

**JUNCTION INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED AUGUST 31, 2009**



**JUNCTION INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
for the Year Ended August 31, 2009**

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## CERTIFICATE OF BOARD

Junction Independent School District  
Name of School District

Kimble  
County

134-901  
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, 2009, at a meeting of the board of trustees of such school district on the 11th day of November, 2009.

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Signature of Board **Secretary**

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Signature of Board **President**

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

(attach list as necessary)

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# EDE & COMPANY

Certified Public Accountants

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Eric Ede  
Frank Ede  
Donna Ede Jones

P. O. Box 219  
Knippa, Texas 78870  
Telephone (830) 934-2148  
Fax (830) 934-2799

## **UNQUALIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION**

### Independent Auditor's Report

Board of Trustees  
Junction Independent School District  
1700 College St.  
Junction, TX 76849

#### Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Junction Independent School District as of and for the year ended August 31, 2009, 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 Administration. Our responsibility is to express opinions on these financial statements based on our audit.

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

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 Junction Independent School District as of August 31, 2009, and the respective changes in financial position, 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 November 2, 2009 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budget comparison information on page 7 through 12, 24 and 25 and 42 through 43 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Junction Independent School District's basic financial statements. The accompanying schedules of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Junction Independent School District. The schedule of expenditures of federal awards 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 Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-4. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked **UNAUDITED** and on which we express no opinion, these schedules 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.

Ede & Company  
Ede & Company  
Certified Public Accountants

November 2, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Junction 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, 2009. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$5,937,181 at August 31, 2009.
- During the year, the District's expenses were \$48,651 less than the \$6,555,795 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$1,853,323.

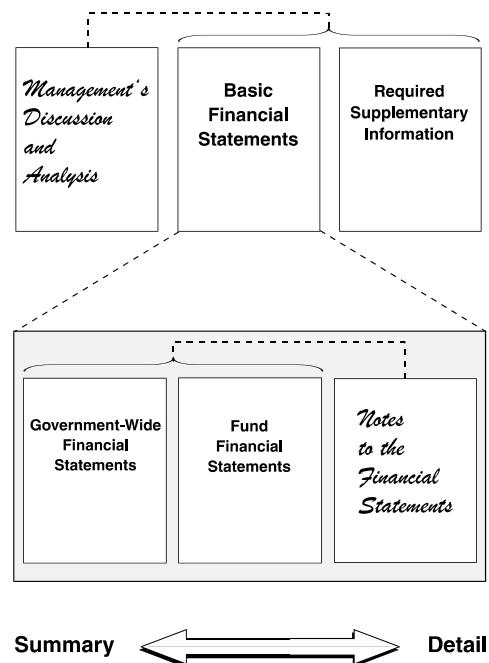
### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



#### 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 assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

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

### Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. 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 assets. The District's combined net assets were \$5,937.2 thousand at August 31, 2009. (See Table A-1).

**Table A-1**  
Junction Independent School District's Net Assets  
(*in thousands dollars*)

|                                   | Governmental Activities |            | Total Percentage Change<br>2009-2008 |
|-----------------------------------|-------------------------|------------|--------------------------------------|
|                                   | 2009                    | 2008       |                                      |
| Current assets:                   |                         |            |                                      |
| Cash and cash equivalents         | \$ 2,253.3              | \$ 2,315.4 | -2.7%                                |
| Property taxes receivable         | 264.4                   | 202.4      | 30.6%                                |
| Allowance for uncollectible taxes | (21.2)                  | (16.2)     | 30.9%                                |
| Due from other governments        | 151.0                   | 144.1      | 4.8%                                 |
| Internal balances                 | -                       | 5.3        | 100.0%                               |
| Other receivables                 | -                       | -          | -                                    |
| Total current assets              | 2,647.5                 | 2,651.0    | -0.1%                                |

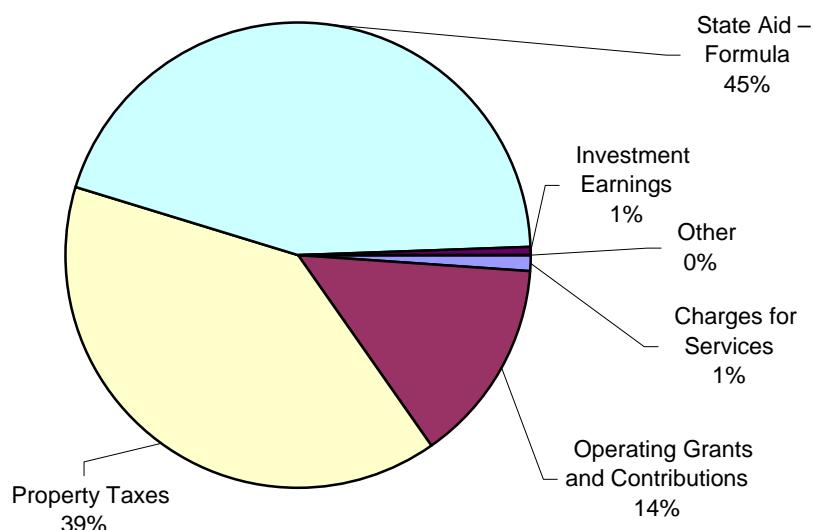
|                               |                   |                   |               |
|-------------------------------|-------------------|-------------------|---------------|
| Noncurrent assets:            |                   |                   |               |
| Capital Assets                | 7,866.6           | 7,866.6           | 0.0%          |
| Less accumulated depreciation | (4,051.6)         | (3,858.8)         | 5.0%          |
| Total noncurrent assets       | <u>3,815.0</u>    | <u>4,007.8</u>    | <u>-4.8%</u>  |
| Total Assets                  | <u>6,462.5</u>    | <u>6,658.9</u>    | <u>-2.9%</u>  |
| Current liabilities:          |                   |                   |               |
| Accounts payable              | 146.0             | 134.9             | 8.2%          |
| Accrued wages payable         | 256.3             | 243.5             | 5.3%          |
| Due to other governments      | -                 | -                 | 0.0%          |
| Accrued expenses              | 7.4               | 6.3               | 17.5%         |
| Deferred revenue              | 115.7             | 281.6             | -58.9%        |
| Total current liabilities     | <u>525.4</u>      | <u>666.3</u>      | <u>-21.1%</u> |
| Long-term liabilities:        |                   |                   |               |
| Capital lease payable         | -                 | -                 | 0.0%          |
| Total Liabilities             | <u>525.4</u>      | <u>666.3</u>      | <u>-21.1%</u> |
| Net Assets:                   |                   |                   |               |
| Invested in capital assets    | 3,815.1           | 4,007.8           | -4.8%         |
| Restricted for food service   | 28.2              | 41.9              | -32.7%        |
| Restricted for debt service   | -                 | -                 | 0.0%          |
| Unrestricted                  | 2,093.9           | 1,942.9           | 7.8%          |
| Total Net Assets              | <u>\$ 5,937.2</u> | <u>\$ 5,992.6</u> | <u>-0.9%</u>  |

The \$2,093.9 thousand of unrestricted net asset represents the sources available to fund the programs of the District next year.

Changes in net assets. The District's total revenues were \$6,555.8 thousand. A significant portion, 39 percent, of the District's revenue comes from taxes. (See Figure A-3.) 45 percent comes from state aid – formula grants, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$6,604.4 thousand 56 percent of these costs are for instructional and student services.

**Figure A-3 2009 Revenue Sources**



## Governmental Activities

- Property tax rates remained the same in 2009, however a 1 percent increase in values resulted in the increase of tax revenues from \$2,464.4 thousand to \$2,571.4 thousand.

**Table A-2**  
**Changes in Junction Independent School District's Net Assets**  
*(In thousands dollars)*

|  | Governmental Activities |                   | Percentage Change<br>2009-2008 |
|--|-------------------------|-------------------|--------------------------------|
|  | 2009                    | 2008              |                                |
| Program Revenues:                              |                         |                   |                                |
| Charges for Services                           | \$ 78.3                 | \$ 70.7           | 10.7%                          |
| Operating Grants and Contributions             | 931.4                   | 870.5             | 7.0%                           |
| General Revenue                                |                         |                   |                                |
| Property Taxes                                 | 2,571.4                 | 2,464.4           | 4.3%                           |
| State Aid - Formula                            | 2,938.7                 | 2,994.2           | -1.9%                          |
| Investment Earnings                            | 34.1                    | 96.4              | -64.6%                         |
| Other  | 1.9                     | 17.5              | -89.1%                         |
| Total Revenue                                  | <u>6,555.8</u>          | <u>6,513.7</u>    | <u>0.6%</u>                    |
| Instruction                                    | 3,745.9                 | 3,786.1           | -1.1%                          |
| Instructional Resources and Media Services     | 36.0                    | 60.3              | -40.3%                         |
| Curriculum and Instructional Staff Development | 88.5                    | 95.5              | -7.3%                          |
| Instructional Leadership                       | 103.3                   | 112.4             | -8.1%                          |
| School Leadership                              | 316.6                   | 293.9             | 7.7%                           |
| Guidance Counseling and Evaluation Services    | 60.3                    | 53.0              | 13.8%                          |
| Health Services                                | 58.6                    | 61.3              | -4.4%                          |
| Student (Pupil) Transportation                 | 208.3                   | 213.9             | -2.6%                          |
| Food Services                                  | 268.0                   | 251.0             | 6.8%                           |
| Cocurricular/Extracurricular Activities        | 432.1                   | 383.8             | 12.6%                          |
| General Administration                         | 292.6                   | 344.2             | -15.0%                         |
| Plant Maintenance and Operations               | 669.8                   | 661.2             | 1.3%                           |
| Data Processing Service                        | 130.0                   | 158.7             | -18.1%                         |
| Facilities Acquisition and Construction        | -                       | 93.6              | -100.0%                        |
| Community Services                             | 0.2                     | -                 | 100.0%                         |
| Payments to Fiscal Agent                       | 125.8                   | -                 | 100.0%                         |
| Other Intergovernment Charges                  | 68.5                    | 106.1             | -35.4%                         |
| Total Expense                                  | <u>6,604.5</u>          | <u>6,675.0</u>    | <u>-1.1%</u>                   |
| Excess (Deficiency) Before Other Resources,    |                         |                   |                                |
| Uses & Transfers                               | (48.7)                  | (161.3)           | -69.8%                         |
| Other Resources (Uses)                         | <u>-</u>                | <u>12.0</u>       | <u>-100.0%</u>                 |
| Increase ( Decrease) in Net Assets             | <u>\$ (48.7)</u>        | <u>\$ (149.3)</u> | <u>-67.4%</u>                  |

**Figure A-4 2009 Expenses by Function**

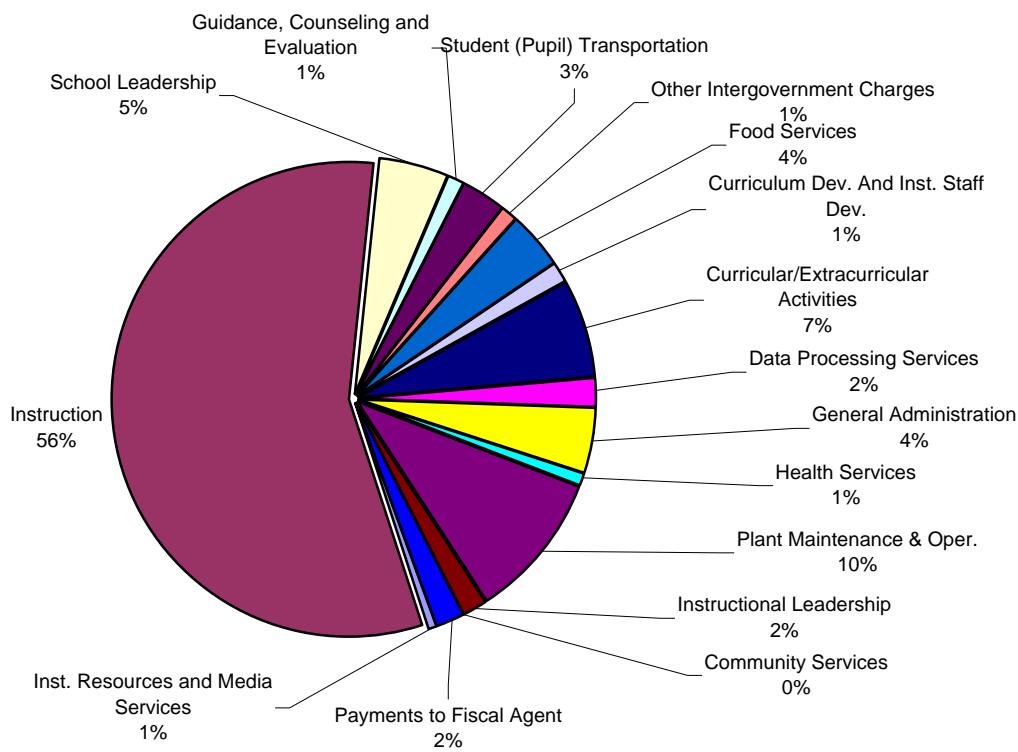


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$6,604.5 thousand.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$2,571.4 thousand.
- Some of the cost was paid by those who directly benefited from the programs \$78.3 thousand, or
- By grants and contributions \$831.4 thousand.

**Table A-3**  
Net Cost of Selected District Functions  
(in thousands of dollars)

|                                | Total Costs of Services |            |                | Net Cost of Services |            |                |
|--------------------------------|-------------------------|------------|----------------|----------------------|------------|----------------|
|                                | 2009                    | 2008       | Percent Change | 2009                 | 2008       | Percent Change |
| Instructional                  | \$ 3,745.8              | \$ 3,786.1 | -1.1%          | \$ 3,143.0           | \$ 3,213.5 | -2.2%          |
| School Administration          | 292.5                   | 344.2      | -15.0%         | 283.5                | 335.0      | -15.4%         |
| Plant Maintenance & Operations | 669.8                   | 661.2      | 1.3%           | 651.8                | 644.0      | 1.2%           |
| Cocurricular/Extracurricular   | 432.1                   | 383.8      | 12.6%          | 405.5                | 357.8      | 13.3%          |

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$6,502.6 compared to \$6,513.7 thousand, in the prior year.

## **General Fund Budgetary Highlights**

Over the course of the year, the District amended its budget as needed, with these adjustments, actual expenditures were \$222,311 below final budget amounts. Also, resources available were \$90,260 below the final budgeted amount. Some reasons for these differences are:

- Changes in personnel during the year.
- Major items and services were less than anticipated.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2009, the District had invested \$7,769.0 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents no change (including additions and deductions) over last year.

**Table A-4**  
District's Capital Assets  
(in thousands of dollars)

|                                | Governmental Activities |                   | Percentage Change<br>2009-2008 |
|--------------------------------|-------------------------|-------------------|--------------------------------|
|                                | 2009                    | 2008              |                                |
| Land                           | \$ 408.5                | \$ 408.5          | 0.0%                           |
| Building and Improvements      | 6,267.5                 | 6,267.5           | 0.0%                           |
| Furniture & Equipment          | 1,190.7                 | 1,190.7           | 0.0%                           |
| Totals at historical cost      | 7,866.7                 | 7,866.7           | 0.0%                           |
| Total Accumulated Depreciation | (4,051.6)               | (3,858.8)         | 5.0%                           |
| Net Capital Assets             | <u>\$ 3,815.1</u>       | <u>\$ 4,007.9</u> | <u>-4.8%</u>                   |

### **Long Term Debt**

The District had no outstanding debt.

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

- Appraised value used for the 2010 budget preparation is up \$2.6 million from 265 million in 2009 to 268 million in 2010
- Tax rates increased slightly in 2010 to \$.9533.
- State funding is subject to legislative cuts.

These indicators were taken into account when adopting the general fund budget for 2010. Amounts available for appropriation in the general fund budget are approximately \$5.7 million, with no major increase over the final 2010

Expenditures are budgeted remain constant at approximately \$5.7 million. The District continues to coordinate local funds with federal funds to optimize instructional programs.

If these estimates are realized, the District's budgetary general fund fund balance is expected to remain the same by the close of 2010.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**JUNCTION INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**AUGUST 31, 2009**

1

| Data<br>Control<br>Codes                             | Governmental<br>Activities |
|--|----------------------------|
| <b>ASSETS</b>  |                            |
| 1110 Cash and Cash Equivalents                       | \$ 2,253,280               |
| 1220 Property Taxes Receivable (Delinquent)          | 264,426                    |
| 1230 Allowance for Uncollectible Taxes (Credit)      | (21,154)                   |
| 1240 Due from Other Governments                      | 150,956                    |
| 1250 Accrued Interest                                | -                          |
| 1260 Internal Balances                               | 13                         |
| 1290 Other Receivables                               | -                          |
| 1300 Inventories, at Cost                            | -                          |
| 1410 Deferred Expenditures/Expenses                  | -                          |
| Capital Assets:                                      |                            |
| 1510 Land  | 408,501                    |
| 1520 Buildings (Net)                                 | 3,137,339                  |
| 1530 Furniture & Fixtures (Net)                      | 269,222                    |
| 1550 Leased Property under Capital Leases (Net)      | -                          |
| 1580 Construction in Progress                        | -                          |
| 1000 Total Assets                                    | <u>\$ 6,462,583</u>        |
| <b>LIABILITIES</b>                                   |                            |
| 2110 Accounts Payable                                | \$ 145,980                 |
| 2120 Short Term Bonds and Loans Payable              | -                          |
| 2150 Payroll Deductions & Withholdings Payable       | -                          |
| 2160 Accrued Wages Payable                           | 256,340                    |
| 2170 Due to Fiduciary Funds                          | -                          |
| 2180 Due to Other Governments                        | -                          |
| 2200 Accrued Expenditures/Expenses                   | 7,377                      |
| 2300 Deferred Revenues                               | 106,571                    |
| Non Current Liabilities:                             |                            |
| 2501 Due Within One Year                             | -                          |
| 2502 Due in More Than One Year                       | -                          |
| 2000 Total Liabilities                               | <u>\$ 516,268</u>          |
| <b>NET ASSETS</b>                                    |                            |
| 3200 Invested in Capital Assets, Net of Related Debt | \$ 3,815,062               |
| Restricted for:                                      |                            |
| 3850 Restricted for Debt Service                     | -                          |
| 3900 Unrestricted Net Assets                         | 2,131,253                  |
| 3000 Total Fund Equity and Other Credits             | <u>\$ 5,946,315</u>        |

The accompanying notes are an integral part of this statement.

**JUNCTION INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**AUGUST 31, 2009**

|                                 |  |       | Program Revenues    |                      |                   | Net (Expense) Revenue<br>and Changes |                             |
|---------------------------------|--|-------|---------------------|----------------------|-------------------|--------------------------------------|-----------------------------|
|                                 |  |       | 1                   | 3                    | 4                 | in Net Assets                        |                             |
|                                 |  |       |                     |                      |                   | Operating<br>Charges for<br>Services | Grants and<br>Contributions |
| Data                            | Control  | Codes | Expenses            |                      |                   |                                      |                             |
| <b>GOVERNMENTAL ACTIVITIES:</b> |  |       |                     |                      |                   |                                      |                             |
| 11                              | Instruction  |       | \$ 3,745,833        | \$ -                 | \$ 602,862        | \$ (3,142,971)                       |                             |
| 12                              | Instructional Resources and Media Services                   |       | 35,978              | -                    | 6,420             | (29,558)                             |                             |
| 13                              | Curriculum and Instructional Staff Development               |       | 88,503              | -                    | 15,449            | (73,054)                             |                             |
| 21                              | Instructional Leadership                                     |       | 103,298             | -                    | 55,766            | (47,532)                             |                             |
| 23                              | School Leadership  |       | 316,586             | -                    | 14,873            | (301,713)                            |                             |
| 31                              | Guidance Counseling and Evaluation Services                  |       | 60,287              | -                    | 8,586             | (51,701)                             |                             |
| 33                              | Health Services  |       | 58,629              | -                    | 3,553             | (55,076)                             |                             |
| 34                              | Student (Pupil) Transportation                               |       | 208,298             | -                    | 6,322             | (201,976)                            |                             |
| 35                              | Food Services  |       | 268,036             | 55,373               | 180,252           | (32,411)                             |                             |
| 36                              | Cocurricular/Extracurricular Activities                      |       | 432,102             | 18,715               | 7,926             | (405,461)                            |                             |
| 41                              | General Administration                                       |       | 292,543             | -                    | 9,054             | (283,489)                            |                             |
| 51                              | Plant Maintenance and Operations                             |       | 669,831             | 4,200                | 13,833            | (651,798)                            |                             |
| 53                              | Data Processing Services                                     |       | 129,956             | -                    | 6,536             | (123,420)                            |                             |
| 81                              | Facilities Acquisition and Construction                      |       | -                   | -                    | -                 | -                                    |                             |
| 61                              | Community Services   |       | 240                 | -                    | -                 | (240)                                |                             |
| 99                              | Payments to Fiscal Agent/Member Districts of SSA             |       | 125,792             | -                    | -                 | (125,792)                            |                             |
| 93                              | Other Intergovernment Charges                                |       | 68,533              | -                    | -                 | (68,533)                             |                             |
| TG                              | TG Total governmental activities                             |       | <u>\$ 6,604,445</u> | <u>\$ 78,288</u>     | <u>\$ 931,433</u> | <u>\$ (5,594,724)</u>                |                             |
| Data                            |  |       |                     |                      |                   |                                      |                             |
| Control                         | General revenues   |       |                     |                      |                   |                                      |                             |
| Codes                           | Taxes:   |       |                     |                      |                   |                                      |                             |
| MT                              | Property taxes, levied for general purposes                  |       |                     |                      |                   | 2,571,426                            |                             |
| DT                              | Property taxes, levied for debt service                      |       |                     |                      |                   | -                                    |                             |
| SF                              | State aid-formula grants                                     |       |                     |                      |                   | 2,938,738                            |                             |
| GC                              | Grants and contributions not restricted to specific programs |       |                     |                      |                   |                                      |                             |
| IE                              | Investment earnings  |       |                     |                      |                   | 34,049                               |                             |
| MI                              | Miscellaneous  |       |                     |                      |                   | 1,861                                |                             |
| S1                              | <i>Special item —</i>  |       |                     |                      |                   | -                                    |                             |
| FR                              | Transfers In (Out)   |       |                     |                      |                   | -                                    |                             |
| TR                              | Total general revenues, special items, and transfers         |       |                     |                      |                   | <u>5,546,074</u>                     |                             |
| CN                              |  |       |                     | Change in net assets |                   | <u>(48,651)</u>                      |                             |
| NB                              | Net assets—beginning   |       |                     |                      |                   | 5,994,966                            |                             |
| PA                              | Prior Period Adjustment                                      |       |                     |                      |                   | -                                    |                             |
| NE                              | Net assets—ending  |       |                     |                      |                   | <u>\$ 5,946,315</u>                  |                             |

The accompanying notes are an integral part of this statement.

**JUNCTION INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AUGUST 31, 2009**

| Data<br>Control<br>Codes               |  | 10<br>General<br>Fund | 20<br>Special Revenue<br>Funds |
|--|--|-----------------------|--------------------------------|
| <b>ASSETS</b>                          |  |                       |                                |
| 1110                                   | Cash and Temporary Investments (market)          | \$ 2,082,024          | \$ 34,320                      |
| 1220                                   | Property Taxes - Delinquent                      | 264,426               | -                              |
| 1230                                   | Allowance for Uncollectible Taxes (Credit)       | (21,154)              | -                              |
| 1240                                   | Due from Other Governments                       | 95,461                | 55,495                         |
| 1250                                   | Accrued Interest                                 | -                     | -                              |
| 1260                                   | Due from Other Funds                             | 2,448                 | -                              |
| 1290                                   | Other Receivables                                | -                     | -                              |
| 1000                                   | Total Assets                                     | \$ 2,423,204          | \$ 89,815                      |
| <b>LIABILITIES &amp; FUND BALANCES</b> |  |                       |                                |
| Liabilities:                           |  |                       |                                |
| 2110                                   | Accounts Payable                                 | \$ 9,044              | \$ -                           |
| 2150                                   | Payroll Deductions & Withholdings Payable        | -                     | -                              |
| 2160                                   | Accrued Wages Payable                            | 207,115               | 49,224                         |
| 2170                                   | Due to Other Funds                               | -                     | 2,436                          |
| 2180                                   | Due to Other Governments                         | -                     | -                              |
| 2200                                   | Accrued Expenditures/Expenses                    | 3,878                 | 3,498                          |
| 2300                                   | Deferred Revenues                                | 349,843               | -                              |
| 2000                                   | Total Liabilities                                | \$ 569,880            | \$ 55,157                      |
| Fund Balances:                         |  |                       |                                |
| Reserved For:                          |  |                       |                                |
| 3410                                   | Investments in Inventory                         | \$ -                  | \$ -                           |
| 3420                                   | Retirement of Long-Term Debt                     | -                     | -                              |
| 3450                                   | Food Service                                     | -                     | 28,195                         |
| 3490                                   | Construction Programs                            | -                     | -                              |
| Unreserved Designated For:             |  |                       |                                |
| 3510                                   | Construction                                     | 130,000               | -                              |
| 3530                                   | Capital Expenditures -Equipment                  | -                     | -                              |
| 3590                                   | Other  | 1,248,552             | -                              |
| Unreserved and Undesignated:           |  |                       |                                |
| 3600                                   | Reported in the General Fund                     | 474,771               |                                |
| 3600                                   | Reported in the Debt Service Fund                | -                     |                                |
| 3610                                   | Reported in the Special Revenue Fund             | -                     | 6,462                          |
| 3000                                   | Total Fund Equity and Other Credits              | \$ 1,853,323          | \$ 34,658                      |
| 4000                                   | Total Liabilities, Fund Equity and Other Credits | \$ 2,423,204          | \$ 89,815                      |

The accompanying notes are an integral part of this statement.

|                             |    |
|-----------------------------|----|
|                             | 98 |
| Total Governmental<br>Funds |    |
| \$ 2,116,342                |    |
| 264,426                     |    |
| (21,154)                    |    |
| 150,956                     |    |
| -                           |    |
| 2,448                       |    |
| -                           |    |
| <u>\$ 2,513,018</u>         |    |

|                   |  |
|-------------------|--|
| \$ 9,044          |  |
| -                 |  |
| 256,340           |  |
| 2,436             |  |
| -                 |  |
| 7,376             |  |
| 349,843           |  |
| <u>-</u>          |  |
| <u>\$ 625,037</u> |  |

|                            |  |
|----------------------------|--|
| \$ -                       |  |
| -                          |  |
| 28,195                     |  |
| -                          |  |
| 130,000                    |  |
| -                          |  |
| 1,248,552                  |  |
| 474,771                    |  |
| -                          |  |
| <u>6,462</u>               |  |
| <u>\$ 1,887,981</u>        |  |
| <u><u>\$ 2,513,018</u></u> |  |

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS**

|   |                     |
|---|---------------------|
| <b>Total Fund Balances - Governmental Funds</b>   | \$ 1,887,981        |
| <b>1</b> The District uses internal service funds to charge the cost of self-insurance, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.  | -                   |
| <b>2</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 \$7,866,640 and accumulate depreciation was \$3,858,759. The net effect of including the beginning balances for the capital assets (net of depreciation) in the governmental activities is to increase net assets.                 | 4,007,881           |
| <b>3</b> Current year capital outlays are expended in the fund financial statements, but the should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the 2009 capital outlays is to increase (decrease) net assets.   | -                   |
| <b>4</b> The 2009 depreciation expense increased accumulate Depreciation. The net effect on the current year's depreciation is to decrease net assets.  | (192,819)           |
| <b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets. | 243,272             |
| <b>19 Net Assets of Governmental Activities</b>   | <u>\$ 5,946,315</u> |

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**JUNCTION INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED AUGUST 31, 2009**

| Data<br>Control<br>Codes                              | 10<br>General<br>Fund      | 20<br>Special Revenue<br>Funds |
|---|----------------------------|--------------------------------|
| <b>REVENUES:</b>                                      |                            |                                |
| 5700 Total Local and Intermediate Sources             | \$ 2,618,559               | \$ 55,912                      |
| 5800 State Program Revenues                           | 3,137,310                  | 93,016                         |
| 5900 Federal Program Revenues                         | <u>21,961</u>              | <u>575,815</u>                 |
| 5020 Total Revenue                                    | <u><u>5,777,829</u></u>    | <u><u>724,742</u></u>          |
| <b>EXPENDITURES:</b>                                  |                            |                                |
| Current:  |                            |                                |
| 0011 Instruction                                      | 3,241,607                  | 398,249                        |
| 0012 Instructional Resources and Media Services       | 30,840                     | 5,138                          |
| 0013 Curriculum and Instructional Staff Development   | 65,156                     | 23,347                         |
| 0021 Instructional Leadership                         | 50,014                     | 53,285                         |
| 0023 School Leadership                                | 316,036                    | 550                            |
| 0031 Guidance Counseling and Evaluation Services      | 54,707                     | 5,580                          |
| 0033 Health Services                                  | 58,629                     | -                              |
| 0034 Student (Pupil) Transportation                   | 159,378                    | -                              |
| 0035 Food Services                                    | -                          | 255,260                        |
| 0036 Cocurricular/Extracurricular Activities          | 422,842                    | -                              |
| 0041 General Administration                           | 281,251                    | -                              |
| 0051 Plant Maintenance and Operations                 | 665,236                    | -                              |
| 0053 Data Processing Services                         | 129,956                    | -                              |
| 0061 Community Service                                | 100                        | 140                            |
| 0081 Facilities Acquisition and Construction          | -                          | -                              |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 125,792                    | -                              |
| 0099 Other Intergovernment Charges                    | <u>68,533</u>              | <u>-</u>                       |
| 6030 Total Expenditures                               | <u><u>5,670,078</u></u>    | <u><u>741,550</u></u>          |
| 1100 Excess (Deficiency) Revenues Over Expenditures   | <u><u>107,752</u></u>      | <u><u>(16,808)</u></u>         |
| <b>OTHER FINANCING SOURCES (USES):</b>                |                            |                                |
| 7912 Sale of Real or Personal Property                | -                          | -                              |
| 7915 Operating Transfers In                           | -                          | 5,400                          |
| 7949 Other Resources                                  | -                          | -                              |
| 8911 Operating Transfers Out                          | (5,400)                    | -                              |
| 8912 Special Items                                    | -                          | -                              |
| Total Other Financing Sources (Uses)                  | <u><u>(5,400)</u></u>      | <u><u>5,400</u></u>            |
| 1200 Net Change in Fund Balances                      | 102,352                    | (11,408)                       |
| 0100 Fund Balance - September 1 (Beginning)           | 1,750,972                  | 46,066                         |
| 1300 Cumulative Effect - Change in Accounting         | -                          | -                              |
| 3000 Fund Balance - August 31 (Ending)                | <u><u>\$ 1,853,323</u></u> | <u><u>\$ 34,658</u></u>        |

The accompanying notes are an integral part of this statement.

|                             |                     |
|-----------------------------|---------------------|
|                             | 98                  |
| Total Governmental<br>Funds |                     |
|                             | <u>\$ 2,674,470</u> |
|                             | 3,230,325           |
|                             | <u>597,776</u>      |
|                             | <u>6,502,571</u>    |
|                             |                     |
|                             | 3,639,857           |
|                             | 35,978              |
|                             | 88,503              |
|                             | 103,298             |
|                             | 316,586             |
|                             | 60,287              |
|                             | 58,629              |
|                             | 159,378             |
|                             | 255,260             |
|                             | 422,842             |
|                             | 281,251             |
|                             | 665,236             |
|                             | 129,956             |
|                             | 240                 |
|                             | -                   |
|                             | 125,792             |
|                             | <u>68,533</u>       |
|                             | <u>6,411,628</u>    |
|                             | <u>90,944</u>       |
|                             |                     |
|                             | -                   |
|                             | 5,400               |
|                             | -                   |
|                             | (5,400)             |
|                             | -                   |
|                             | -                   |
|                             | 90,944              |
|                             | 1,797,037           |
|                             | -                   |
|                             | <u>\$ 1,887,981</u> |

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES**

|   |           |
|---|-----------|
| <b>Total Net Change in Fund Balances - Governmental Funds</b> | \$ 90,944 |
|---|-----------|

Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2009 capital outlays is to increase net assets.

|  |           |
|--|-----------|
| <b>Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect on the current year's depreciation is to decrease net assets.</b> | (192,819) |
|--|-----------|

|   |        |
|---|--------|
| <b>Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to (decrease) net assets.</b> | 53,224 |
|---|--------|

|  |                           |
|--|---------------------------|
| <b>Change in Net Assets of Governmental Activities</b> | <u><b>\$ (48,651)</b></u> |
|--|---------------------------|

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**JUNCTION INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**YEAR ENDED AUGUST 31, 2009**

| Data<br>Control<br>Codes                              | Budgeted Amounts    |                     |
|---|---------------------|---------------------|
|   | Original            | Final               |
| <b>REVENUES:</b>                                      |                     |                     |
| 5700 Total Local and Intermediate Sources             | \$ 2,682,194        | \$ 2,682,194        |
| 5800 State Program Revenues                           | 3,169,895           | 3,169,895           |
| 5900 Federal Program Revenues                         | <u>16,000</u>       | <u>16,000</u>       |
| 5020 Total Revenue                                    | <u>5,868,089</u>    | <u>5,868,089</u>    |
| <b>EXPENDITURES:</b>                                  |                     |                     |
| Current:  |                     |                     |
| 0011 Instruction                                      | 3,338,390           | 3,306,884           |
| 0012 Instructional Resources and Media Services       | 34,617              | 34,177              |
| 0013 Curriculum and Instructional Staff Development   | 68,335              | 71,790              |
| 0021 Instructional Leadership                         | 55,781              | 55,051              |
| 0023 School Leadership                                | 320,585             | 320,285             |
| 0031 Guidance Counseling and Evaluation Services      | 55,437              | 56,737              |
| 0033 Health Services                                  | 61,255              | 61,230              |
| 0034 Student (Pupil) Transportation                   | 219,793             | 194,829             |
| 0035 Food Services                                    | -                   | -                   |
| 0036 Cocurricular/Extracurricular Activities          | 399,388             | 441,832             |
| 0041 General Administration                           | 288,683             | 286,357             |
| 0051 Plant Maintenance and Operations                 | 678,337             | 721,659             |
| 0053 Data Processing Services                         | 147,177             | 145,847             |
| 0061 Community Service                                | 200                 | 200                 |
| 0081 Facilities Acquisition and Construction          | -                   | -                   |
| 0093 Payments to Fiscal Agent/Member Districts of SSA | 125,200             | 126,000             |
| 0099 Other Intergovernment Charges                    | <u>69,511</u>       | <u>69,511</u>       |
| 6030 Total Expenditures                               | <u>5,862,689</u>    | <u>5,892,389</u>    |
| 1100 Excess (Deficiency) Revenues Over Expenditures   | <u>5,400</u>        | <u>(24,300)</u>     |
| <b>OTHER FINANCING SOURCES (USES):</b>                |                     |                     |
| 7912 Sale of Real or Personal Property                | -                   | -                   |
| 7915 Operating Transfers In                           | -                   | -                   |
| 7949 Other Resources                                  | -                   | -                   |
| 8911 Operating Transfers Out                          | (5,400)             | (5,400)             |
| 8912 Special Items                                    | -                   | -                   |
| Total Other Financing Sources (Uses)                  | <u>(5,400)</u>      | <u>(5,400)</u>      |
| 1200 Net Change in Fund Balances                      | -                   | (29,700)            |
| 0100 Fund Balance - September 1 (Beginning)           | 1,750,972           | 1,750,972           |
| 1300 Cumulative Effect - Change in Accounting         | -                   | -                   |
| 3000 Fund Balance - August 31 (Ending)                | <u>\$ 1,750,972</u> | <u>\$ 1,721,272</u> |

The accompanying notes are an integral part of this statement.

| Actual Amounts<br>(Budgetary Basis)<br>(See Notes A) | Variance With<br>Final Budget<br>Favorable (Unfavorable) |
|--|--|
| \$ 2,618,559   | \$ (63,635)  |
| 3,137,310  | (32,585)   |
| <u>21,961</u>  | <u>5,961</u>   |
| <u>5,777,829</u>                                     | <u>(90,260)</u>  |
|  |  |
| 3,241,607  | 65,277   |
| 30,840   | 3,337  |
| 65,156   | 6,634  |
| 50,014   | 5,037  |
| 316,036  | 4,249  |
| 54,707   | 2,030  |
| 58,629   | 2,601  |
| 159,378  | 35,451   |
| -  | -  |
| 422,842  | 18,990   |
| 281,251  | 5,106  |
| 665,236  | 56,423   |
| 129,956  | 15,891   |
| 100  | 100  |
| -  | -  |
| 125,792  | 208  |
| 68,533   | 978  |
| <u>5,670,078</u>                                     | <u>222,311</u>   |
| <u>107,752</u>                                       | <u>132,052</u>   |
|  |  |
| -  | -  |
| -  | -  |
| -  | -  |
| (5,400)  | -  |
| -  | -  |
| <u>(5,400)</u>                                       | <u>-</u>   |
|  |  |
| 102,352  | 132,052  |
|  |  |
| 1,750,972  | -  |
| -  | -  |
| <u>\$ 1,853,323</u>                                  | <u>\$ 132,052</u>  |

JUNCTION INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
YEAR ENDED AUGUST 31, 2009

|                         | Agency<br>Funds  |
|-------------------------|------------------|
| <b>ASSETS:</b>          |                  |
| Cash & Cash Equivalents | \$ 62,772        |
| Due From Other Funds    | -                |
| Total Assets            | <u>\$ 62,772</u> |
| <b>LIABILITIES:</b>     |                  |
| Due to Other Funds      | \$ 13            |
| Accrued Wages Payable   | -                |
| Due to Student Groups   | 62,423           |
| Accrued Expenses        | 336              |
| Total Liabilities       | <u>\$ 62,772</u> |

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2009**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Junction Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

**A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Junction Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

## **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use 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 the 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available [GASB 2300.106a(2) and 1600.108], and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount [GASB 2300.106a(2) and 1600.108].

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

## **D. FUND ACCOUNTING**

The District reports the following major governmental funds:

- 1. The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods

Additionally, the District reports the following fund type(s):

Fiduciary Funds:

1. **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 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.

## E. OTHER ACCOUNTING POLICIES

1. The District records purchases of supplies as expenditures.
2. The District records its investments in bank Certificates of Deposit and Local Government Investment Cooperative at cost, which approximates fair value.
3. Deferred revenue accounted for on the balance sheet of the general fund relates to uncollected property taxes less the amount of doubtful accounts and the remainder relates to excess funds received from the Texas Education Agency over earned amounts.
4. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance is obtained from a licensed insurer. Risk of loss is not retained by the district.
5. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
6. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.
7. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

| <u>ASSETS</u>         | <u>YEARS</u> |
|-----------------------|--------------|
| Buildings             | 50           |
| Building Improvements | 20           |
| Vehicles              | 5            |
| Office Equipment      | 5            |
| Computer Equipment    | 5            |

8. 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.
9. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.
10. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, and the Food Service Fund (which is included in Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other reports are in Exhibit J4.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level 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. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget 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.

## **II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

### **A. 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.

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by not participating in foreign currency transactions.

#### District Policies and Legal and Contractual Provisions Governing Investments

#### **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 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. Junction Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing deposits and investments for Junction Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to depository bank certificates of deposits and state sponsored investment pools.

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 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. All of the securities are in the District's name and held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District investments in both depository bank certificates of deposits and state sponsored investment pools.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires the investment portfolio to have maturities of less than one year on a weighted average maturity basis.

*Foreign Currency Risk for investments* The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign currencies.

## 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 located in the District 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 31 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 (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

## C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General Fund are based on 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.

## D. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2009 consisted of the following individual fund balances:

|                            | Due From<br>Other Funds | Due To<br>Other Funds |
|----------------------------|-------------------------|-----------------------|
| General Fund:              |                         |                       |
| Special Revenue Fund       | \$ 2,436                | \$ -                  |
| Trust & Agency             | <u>13</u>               | <u>-</u>              |
| Total General Fund         | <u>2,448</u>            | <u>-</u>              |
| Special Revenue Fund:      |                         |                       |
| General Fund               | <u>-</u>                | <u>2,436</u>          |
| Total Special Revenue Fund | <u>-</u>                | <u>2,436</u>          |
| Trust & Agency             |                         |                       |
| General Fund               | <u>-</u>                | <u>13</u>             |
| Total Trust & Agency Fund  | <u>-</u>                | <u>13</u>             |
| TOTAL                      | <u>\$ 2,448</u>         | <u>\$ 2,448</u>       |

## E. CAPITAL ASSET ACTIVITY

Capital asset activity for the twelve months ended August 31, 2009, was as follows:

|  | Beginning<br>Balances | Increases          | Decreases   | Ending<br>Balances  |
|--|-----------------------|--------------------|-------------|---------------------|
| <b><u>Governmental activities:</u></b>       |                       |                    |             |                     |
| <i>Capital assets not being depreciated:</i> |                       |                    |             |                     |
| Land   | \$ 408,501            | \$ -               | \$ -        | \$ 408,501          |
| Construction in Progress                     | -                     | -                  | -           | -                   |
| Total capital assets not being depreciated   | <u>408,501</u>        | <u>-</u>           | <u>-</u>    | <u>408,501</u>      |
| <i>Capital assets being depreciated:</i>     |                       |                    |             |                     |
| Buildings and Improvements                   | 6,267,487             | -                  | -           | 6,267,487           |
| Furniture and Equipment                      | 1,190,651             | -                  | -           | 1,190,651           |
| Total capital assets being depreciated       | <u>7,458,138</u>      | <u>-</u>           | <u>-</u>    | <u>7,458,138</u>    |
| Less accumulated depreciation for:           |                       |                    |             |                     |
| Buildings and Improvements                   | 3,011,185             | 118,963            | -           | 3,130,148           |
| Furniture and Equipment                      | 847,573               | 73,856             | -           | 921,429             |
| Total accumulated depreciation               | <u>3,858,758</u>      | <u>192,819</u>     | <u>-</u>    | <u>4,051,577</u>    |
| Total capital assets being depreciated, net  | <u>3,599,380</u>      | <u>(192,819)</u>   | <u>-</u>    | <u>3,406,561</u>    |
| Governmental activities capital assets, net  | <u>\$4,007,881</u>    | <u>\$(192,819)</u> | <u>\$ -</u> | <u>\$ 3,815,062</u> |

Depreciation was charged to functions as follows:

|                                  |                   |
|----------------------------------|-------------------|
| Instruction                      | \$ 105,977        |
| Student Transportation           | 48,920            |
| Food Services                    | 12,776            |
| Cocurricular/Extracurricular     | 9,260             |
| General Administration           | 11,292            |
| Plant Maintenance and Operations | <u>4,595</u>      |
|                                  | <u>\$ 192,819</u> |

## F. DEFINED BENEFIT PENSION PLAN

Plan Description. Junction Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 8701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

Funding Policy. State law provides for fiscal years 2007, 2008 and 2009 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) 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 that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS'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 TRS made on behalf of Junction Independent School District's employees for the years ended August 31, 2007, 2008 and 2009 were \$237,972, \$247,079, and \$248,909.70 respectively. State contributions to TRS made on behalf of Junction Independent School District's employees for Medicare Part D the years ended August 31, 2007, 2008 and 2009 were, \$8,430, \$9,052 and \$9,449 respectively. Junction Independent School District paid additional state contributions for the years ended August 31, 2007, 2008, and 2009 in the amount of \$15,571, \$19,313, and \$25,116.41 respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

## **G. HEALTH CARE COVERAGE**

The District sponsors a modified self-insurance plan to provide health care benefits to staff During the year ended August 31, 2009, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$150 per month per employee to the plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a 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 licensed insurer is renewed September 1, 2009, and terms of coverage and premiums costs are included in the contractual provisions.

## **H. DEFERRED REVENUE**

Deferred revenue at year end consisted of the following:

|                  | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total</u>      |
|------------------|---------------------|-----------------------------|-------------------|
| Net Tax Revenue  | \$ 243,272          | \$ -                        | \$ 243,272        |
| State Foundation | 106,571             | -                           | 106,571           |
| Federal Grants   | -                   | -                           | -                 |
| <b>Total</b>     | <b>\$ 349,843</b>   | <b>\$ -</b>                 | <b>\$ 349,843</b> |

## **I. DUE FROM STATE AGENCIES**

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, 2009, are summarized below. All federal grants shown below are passed through the TEA.

| FUND            | STATE<br>ENTITLEMENT | FEDERAL<br>GRANT | TOTAL             |
|-----------------|----------------------|------------------|-------------------|
| General         | \$ 89,341            | \$ -             | \$ 89,341         |
| Special Revenue | 1,234                | 54,261           | 55,495            |
|                 | <u>\$ 90,575</u>     | <u>\$ 54,261</u> | <u>\$ 144,836</u> |

#### J. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

|                                  | General<br>Fund     | Special<br>Revenue<br>Fund | Total               |
|----------------------------------|---------------------|----------------------------|---------------------|
| Property Taxes                   | \$ 2,518,202        | \$ -                       | \$ 2,518,202        |
| Penalties & Interest and Other   |                     |                            |                     |
| Tax -related Income              | 42,069              | -                          | 42,069              |
| Investment Income                | 33,510              | 539                        | 34,049              |
| Tuition & Fees                   |                     | -                          | -                   |
| Food Sales                       | -                   | 54,465                     | 54,465              |
| Rent                             | 4,200               | -                          | 4,200               |
| Co-curricular Student Activities | 18,715              | -                          | 18,715              |
| Other                            | 1,862               | 908                        | 2,770               |
| Shared Service Arrangement       | -                   | -                          | -                   |
|                                  | <u>\$ 2,618,559</u> | <u>\$ 55,912</u>           | <u>\$ 2,674,470</u> |

#### K. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2009 may be impaired. In the opinion of the District, there were no significant contingent liabilities relating to compliance with rules and regulations governing the respective grants, therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

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## TEA REQUIRED SCHEDULES

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2009**

| For Years Ended<br>August 31   | (1)         | (2)          | (3)  | (10)                             |
|--------------------------------|-------------|--------------|--|----------------------------------|
|                                | Maintenance | Debt Service | Assessed/Appraised<br>Value For School<br>Tax Purposes | Beginning<br>Balance<br>9/1/2008 |
| 2000 and prior years           | Various     | Various      | Various  | \$ 62,854.30                     |
| 2001                           | 1.36600     | 0.04400      | 145,371,922  | 4,127.84                         |
| 2002                           | 1.43000     | 0.04150      | 153,194,359  | 4,695.02                         |
| 2003                           | 1.46000     | 0.04000      | 169,351,020  | 4,647.26                         |
| 2004                           | 1.48000     | -            | 179,434,178  | 10,248.25                        |
| 2005                           | 1.48000     | -            | 192,695,823  | 12,404.03                        |
| 2006                           | 1.43000     | -            | 211,358,708  | 22,086.14                        |
| 2007                           | 1.21000     | -            | 237,473,738  | 31,305.02                        |
| 2008                           | 0.95000     | -            | 262,695,056  | 50,033.19                        |
| 2009 (School year under audit) | 0.95000     | -            | 265,140,796  | <hr/>                            |
| 1000      TOTALS               |             |              |  | <hr/> <u>\$ 202,401.05</u>       |

| (20)<br>Current<br>Year's<br>Total Levy | (31)<br>Maintenance<br>Total<br>Collections | (32)<br>Debt Service<br>Total<br>Collections | (40)<br>Entire<br>Year's<br>Adjustments | (50)<br>Ending<br>Balance<br>8/31/2009 |
|---|---|--|---|--|
|   | \$ 875.28                                   | \$ 193.02                                    | \$ -                                    | \$ 61,786.00                           |
|   | 123.95                                      | 3.99   | -                                       | 3,999.90                               |
|   | 213.18                                      | 6.19   | -                                       | 4,475.65                               |
|   | 421.14                                      | 11.55  | -                                       | 4,214.57                               |
|   | 1,615.01                                    | -  | -                                       | 8,633.24                               |
|   | 2,088.59                                    | -  | -                                       | 10,315.44                              |
|   | 7,626.10                                    | -  | -                                       | 14,460.04                              |
|   | 11,343.35                                   | -  | -                                       | 19,961.67                              |
|   | 27,290.09                                   | -  | 332.50                                  | 22,410.60                              |
| <u>2,623,665.07</u>                     | <u>2,465,818.20</u>                         | <u>-</u>                                     | <u>43,678.44</u>                        | <u>114,168.43</u>                      |
| <u><u>\$2,623,665.07</u></u>            | <u><u>\$2,517,414.89</u></u>                | <u><u>\$214.75</u></u>                       | <u><u>\$44,010.94</u></u>               | <u><u>\$ 264,425.54</u></u>            |

JUNCTION INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2010-2011  
 GENERAL AND SPECIAL REVENUE FUNDS  
 YEAR ENDED AUGUST 31, 2009

## FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

| Account Number | Account Name   | 1<br>(702)<br>School Board | 2<br>(703)<br>Tax Collection | 3<br>(701)<br>Supt's Office | 4<br>(750)<br>Indirect Cost | 5<br>(720)<br>Direct Cost | 6<br>(Other) | 7<br>Total        |
|----------------|--|----------------------------|------------------------------|-----------------------------|-----------------------------|---------------------------|--------------|-------------------|
| 611X-6146      | PAYROLL COSTS  | \$ 471                     | \$ -                         | \$ 118,104                  | \$ 71,829                   | \$ -                      | \$ -         | \$ 190,405        |
| 6149           | Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)                      |                            |                              |                             |                             |                           |              | -                 |
| 6149           | Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53) |                            |                              |                             |                             |                           |              | -                 |
| 6211           | Legal Services   | 796                        | -                            | -                           |                             | -                         |              | 796               |
| 6212           | Audit Services   |                            |                              |                             | 9,000                       |                           |              | 9,000             |
| 6213           | Tax Appraisal and Collection   |                            | 64,232                       |                             |                             |                           |              | 64,232            |
| 621X           | Other Prof. Services   | -                          | -                            | 800                         | -                           | 1,499                     | -            | 2,299             |
| 6220           | Tuition and Transfer Payments  |                            |                              |                             |                             |                           |              | -                 |
| 6230           | Education Service Centers  | -                          | -                            | -                           | -                           | -                         |              | -                 |
| 6240           | Contr. Maint. and Repair   |                            |                              |                             |                             |                           |              | -                 |
| 6250           | Utilities  |                            |                              |                             |                             |                           |              | -                 |
| 6260           | Rentals  | -                          | -                            | 688                         | -                           | -                         |              | 688               |
| 6290           | Miscellaneous Contr.   | -                          | -                            | -                           | -                           | -                         |              | -                 |
| 6320           | Textbooks and Reading  | -                          | -                            | -                           | -                           | -                         |              | -                 |
| 6330           | Testing Materials  | -                          | -                            | -                           | -                           | -                         |              | -                 |
| 63XX           | Other Supplies Materials   | 1,559                      | -                            | 1,630                       | 1,124                       | 850                       | -            | 5,163             |
| 6410           | Travel, Subsistence, Stipends  | 338                        | -                            | 36                          | 63                          | -                         |              | 438               |
| 6420           | Ins. and Bonding Costs   | 1,550                      | -                            | -                           | -                           | 1,585                     | -            | 3,135             |
| 6430           | Election Costs   |                            |                              |                             |                             |                           |              | -                 |
| 6490           | Miscellaneous Operating  | 435                        | -                            | 1,214                       | 843                         | 2,603                     | -            | 5,096             |
| 6500           | Debt Service   |                            |                              |                             |                             |                           |              | -                 |
| 6600           | Capital Outlay   |                            |                              |                             |                             |                           |              | -                 |
| 6000           | <b>TOTAL</b>   | <b>\$ 5,149</b>            | <b>\$ 64,232</b>             | <b>\$ 122,473</b>           | <b>\$ 82,860</b>            | <b>\$ 6,537</b>           | <b>\$ -</b>  | <b>\$ 281,251</b> |

Total expenditures/expenses for General and Special Revenue Funds 9 \$6,411,628

LESS: Deductions of Unallowable Costs  
 FISCAL YEAR

|  |    |                           |
|--|----|---------------------------|
| Total Capital Outlay (6600)                | 10 | \$ 10,694                 |
| Total Debt & Lease (6500)                  | 11 | -                         |
| Plant Maintenance (Function 51, 6100-6400) | 12 | 665,236                   |
| Food (Function 35, 6341 and 6499)          | 13 | 93,021                    |
| Stipends (6413)                            | 14 | -                         |
| Column 4 (above) - Total Indirect Cost     |    | 82,860                    |
| Sub Total                                  |    | 851,812                   |
| Net Allowed Direct Cost                    |    | <u><u>\$5,559,816</u></u> |

## CUMULATIVE

|   |    |              |
|---|----|--------------|
| Total Cost of Buildings before Depreciation (1520)                    | 15 | \$ 6,267,487 |
| Historical Cost of Buildings Over 50 Years Old                        | 16 | -            |
| Amount of Federal Money in Building Cost (Net of #16)                 | 17 | -            |
| Total Cost of Furniture & Equipment before Depreciation (1530 & 1540) | 18 | 1,190,651    |
| Historical Cost of Furniture & Equipment Over 16 Years Old            | 19 | 128,127      |
| Amount of Federal Money in Furniture & Equipment (Net of Above)       | 20 | -            |

(8) Note A - No Function 53 expenditures are included in this report on administrative costs.

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF AUGUST 31, 2009**

**UNAUDITED**

|     |  |                  |
|-----|--|------------------|
| 1.  | Total General Fund Balance as of 08/31/09  | \$ 1,853,323     |
| 2.  | Total Reserved Fund Balance  | \$ -             |
| 3.  | Total Designated Fund Balance  | 1,378,552        |
| 4.  | Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)   | -                |
| 5.  | Estimate of one month's average cash disbursements during the regular school session (9/1/09-5/31/10).   | 475,000          |
| 6.  | Estimate of delayed payments from state sources (5800) including August payment delays   | -                |
| 7.  | 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 | -                |
| 8.  | Estimate of delayed payments from federal sources (5900)   | -                |
| 9.  | Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum an prior to issuance of bonds)                           | -                |
| 10. | Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)   | <u>1,853,552</u> |
| 11. | Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)   | \$ (229)         |

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

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
CHILD NUTRITION PROGRAM  
YEAR ENDED AUGUST 31, 2009**

| Data<br>Control<br>Codes                            | Budgeted Amounts |                 |
|---|------------------|-----------------|
|   | Original         | Final           |
| <b>REVENUES:</b>                                    |                  |                 |
| 5700 Total Local and Intermediate Sources           | \$ 47,600        | \$ 47,600       |
| 5800 State Program Revenues                         | 9,100            | 9,100           |
| 5900 Federal Program Revenues                       | <u>161,100</u>   | <u>161,100</u>  |
| 5020 Total Revenue                                  | <u>217,800</u>   | <u>217,800</u>  |
| <b>EXPENDITURES:</b>                                |                  |                 |
| Current:  |                  |                 |
| 0035 Food Services                                  | 243,302          | 258,777         |
| 6030 Total Expenditures                             | <u>243,302</u>   | <u>258,777</u>  |
| 1100 Excess (Deficiency) Revenues Over Expenditures | <u>(25,502)</u>  | <u>(40,977)</u> |
| <b>OTHER FINANCING SOURCES (USES):</b>              |                  |                 |
| 7915 Operating Transfers In                         | 5,400            | 5,400           |
| Total Other Financing Sources (Uses)                | <u>5,400</u>     | <u>5,400</u>    |
| 1200 Net Change in Fund Balances                    | <u>(20,102)</u>  | <u>(35,577)</u> |
| 0100 Fund Balance - September 1 (Beginning)         | 41,892           | 41,892          |
| 1300 Cumulative Effect - Change in Accounting       | -                | -               |
| 3000 Fund Balance - August 31 (Ending)              | <u>\$ 21,790</u> | <u>\$ 6,315</u> |

The accompanying notes are an integral part of this statement.

| Actual Amounts<br>(Budgetary Basis)<br>(See Notes A) | Variance With<br>Final Budget<br>Favorable (Unfavorable) |
|--|--|
| \$ 55,912  | \$ 8,312   |
| 9,037  | (63)   |
| <u>171,216</u>                                       | <u>10,116</u>  |
| <u>236,164</u>                                       | <u>18,364</u>  |
|  |  |
| 255,260  | 3,517  |
| <u>255,260</u>                                       | <u>3,517</u>   |
|  |  |
| (19,096)   | 21,881   |
|  |  |
| 5,400  | -  |
| <u>5,400</u>   | <u>-</u>   |
|  |  |
| (13,696)   | 21,881   |
|  |  |
| 41,892   | -  |
| -  | -  |
|  |  |
| <u>\$ 28,195</u>                                     | <u>\$ 21,881</u>   |

**OVERALL COMPLIANCE, INTERNAL CONTROLS  
AND FEDERAL AWARDS SECTION**

# **EDE & COMPANY**

**Certified Public Accountants**

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**Eric Ede  
Frank Ede  
Donna Ede Jones**

**P. O. Box 219  
Knippa, Texas 78870  
Telephone (830) 934-2148  
Fax (830) 934-2799**

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

### Independent Auditor's Report

Board of Trustees  
Junction Independent School District  
1700 College St.  
Junction, TX 76849

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Junction Independent School District as of and for the year ended August 31, 2009, which collectively comprise the Junction Independent School District 's basic financial statements and have issued our report thereon dated November 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Junction Independent School District 's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Junction Independent School District 's financial statements that is more than inconsequential will not be prevented or detected by the Junction Independent School District 's internal control.

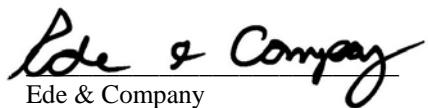
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Junction Independent School District 's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended for the information of the District's Trustees, the audit committee, the administration, 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.



Ede & Company  
Certified Public Accountants

November 2, 2009

# **EDE & COMPANY**

**Certified Public Accountants**

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## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

### Independent Auditor's Report

Board of Trustees  
Junction Independent School District  
1700 College St.  
Junction, TX 76849

Members of the Board:

#### Compliance

We have audited the compliance of Junction Independent School District with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Junction Independent School District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Junction Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2009.

## Internal Controls Over Compliance

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section 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 over compliance that we consider to be material weaknesses, as defined above.

The District's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the District's Trustees, the audit committee, the administration, 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.



November 2, 2009

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2009**

I. Summary of the Auditor's Results:

- a. We have issued an unqualified opinion on the financial statements of the Junction Independent School District.
- b. No significant deficiencies in internal controls were disclosed by the audit of the financial statements.
- c. Our audit disclosed no instances of noncompliance which were material to the financial statements of the Junction Independent School District.
- d. Our audit disclosed no significant deficiencies in internal control over major programs.
- e. We have issued an unqualified opinion on the Districts compliance with laws and regulations for major programs.
- f. Our audit disclosed no findings which we are required to report under section .510(a).
- g. The following programs were identified as major programs:
  - 1. ESEA Title I, Part A, Improving Basic Programs
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.00.
- i. The Junction Independent School District does qualify as a low-risk auditee.

II. Findings Relating to the Financial Statements Which are Required To Be Reported in Accordance with Generally Accepted Government Auditing Standards.

- a. There were no findings of material irregularities, illegal acts, other noncompliance and reportable conditions in internal control, which need to be reported in accordance with Generally accepted Government Auditing Standards.

III. Findings and Questioned Costs For Federal Awards Including Audit Findings as Described in I.f Above

- a. There were no findings or questioned costs involving Federal programs.

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2009**

1. There were no findings and questioned costs in the prior years audit.

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2009**

N/A

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2009**

| Federal Grantor<br>Pass-Through Grantor<br>Program Title  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures |
|---|---------------------------|--|-------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                       |                           |  |                         |
| <u>Direct Programs</u>                                    |                           |  |                         |
| Title VI, Part B REAP                                     | 358A                      | S358A082362                                  | \$ 5,378                |
| Total Direct Programs                                     |                           |  | <u>\$ 5,378</u>         |
| <u>Passed through State Dept. of Education</u>            |                           |  |                         |
| ESEA Title I, Part A, Improving Basis Programs            | 84.010                    | 09610101134901                               | \$ 246,207              |
| ESEA Title I, Part A, Improving Basis Programs            | 84.010                    | 00610101134901                               | 20,968                  |
| Total CFDA Number 84.010                                  |                           |  | <u>267,175</u>          |
| IDEA Part B Formula                                       | 84.027                    |  | 48,894                  |
| Total CFDA Number 84.027                                  |                           |  | <u>48,894</u>           |
| Vocational Education, Basis Grants                        | 84.048                    | 09420006134901                               | 12,013                  |
| Total CFDA Number 84.048                                  |                           |  | <u>12,013</u>           |
| ESEA Title II , Part A Teacher & Principal Training       | 84.367A                   | 09694501134901                               | 42,466                  |
| ESEA Title II , Part A Teacher & Principal Training       | 84.367A                   | 00694501134901                               | 3,286                   |
| Total CFDA Number 84.367A                                 |                           |  | <u>45,752</u>           |
| ARRA IDEA B Forumla                                       |                           | 106600011649016600                           | 4,391                   |
| Total CFDA Number 84.369A                                 |                           |  | <u>4,391</u>            |
| ARRA Title I , Part A                                     | 84.389A                   | S389A090043                                  | 9,310                   |
| Total CFDA Number 84.389A                                 |                           |  | <u>9,310</u>            |
| ARRA Title XIV SFSF                                       | 84.394A                   | S394A090044                                  | 11,237                  |
| Total CFDA Number 84.294A                                 |                           |  | <u>11,237</u>           |
| Total Passed Through State Dept. of Education             |                           |  | <u>\$ 398,772</u>       |
| <u>Passed Through Concho Valley Tech Prep Partnership</u> |                           |  |                         |
| Vocational Education - Tech Prep                          | 84.243A                   | TO-05-05-11                                  | \$ 450                  |
| Total CFDA Number 84.243A                                 |                           |  | <u>\$ 450</u>           |
| <b>TOTAL DEPARTMENT OF EDUCATION</b>                      |                           |  |                         |
|   |                           |  | <u>\$ 404,600</u>       |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                     |                           |  |                         |
| <u>Passed Through State Dept. of Education</u>            |                           |  |                         |
| National School & Breakfast Program * Cash                | 10.553                    | 71400901                                     | \$ 159,154              |
| Non Cash Assistance Lunch & Breakfast Programs            | 10.553                    | 71400901                                     | 12,062                  |
| Total Passed Through State Dept. of Education             |                           |  | <u>\$ 171,216</u>       |
| <b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>               |                           |  |                         |
|   |                           |  | <u>\$ 171,216</u>       |
| <b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>               |                           |  |                         |
|   |                           |  | <u>575,816</u>          |

\* Clustered Programs as required by Compliance Supplement March 2001.

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2009**

1. For all Federal programs, the District utilizes the fund types specified in the Texas Education Agency's ***Financial Accountability System Resource Guide***. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund determined by its measurement focus. The governmental Fund types and Expendable Trust Fund are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types, the Expendable Trust Fund, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i. e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H. Period Availability of Federal Funds, Part 3, *OMB Circular A-133 Compliance Supplement-Provisional 6/97*.

SCHOOLS FIRST QUESTIONNAIRE

JUNCTION INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2009

|      |  |     |
|------|--|-----|
| SF2  | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations? | No  |
| SF4  | Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?   | Yes |
| SF5  | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?  | No  |
| SF9  | Was there any disclosure in the Annual Financial Report of material noncompliance?   | No  |
| SF10 | Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end..                      | N/A |