, the maintenance director and the technology director are granted two-week vacations. In the event of termination, an employee is reimbursed for any unused accumulated leave. The District has no liability for unused vacation pay since all vacation leave is used or lost if not taken each year. Vacation pay is charged to operations when taken by the employees of the District.

### ***Long-Term Obligations***

In the government-wide financial statements long-term debt is reported as a liability. In the fund financial statements, governmental fund types recognized note principal payments as expenditures.

### ***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **Note 5 - Stewardship, Compliance and Accountability**

### ***Budgetary Information***

The official budget was prepared for adoption for all Governmental Fund Types prior to August 31, 2011. The budget was formally adopted by the Board of School Trustees at a duly advertised public meeting prior to the expenditure of funds. The budget was properly amended by the Board of Trustees as needed throughout the year.

## **Note 6 - Detailed Notes on All Funds**

### ***Deposits and Investments***

#### **District Policies and Legal and Contractual Provisions Governing Deposits**

#### **Custodial Credit Risk for Deposits**

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

### Compliance with the Public Funds Investment Act

The Public Funds Investment Act (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 a governmental entity 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 maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the entity 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 entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Irion County Independent School District is in substantial compliance with the requirements of the Act and with local policies.

At August 31, 2012, the carrying amount of the District's deposits was \$6,279,843 (Includes \$34,072 in Agency Fund deposits) and the bank balance was \$6,337,365. The District's deposits were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank.

In addition, the following is disclosed regarding coverage of combined balances at August 31, 2012:

- A. Name of the bank: First National Bank - Mertzou
- B. The market value of securities pledged at August 31, 2012 was: \$16,017,749.
- C. Total amount of FDIC coverage at August 31, 2012 was \$250,000.

### Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in possession of an outside party the District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and held by the District or its agent.

### Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District specifies some policy guidelines that require at least half of the investment portfolio to have maturity dates of less than one year on a weighted average maturity basis.

### Risk Level

The cash and temporary investments held at financial institutions can be categorized according to three levels of risk. These three levels of risk are:

- Category 1** - Deposits which are insured or collateralized by securities held by the entity or by its agent pledged in the entity's name.
- Category 2** - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- Category 3** - Deposits which are not collateralized.



Based on these three levels of risk, at August 31, 2012, the District's deposits are categorized as follows:

Category 1	\$ 6,337,365
Total	<u>\$ 6,337,365</u>

Temporary Investments

As of August 31, 2012 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10Years</u>	<u>More Than 10</u>
Certificates of Deposit	\$ 0	\$ 0			
TexasTERM	1,396	1,396			
Texstar Pool	<u>877,804</u>	<u>877,804</u>			
TOTAL	<u>\$ 879,200</u>	<u>\$ 879,200</u>			

No CD's were held at the First National Bank of Mertz on as of August 31, 2012. The \$879,200 of Texstar Pool and TexasTERM investments are not categorized because they are not evidenced by securities that exist in physical or book form. The carrying value of all investments were the same as their fair market value as of August 31, 2012.

*Receivables*

Receivables at year end including the applicable allowances for uncollectibles are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>
Receivable:				
Taxes	\$ 95,572	\$ 18,792	\$ 0	\$ 114,364
Intergovernmental	0	0	5,732	5,732
Less: Allowance for Uncollectibles	<u>(9,447)</u>	<u>0</u>	<u>0</u>	<u>(9,447)</u>
Net Receivables	<u>\$ 86,125</u>	<u>\$ 18,792</u>	<u>\$ 5,732</u>	<u>\$ 110,649</u>

*Capital Assets*

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental:				
Land	\$ 162,906	\$ 0	\$ 0	\$ 162,906
Buildings & Improvements	18,204,083	18,582	0	18,222,665
Furniture & Equipment	<u>3,026,251</u>	<u>64,676</u>	<u>0</u>	<u>3,090,927</u>
Totals	\$ 21,393,240	\$ 83,258	\$ 0	\$ 21,476,498
Accumulated Depreciation	<u>(5,476,866)</u>	<u>(587,258)</u>	<u>0</u>	<u>(6,064,124)</u>
Net Capital Assets	<u>\$ 15,916,374</u>	<u>\$ (504,000)</u>	<u>\$ 0</u>	<u>\$ 15,412,374</u>

Depreciation expense for the year totaled \$587,258 and was charged to the following functions:

Function 11	\$311,193	Function 31	\$ 9,145	Function 41	\$ 44,127
Function 12	\$ 8,766	Function 33	\$ 6,949	Function 51	\$ 83,322
Function 13	\$ 1,069	Function 34	\$ 9,977	Function 52	\$ 266
Function 21	\$ 511	Function 35	\$ 35,507		
Function 23	\$ 37,580	Function 36	\$ 38,846		

### ***Defined Benefit Pension Plan***

The District contributes to the Teacher Retirement System of Texas (the System), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the District, but are the liability of the State of Texas. The System administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. The System operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. The System also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The System issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. The System's annual financial report and other required disclosure information are available by writing the TRS Communications Department, 1000 Red River, Austin, Texas 78701, by calling 1-800-223-8778, or by downloading the report from the TRS Internet web site. [www.trts.state.tx.us](http://www.trts.state.tx.us), under the TRS Publications heading.

Under provisions of State law, for fiscal years 2012, 2011, and 2010, state contribution rates of 6.0%, 6.644%, and 6.644%, as well as member contribution rates of 6.4% for all three years were in effect. In certain instances, the district is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize the System's 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. State contributions to the System made "on behalf" of the District's employees for the years ended August 31, 2012, 2011, and 2010 were \$157,800, \$167,729, and \$166,610 respectively. The District paid additional state contributions for the years ended August 31, 2012, 2011, and 2010 in the amount of \$12,263, \$17,036, and \$17,523 respectively, on the portion of the employee's salaries that exceeded the statutory minimum.

### ***Deferred Revenue***

Deferred revenues consisted of net property taxes receivables of \$104,916 and federal grants totaling \$175,879 overpaid in the current year to be allotted to the subsequent year.

### ***Long Term Debt***

On August 27, 2007, the District issued bonds in the principal amount of \$8,999,998 at a variable rate between 4.0%-4.5% for use in capital improvements. As of August 31, 2012, the principal balance is at \$2,155,000. The District reserves the right, at its option, to redeem Current Interest Bonds having stated maturities on or after February 15, 2011, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, at the par value thereof plus accrued interest to the date of redemption. If less than all of

the Current Interest Bonds are to be redeemed, the District may select the maturities of the Current Interest Bonds to be redeemed. If less than all of the Current Interest Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the bonds are in Book-Entry-Only form) shall determine by lot the Current Interest Bonds, or portions thereof, within such maturity to be redeemed.

Current year activity for payment on all long-term liabilities are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Amount Issued</u>	<u>Amount Redeemed</u>	<u>Ending Balance</u>
ICISD Unlimited Tax School Building Bonds, Series 2007	\$ 3,925,000	\$ 0	\$ (1,770,000)	\$ 2,155,000
Total long-term activity	<u>\$ 3,925,000</u>	<u>\$ 0</u>	<u>\$ (1,770,000)</u>	<u>\$ 2,155,000</u>

As of August 31, 2012, debt service requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 155,000	\$ 52,069	\$ 207,069
2014	160,000	48,919	208,919
2015	165,000	45,669	210,669
2016	170,000	42,319	212,319
2017	170,000	38,919	208,919
2018-2022	920,000	130,895	1,050,895
2023-2024	<u>415,000</u>	<u>13,078</u>	<u>428,078</u>
Totals	<u>\$2,155,000</u>	<u>\$ 371,868</u>	<u>\$ 2,526,868</u>

### ***Operating Leases***

The District entered into operating leases covering six copiers on July 28, 2010. All of these leases are on a 60-month lease. Future minimum rentals under operating leases in excess of one year are as follows:

<u>Year Ended August 31</u>	<u>Amount</u>
2013	\$18,546
2014	18,546
2015	<u>17,000</u>
Total	<u>\$54,092</u>

Total future minimum rentals are \$54,092. Total lease expense (which includes additional charges for copies over 100,000 per month) for the year ended August 31, 2012 was \$18,547.

### ***Risk Management***

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss, except losses resulting from workman's compensation claims. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The District is partially uninsured with respect to worker’s compensation insurance. The District participates in a shared risk pool, the “West Texas Educational Insurance Association” administered by Claims Administrative Services, Inc. Individual claims that exceed the loss fund maximum, stated at \$24,850 at August 31, 2012, are paid by the Association through a reinsurance program. The District is responsible for all claims up to the loss fund maximum.

Cumulative unpaid claims (including “incurred but not reported” claims) the District is responsible for paying totaled \$12,673 at August 31, 2012. Contributions to this pool for the current year were \$10,867.

The following table shows the changes in claims liabilities for prior years and the current year:

	Beginning of Year <u>Liability</u>	<u>Changes</u>	Claim <u>Payments</u>	End of Year <u>Liability</u>
Prior Years	\$ 7,506	\$ (1,637)	\$ (694)	\$ 5,175
2009-2010	1,822	(263)	(488)	1,071
2010-2011	3,362	(632)	(733)	1,997
2011-2012	<u>0</u>	<u>4,981</u>	<u>(551)</u>	<u>4,430</u>
Totals	<u>\$ 12,690</u>	<u>\$ 2,449</u>	<u>\$ (2,466)</u>	<u>\$ 12,673</u>

The District participates in numerous State and Federal 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 at August 31, 2012 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 government-wide financial statements for such contingencies. The potential impact of any additional changes in the State school finance system, if legislated or ordered by court, on the District’s financial condition, sources and level of funding, tax base and taxing power is unknown.

***Subsequent Events***

Events occurring subsequent to August 31, 2012 have been evaluated by management through January 24, 2013 (the date of availability of the financial statements). No events occurred from August 31, 2012 through January 24, 2013 that would require disclosure in the financial statements.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

IRION COUNTY ISD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 7,402,367	\$ 7,421,117	\$ 7,647,332	\$ 226,215
5800	State Program Revenues	1,136,930	1,124,180	936,730	(187,450)
5020	Total Revenues	8,539,297	8,545,297	8,584,062	38,765
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	2,022,197	2,038,741	1,800,165	238,576
0012	Instructional Resources and Media Services	59,680	59,471	56,127	3,344
0013	Curriculum and Instructional Staff Development	7,600	7,600	6,686	914
0023	School Leadership	250,871	252,711	240,254	12,457
0031	Guidance, Counseling and Evaluation Services	68,845	68,626	58,464	10,162
0033	Health Services	47,315	47,225	44,424	2,801
0034	Student (Pupil) Transportation	83,885	83,861	64,112	19,749
0035	Food Services	6,750	6,697	6,697	-
0036	Extracurricular Activities	258,830	258,246	251,000	7,246
0041	General Administration	291,249	292,026	277,864	14,162
0051	Facilities Maintenance and Operations	650,322	682,169	532,686	149,483
0052	Security and Monitoring Services	2,900	2,900	1,700	1,200
0053	Data Processing Services	67,853	67,653	66,063	1,590
Intergovernmental:					
0091	Contracted Instructional Services Between Schools	4,408,000	4,408,000	4,396,149	11,851
0093	Payments to Fiscal Agent/Member Districts of SSA	38,000	38,000	37,652	348
0099	Other Intergovernmental Charges	165,000	165,000	155,577	9,423
6030	Total Expenditures	8,429,297	8,478,926	7,995,620	483,306
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	110,000	66,371	588,442	522,071
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	(110,000)	(110,000)	(110,000)	-
7080	Total Other Financing Sources (Uses)	(110,000)	(110,000)	(110,000)	-
1200	Net Change in Fund Balances	-	(43,629)	478,442	522,071
0100	Fund Balance - September 1 (Beginning)	5,448,833	5,448,833	5,448,833	-
3000	Fund Balance - August 31 (Ending)	\$ 5,448,833	\$ 5,405,204	\$ 5,927,275	\$ 522,071

## **COMBINING AND OTHER STATEMENTS**

IRION COUNTY ISD  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ (727)	\$ 149	\$ -	\$ 26,760
1240	Receivables from Other Governments	3,318	-	-	-
1000	Total Assets	<u>\$ 2,591</u>	<u>\$ 149</u>	<u>\$ -</u>	<u>\$ 26,760</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
2160	Accrued Wages Payable	\$ 2,381	\$ -	\$ -	\$ 4,630
2200	Accrued Expenditures	210	-	-	86
2300	Deferred Revenues	-	149	-	-
2000	Total Liabilities	<u>2,591</u>	<u>149</u>	<u>-</u>	<u>4,716</u>
Fund Balances:					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	22,044
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,044</u>
4000	Total Liabilities and Fund Balances	<u>\$ 2,591</u>	<u>\$ 149</u>	<u>\$ -</u>	<u>\$ 26,760</u>



255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	287 Eucation Jobs Fund	410 State Textbook Fund	411 Technology Allotment	Total Nonmajor Governmental Funds
\$ -	\$ (1,350)	\$ -	\$ 5,881	\$ -	\$ 30,713
517	1,350	-	-	-	5,185
<u>\$ 517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,881</u>	<u>\$ -</u>	<u>\$ 35,898</u>
\$ 475	\$ -	\$ -	\$ -	\$ -	\$ 7,486
42	-	-	-	-	338
-	-	-	5,881	-	6,030
<u>517</u>	<u>-</u>	<u>-</u>	<u>5,881</u>	<u>-</u>	<u>13,854</u>
-	-	-	-	-	22,044
-	-	-	-	-	22,044
<u>\$ 517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,881</u>	<u>\$ -</u>	<u>\$ 35,898</u>

IRION COUNTY ISD  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 47,919
5800 State Program Revenues	-	-	-	881
5900 Federal Program Revenues	59,092	-	1,533	67,657
5020 Total Revenues	<u>59,092</u>	<u>-</u>	<u>1,533</u>	<u>116,457</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	55,675	-	1,533	-
0013 Curriculum and Instructional Staff Development	150	-	-	-
0021 Instructional Leadership	3,267	-	-	-
0035 Food Services	-	-	-	220,305
6030 Total Expenditures	<u>59,092</u>	<u>-</u>	<u>1,533</u>	<u>220,305</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,848)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	110,000
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,000</u>
1200 Net Change in Fund Balance	-	-	-	6,152
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,892</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,044</u>

255 ESEA II,A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	287 Eucation Jobs Fund	410 State Textbook Fund	411 Technology Allotment	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,919
-	-	-	22,918	958	24,757
14,214	8,391	79,631	-	-	230,518
14,214	8,391	79,631	22,918	958	303,194
14,214	8,391	79,631	22,918	958	183,320
-	-	-	-	-	150
-	-	-	-	-	3,267
-	-	-	-	-	220,305
14,214	8,391	79,631	22,918	958	407,042
-	-	-	-	-	(103,848)
-	-	-	-	-	110,000
-	-	-	-	-	110,000
-	-	-	-	-	6,152
-	-	-	-	-	15,892
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,044

IRION COUNTY ISD  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED AUGUST 31, 2012

	BALANCE SEPTEMBER 1 2011	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2012
<b>AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 25,560	\$ 234,664	\$ 226,152	\$ 34,072
Liabilities:				
Due to Student Groups	\$ 25,560	\$ 234,664	\$ 226,152	\$ 34,072
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 25,560	\$ 234,664	\$ 226,152	\$ 34,072
Liabilities:				
Due to Student Groups	\$ 25,560	\$ 234,664	\$ 226,152	\$ 34,072

## **T.E.A. REQUIRED SCHEDULES**

IRION COUNTY ISD  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2012

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2003 and prior years	Various	Various	\$ Various
2004	1.500000	0.000000	217,666,430
2005	1.500000	0.000000	239,498,590
2006	1.500000	0.000000	297,841,950
2007	1.370000	0.000000	392,209,020
2008	1.040000	0.270300	486,397,380
2009	1.040000	0.270150	654,744,625
2010	1.040000	0.270150	589,828,123
2011	1.040000	0.270150	694,881,460
2012 (School year under audit)	1.040000	0.270400	723,399,520
1000 TOTALS			

(10) Beginning Balance 9/1/2011	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2012
\$ 7,541	\$ -	\$ 114	\$ -	\$ (3,815)	\$ 3,612
1,885	-	511	-	-	1,374
2,864	-	641	-	(503)	1,720
1,758	-	817	-	(131)	810
2,039	-	532	-	(16)	1,491
1,802	-	285	58	(73)	1,386
3,654	-	1,236	183	(238)	1,997
30,950	-	18,906	3,900	(823)	7,321
85,564	-	48,084	11,322	(522)	25,636
-	9,320,992	7,391,044	1,961,112	100,181	69,017
<u>\$ 138,057</u>	<u>\$ 9,320,992</u>	<u>\$ 7,462,170</u>	<u>\$ 1,976,575</u>	<u>\$ 94,060</u>	<u>\$ 114,364</u>

IRION COUNTY ISD  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2013-2014  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2012

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 102,437	\$ 124,588	\$ -	\$ -	\$ 227,025
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	16,207	-	-	-	16,207
6212	Audit Services	-	-	-	14,701	-	-	14,701
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	160,577	-	-	-	-	160,577
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	4,491	-	-	4,491
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	800	7,835	-	-	8,635
6240	Contr. Maint. and Repair	-	-	-	-	1,195	-	1,195
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	-	3,153	-	-	3,153
6290	Miscellaneous Contr.	-	-	-	1,294	-	-	1,294
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,526	-	2,640	6,552	-	-	10,718
6410	Travel, Subsistence, Stipends	4,562	-	1,752	204	-	-	6,518
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	1,452	-	-	-	-	-	1,452
6490	Miscellaneous Operating	180	-	949	8,454	-	-	9,583
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 7,720	\$ 160,577	\$ 124,785	\$ 171,272	\$ 1,195	\$ -	\$ 465,549

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 8,402,662

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 83,258
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	470,727
Food (Function 35, 6341 and 6499)	(13)	68,237
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		171,272

SubTotal: 793,494

Net Allowed Direct Cost \$ 7,609,168

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 18,222,664
Historical Cost of Building over 50 years old	(16)	\$ 206,042
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 3,090,927
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ 1,295,601
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$32,108 in Function 53 expenditures are included in this report on administrative costs.

\$155,577 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.



IRION COUNTY ISD  
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
 GENERAL FUND AS OF AUGUST 31, 2012

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/12 (Exhibit C-1 object 3000 for the General Fund Only)	\$	5,927,275
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$	-
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)		211,554
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)		750,000
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)		1,777,771
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 month's average cash disbursements during the fiscal year.		1,332,603
8	Estimate of delayed payments from state sources (58xx).		547
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.		-
10	Estimate of delayed payments from federal sources (59xx)		-
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)		-
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		4,072,475
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)	\$	1,854,800

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

The District makes an effort to maintain three and one-half month's of operating funds because of its Chapter 41 status. The District operates almost exclusively on local tax revenues.

IRION COUNTY ISD  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 42,113	\$ 42,113	\$ 47,919	\$ 5,806
5800	State Program Revenues	1,000	1,000	881	(119)
5900	Federal Program Revenues	67,500	68,640	67,657	(983)
5020	Total Revenues	110,613	111,753	116,457	4,704
<b>EXPENDITURES:</b>					
0035	Food Services	220,613	221,753	220,305	1,448
6030	Total Expenditures	220,613	221,753	220,305	1,448
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(110,000)	(110,000)	(103,848)	6,152
<b>OTHER FINANCING SOURCES (USES):</b>					
7915	Transfers In	110,000	110,000	110,000	-
7080	Total Other Financing Sources (Uses)	110,000	110,000	110,000	-
1200	Net Change in Fund Balances	-	-	6,152	6,152
0100	Fund Balance - September 1 (Beginning)	15,892	15,892	15,892	-
3000	Fund Balance - August 31 (Ending)	\$ 15,892	\$ 15,892	\$ 22,044	\$ 6,152

IRION COUNTY ISD  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2012

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,915,491	\$ 1,915,491	\$ 1,984,463	\$ 68,972
5020	Total Revenues	1,915,491	1,915,491	1,984,463	68,972
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	1,769,997	1,769,997	1,769,997	-
0072	Interest on Long Term Debt	145,494	145,494	145,494	-
6030	Total Expenditures	1,915,491	1,915,491	1,915,491	-
1200	Net Change in Fund Balances	-	-	68,972	68,972
0100	Fund Balance - September 1 (Beginning)	180,812	180,812	180,812	-
3000	Fund Balance - August 31 (Ending)	\$ 180,812	\$ 180,812	\$ 249,784	\$ 68,972

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

Independent Auditor's Report

January 24, 2013

Board of School Trustees  
Irion County Independent School District  
Mertzon, Texas

Members of the Board:

We have audited the basic financial statements of Irion County Independent School District as of and for the year ended August 31, 2012, and have issued our report thereon dated January 24, 2013. 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.

Compliance

As part of obtaining reasonable assurance about whether Irion County Independent School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Irion County Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the paragraph above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses as defined above.

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

**Jones, Hay, Marschall & McKinney, P.C.**  
Certified Public Accountants

IRION COUNTY ISD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2012

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

*Financial Statements*

1. The auditors' report expresses an unqualified opinion on the financial statements of Irion County ISD.
2. Internal control over financial reporting:
  - A. No material weakness identified.
  - B. No significant deficiencies identified.
3. No instances of noncompliance material to the financial statements of Irion County ISD were disclosed.

*Federal Awards*

1. Internal control over non-major programs:
  - A. No material weakness identified.
  - B. No significant deficiencies identified.
2. Internal control over compliance for non-major programs:
  - A. No material weakness identified.
  - B. No significant deficiencies identified.
3. The auditors' report expresses an unqualified opinion on compliance with non-major programs.

**SECTION II - FINANCIAL STATEMENT FINDINGS**

There were no financial statement findings required to be reported in accordance with **Government Auditing Standards**.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no federal award findings and questioned costs required to be reported in accordance with **Government Auditing Standards**.

IRION COUNTY ISD  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2012

(Prepared by the District's Administration)

**FINDING/RECOMMENDATION**

**CURRENT STATUS**

None

N/A