

JUNCTION INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2018

JUNCTION INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
for the Year Ended August 31, 2018

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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, 2018, at a meeting of the board of trustees of such school district on the 14th day of November, 2018.

Signature of Board **Secretary**

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, LLC

Certified Public Accountants

Eric Ede
Donna Ede Jones

P. O. Box 219
Knippa, Texas 78870
Telephone (830) 934-2148
Fax (830) 934-2799
Email: edecpa@hotmail.com

UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Junction Independent School District, as of August 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in the notes to the financial statements, the District adopted new accounting guidance, GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result of the implementation of this Statement, the financial statements have been changed to reflect the new presentation required by GASB Statement No. 75. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Junction Independent School District's basic financial statements. The exhibits identified in the Table of Contents as J-1 and J-4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These exhibits have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2017, on our consideration of the Junction Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Junction Independent School District's internal control over financial reporting and compliance.

Ede & Company, LLC
Ede & Company. LLC
Certified Public Accountants
Knippa, Texas

November 14, 2018

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, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$1,969.2 at August 31, 2018.
- During the year, the District's expenses were 1,314,593 less than the \$6,392,392 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 \$2,035,384.

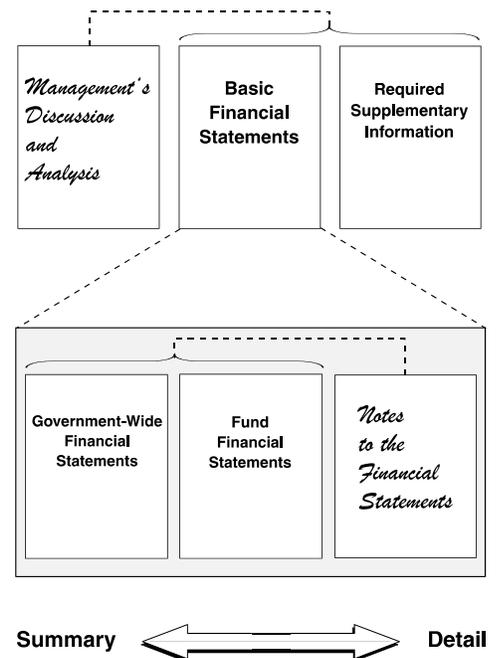
OVERVIEW OF THE FINANCIAL STATEMENTS

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 position 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 position and how they have changed. Net position, 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 position 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 position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$1,969.2 thousand at August 31, 2018. (See Table A-1).

Table A-1
Junction Independent School District's Position
(in thousands dollars)

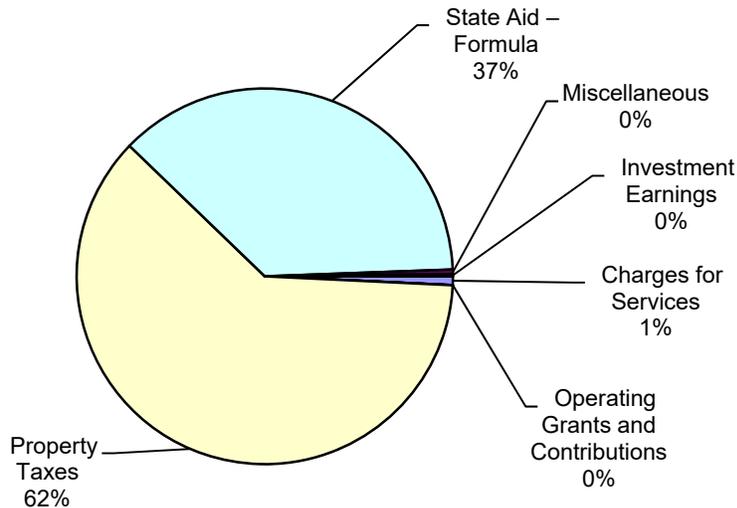
	Governmental Activities		Total Percentage Change
	2018	2017	2018-2017
Current assets:			
Cash and cash equivalents	\$ 2,034.1	\$ 1,242.5	63.7%
Property taxes receivable	133.3	112.6	18.4%
Allowance for uncollectible taxes	(4.3)	(3.6)	19.4%
Due from other governments	215.2	351.4	-38.8%
Internal balances	85.3	87.9	-3.0%
Other receivables	5.0	3.6	38.9%
Prepayments	11.6	-	100.0
Total current assets	<u>2,480.2</u>	<u>1,794.4</u>	<u>38.2%</u>

Noncurrent assets:			
Capital Assets	10,074.8	10,061.2	0.1%
Less accumulated depreciation	(5,909.4)	(5,637.4)	4.8%
Total noncurrent assets	<u>4,165.4</u>	<u>4,423.8</u>	<u>-5.8%</u>
Total Assets	<u>6,645.6</u>	<u>6,218.2</u>	<u>6.9%</u>
Deferred Outflows of Resources			
Deferred Outflow - Pensions	455.9	610.0	-25.3%
Deferred Outflow - OPEB	32.6	-	100.0%
Total Deferred Outflows of Resources	<u>488.5</u>	<u>610.0</u>	<u>-19.9%</u>
Current liabilities:			
Accounts payable	16.0	12.6	27.0%
Interest Payable	1.8	2.2	-18.2%
Accrued wages payable	264.8	300.4	-11.9%
Due to fiduciary funds	0.6	0.6	0.0%
Accrued expenses	7.0	7.6	-7.9%
Total current liabilities	<u>290.2</u>	<u>323.4</u>	<u>-10.3%</u>
Long-term liabilities:			
Notes Payable	116.4	143.6	-18.9%
Net Pension Liability	992.9	-	100.0%
Net OPEB Liability	2,532.2	1,063.5	138.1%
Total Long-term liabilities	<u>3,641.5</u>	<u>1,207.1</u>	<u>201.7%</u>
Total Liabilities	<u>3,931.7</u>	<u>1,530.5</u>	<u>156.9%</u>
Deferred Inflows of Resources			
Deferred Inflow - Pensions	174.0	203.0	-14.3%
Deferred Inflow - OPEB	1,059.2	-	100.0%
Total Deferred Outflows of Resources	<u>1,233.2</u>	<u>203.0</u>	<u>507.5%</u>
Net Position:			
Invested in capital assets	4,049.0	4,280.2	-5.4%
Restricted for Federal & State Programs	25.7	21.3	20.7%
Unrestricted	(2,105.5)	793.3	-365.4%
Total Net Position	<u>\$ 1,969.2</u>	<u>\$ 5,094.8</u>	<u>-61.3%</u>

Changes in net position. The District's total revenues were \$6,392.4 thousand. A significant portion, 62 percent, of the District's revenue comes from taxes. (See Figure A-3.) 37 percent comes from state aid – formula grants, while less than 1 percent relates to charges for services.

The total cost of all programs and services was \$5,077.8 thousand 49 percent of these costs are for instructional and student services.

Figure A-3 2018 Revenue Sources



Governmental Activities

- Property tax rates increased in 2017, along with a 10.07 % increase in values resulted in the increase of tax revenues from \$3,594.8 thousand to \$3,930.0 thousand.

	Governmental Activities		Percentage Change
	2018	2017	2018-2017
Program Revenues:			
Charges for Services	\$ 47.4	\$ 44.5	6.5%
Operating Grants and Contributions	(0.8)	844.6	-100.1%
General Revenue			
Property Taxes	3,930.0	3,594.8	9.3%
State Aid - Formula	2,379.2	2,082.7	14.2%
Investment Earnings	12.7	4.0	217.5%
Other	23.9	3.0	696.7%
Total Revenue	<u>6,392.4</u>	<u>6,573.6</u>	<u>-2.8%</u>
Instruction	2,510.4	3,601.4	-30.3%
Instructional Resources and Media Services	40.9	69.6	-41.2%
Curriculum and Instructional Staff Development	26.8	100.7	-73.4%
School Leadership	216.5	353.3	-38.7%
Guidance Counseling and Evaluation Services	66.5	128.1	-48.1%
Health Services	30.6	60.5	-49.4%
Student (Pupil) Transportation	139.8	197.2	-29.1%
Food Services	308.4	326.4	-5.5%
Cocurricular/Extracurricular Activities	503.9	619.8	-18.7%
General Administration	233.1	507.2	-54.0%
Plant Maintenance and Operations	569.5	644.6	-11.7%
Security and Monitoring Services	8.2	8.5	-3.5%
Data Processing Service	98.3	152.5	-35.5%
Debt Service - Interest	3.6	4.3	-16.3%
Facilities Acquisition and Construction	-	-	0.0%
Payments to Fiscal Agent	132.5	122.4	8.3%
Other Intergovernment Charges	188.8	166.7	13.3%
Total Expense	<u>5,077.8</u>	<u>7,063.2</u>	<u>-28.1%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers	1,314.6	(489.6)	-368.5%
Other Resources (Uses)	<u>-</u>	<u>-</u>	<u>0.0%</u>
Increase (Decrease) in Net Position	<u>\$ 1,314.6</u>	<u>\$ (489.6)</u>	<u>-368.5%</u>

Figure A-4 2018 Expenses by Function

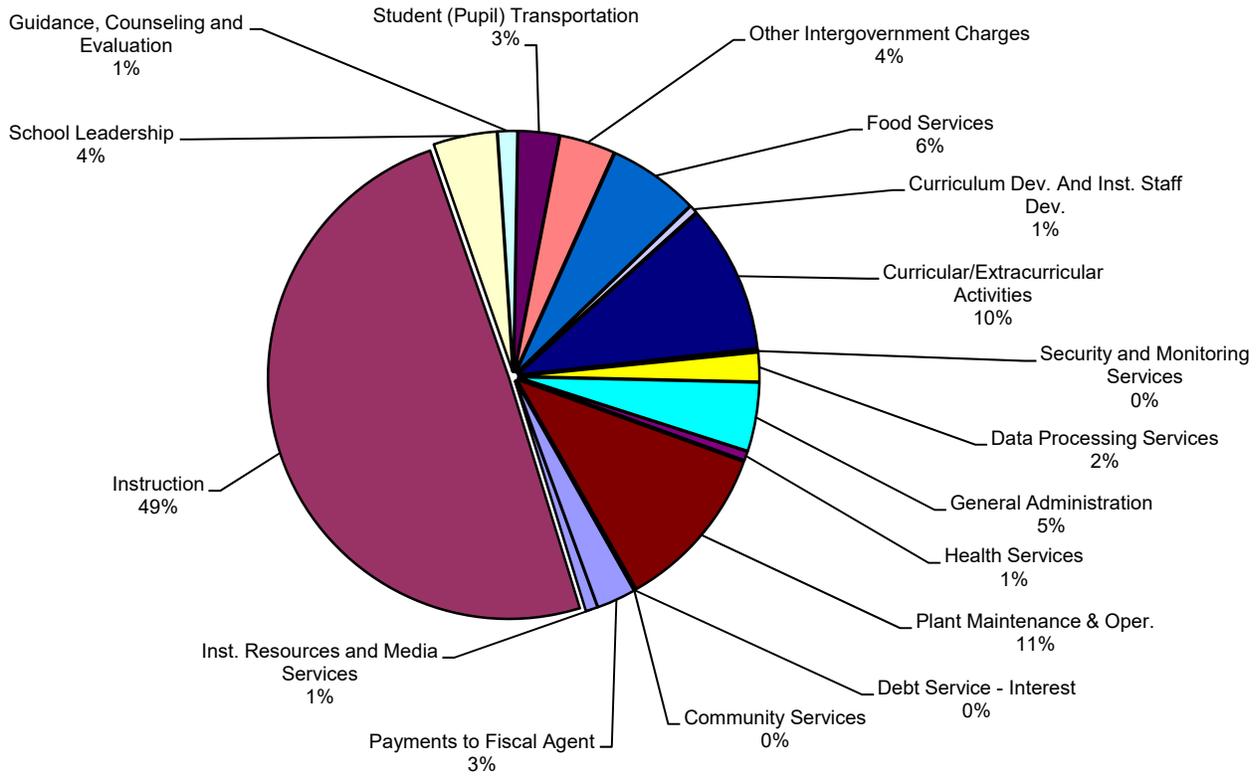


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$5,077.8 thousand.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$3,930.0 thousand.
- Some of the cost was paid by those who directly benefited from the programs \$47.4 thousand, or
- By grants and contributions \$-0.8 thousand.

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

	Total Costs of Services			Net Cost of Services		
	2018	2017	Percent Change	2018	2017	Percent Change
Instructional	\$ 2,510.4	\$ 3,601.4	-30.3%	\$ 2,530.6	\$ 3,083.3	-17.9%
School Administration	233.1	507.2	-54.0%	279.3	495.7	-43.7%
Plant Maintenance & Operations	569.5	644.6	-11.7%	603.3	600.3	0.5%
Cocurricular/Extracurricular	503.9	619.8	-18.7%	537.7	603.5	-10.9%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$6,392.4 compared to \$6,573.6 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 \$465,588 below final budget amounts. However, resources available were \$220,017 above 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 2018, the District had invested \$10,074.8 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a 0.1% increase (including additions and deductions) over last year.

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

	Governmental Activities		Percentage Change 2018-2017
	2018	2017	
Land	\$ 429.5	\$ 429.5	0.0%
Construction in Progress	-	-	0.0%
Building and Improvements	8,076.4	8,076.4	0.0%
Furniture & Equipment	1,568.9	1,555.3	0.9%
Totals at historical cost	10,074.8	10,061.2	0.1%
Total Accumulated Depreciation	(5,909.4)	(5,637.4)	4.8%
Net Capital Assets	<u>\$ 4,165.4</u>	<u>\$ 4,423.8</u>	<u>-5.8%</u>

Long Term Debt

The District had two loans outstanding at the end of the year. The total balance due at August 31, 2018 was \$116,414.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- There is a 11.4% in appraised value used for the 2019 budget preparation.
- Tax rates increased in 2019 from \$.9933 to 1.033.
- State funding is subject to legislative cuts.
- ADA will decrease slightly.

These indicators were taken into account when adopting the general fund budget for 2019. Amounts available for appropriation in the general fund budget are approximately \$6.86 million, with a small increase over the final 2018

Expenditures are budgeted increase approximately 5.8% at \$6.86 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 balance is expected to remain the same by the close of 2019.

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 POSITION
AUGUST 31, 2018

1

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,034,076
1220 Property Taxes Receivable (Delinquent)	133,307
1230 Allowance for Uncollectible Taxes	(4,319)
1240 Due from Other Governments	215,188
1267 Due from Fiduciary Fund	85,339
1290 Other Receivable, net	4,962
1410 Prepayments	11,581
Capital Assets:	
1510 Land	429,517
1520 Buildings, Net	3,322,177
1530 Furniture & Fixtures, Net	413,729
1000 Total Assets	<u>6,645,557</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflows - Pension	455,922
1706 Deferred Outflows - OPEB	32,586
1700 Total Deferred Outflow of Resources	<u>488,508</u>
LIABILITIES	
2110 Accounts Payable	16,007
2140 Interest Payable	1,773
2160 Accrued Wages Payable	264,770
2150 Payroll Deductions and Withholdings Payable	6
2177 Due to Fiduciary Funds	600
2200 Accrued Expenses	6,951
Noncurrent Liabilities	
2501 Due Within One Year	27,920
2502 Due in More Than One Year	88,494
2540 Net Pension Liability	992,921
2545 Net OPEB Liability (proportionate Share)	2,532,217
2000 Total Liabilities	<u>3,931,659</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflows - Pension	174,021
2606 Deferred Inflows - OPEB	1,059,231
1700 Total Deferred Inflow of Resources	<u>1,233,252</u>
NET POSITION	
3200 Invested in Capital Assets, Net of Related Debt	4,049,009
3820 Restricted for Federal and State Programs	25,656
3900 Unrestricted Net Position	<u>(2,105,511)</u>
3000 Total Net Position	<u>\$ 1,969,154</u>

The accompanying notes are an integral part of this statement.

JUNCTION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
AUGUST 31, 2018

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 2,510,379	\$ 4,604	\$ (24,828)	\$ (2,530,603)
12	Instructional Resources and Media Services	40,947	-	(8,996)	(49,943)
13	Curriculum and Staff Development	26,766	-	-	(26,766)
21	Instructional Leadership	-	-	-	-
23	School Leadership	216,505	-	(62,777)	(279,282)
31	Guidance Counseling and Evaluation Services	66,516	-	(23,421)	(89,937)
33	Health Services	30,637	-	(11,730)	(42,367)
34	Student (Pupil) Transportation	139,778	-	(18,846)	(158,624)
35	Food Services	308,436	30,933	300,883	23,380
36	Extracurricular Activities	503,892	11,821	(45,624)	(537,695)
41	General Administration	233,142	-	(46,773)	(279,915)
51	Facilities Maintenance and Operations	569,511	-	(33,781)	(603,292)
52	Security and Monitoring Services	8,187	-	-	(8,187)
53	Data Processing Services	98,326	-	(24,890)	(123,216)
61	Community Services	-	-	-	-
72	Debt Service - Interest	3,576	-	-	(3,576)
81	Facilities Acquisition and Construction	-	-	-	-
93	Payments related to Shared Services Arrangement	132,458	-	-	(132,458)
99	Other Intergovernment Charges	188,743	-	-	(188,743)
TG	Total governmental activities	<u>\$ 5,077,799</u>	<u>\$ 47,358</u>	<u>\$ (783)</u>	<u>\$ (5,031,224)</u>
Data Control Codes	General revenues: Taxes:				
MT	Property taxes, levied for general purposes				3,930,013
DT	Property taxes, levied for debt service				-
SF	State aid-formula grants				2,379,191
GC	Grants and contributions not restricted to specific programs				
IE	Investment earnings				12,746
MI	Miscellaneous				23,867
FR	Transfers In (Out)				-
TR	Total general revenues, and transfers				<u>6,345,817</u>
CN			Change in net position		1,314,593
NB	Net position—beginning				5,095,324
	Prior Period Adjustment				(4,440,763)
NE	Net position—ending				<u>\$ 1,969,154</u>

The accompanying notes are an integral part of this statement.

JUNCTION INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	20 Special Revenue Funds
ASSETS		
1110	\$ 2,008,062	\$ 26,014
1220	133,307	-
1230	(4,319)	-
1240	165,483	49,705
1260	106,256	-
1290	4,962	-
1410	11,581	-
1000	<u>\$ 2,425,332</u>	<u>\$ 75,719</u>
LIABILITIES		
2110	\$ 16,007	\$ -
2120	-	-
2140	1,773	-
2150	6	-
2160	237,794	26,976
2170	600	20,917
2180	-	-
2200	4,781	2,170
2300	-	-
2000	<u>260,961</u>	<u>50,063</u>
DEFERRED INFLOWS OF RESOURCES		
2601	128,987	-
2600	<u>128,987</u>	<u>-</u>
FUND BALANCE		
Restricted Fund Balance:		
3450	-	25,656
Committed Fund Balance:		
3510	-	-
3530	-	-
3545	126,123	-
Unassigned Fund Balance:		
3600	1,909,261	-
3000	<u>2,035,384</u>	<u>25,656</u>
4000	<u>\$ 2,425,332</u>	<u>\$ 75,719</u>

The accompanying notes are an integral part of this statement.

<u>98</u> Total Governmental Funds <u> </u>
\$ 2,034,076 133,307 (4,319) 215,188 106,256 4,962 11,581 <u>\$ 2,501,051</u>
\$ 16,007 - 1,773 6 264,770 21,517 - 6,951 - <u>311,024</u>
128,987 <u>128,987</u>
25,656 - - 126,123 1,909,261 <u>2,061,040</u> <u>\$ 2,501,051</u>

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

Total Fund Balances - Governmental Funds	\$ 2,061,040
<p>1 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 \$10,061,163 and accumulate depreciation was \$5,637,389. In addition, long-term liabilities including notes payable that are not due and payable in the current period, and therefore are not reported as liabilities in the funds. The long -term debt was \$143,578. The net effect of including the beginning balances for the capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.</p>	4,280,196
<p>2 Current year capital outlays and long-term debt principal payments are expended in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays, and debt principal payments is to increase net position.</p>	40,796
<p>3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$610,052, a Deferred Resource Inflow in the amount of \$203,002 and a net pension liability in the amount of \$1,063,513. The impact of this on Net Position is (656,463). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$54,557). The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$711,020).</p>	(711,020)
<p>4 The District implemented GASB 75 reporting requirements for the OPEB benefit plan through TRS. Since this is the first year of implementation, a prior period adjustment had to be made in the amount of (\$4,440,763). The District's share of the TRS plan resulted in a net OPEB liability of \$2,532,217, a deferred resources outflow of \$32,586, and a deferred inflow of \$1,063,513. This</p>	(3,558,862)
<p>4 The 2018 depreciation expense increased accumulate Depreciation. The net effect on the current year's depreciation is to decrease net position.</p>	(271,983)
<p>5 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 position.</p>	128,987
19 Net Position of Governmental Activities	\$ 1,969,154

The accompanying notes are an integral part of this statement.

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JUNCTION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2018

Data	10	20
Control	General	Special Revenue
Codes	Fund	Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 4,002,614	\$ 51,861
5800 State Program Revenues	2,652,014	67,802
5900 Federal Program Revenues	58,284	619,184
5020 Total Revenue	<u>6,712,912</u>	<u>738,847</u>
EXPENDITURES:		
Current:		
0011 Instruction	3,232,267	370,034
0012 Instructional Resources and Media Services	59,401	-
0013 Curriculum and Instructional Staff Development	26,766	-
0023 School Leadership	357,220	-
0031 Guidance Counseling and Evaluation Services	118,836	-
0033 Health Services	54,360	-
0034 Student (Pupil) Transportation	129,548	-
0035 Food Services	9,456	372,127
0036 Extracurricular Activities	554,071	-
0041 General Administration	339,074	-
0051 Facilities Maintenance and Operations	622,960	-
0052 Security and Monitoring Services	8,187	-
0053 Data Processing Services	146,620	-
0061 Community Service	-	-
Debt Service:		
0071 Debt Service - Principal on long-term debt	27,164	-
0072 Interest on Long Term Debt	3,576	-
Capital Outlay:		
0081 Facilities Acquisition and Construction	-	-
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	132,458	-
0099 Other Intergovernment Charges	188,743	-
6030 Total Expenditures	<u>6,010,707</u>	<u>742,161</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>702,205</u>	<u>(3,314)</u>
OTHER FINANCING SOURCES (USES):		
7915 Operating Transfers In	-	7,680
8911 Operating Transfers Out	(7,680)	-
Total Other Financing Sources (Uses)	<u>(7,680)</u>	<u>7,680</u>
1200 Net Change in Fund Balances	694,525	4,366
0100 Fund Balance - September 1 (Beginning)	1,340,859	21,290
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,035,384</u>	<u>\$ 25,656</u>

The accompanying notes are an integral part of this statement.

98
 Total Governmental
Funds

\$ 4,054,475
 2,719,816
677,468
7,451,759

3,602,301
 59,401
 26,766
 357,220
 118,836
 54,360
 129,548
 381,583
 554,071
 339,074
 622,960
 8,187
 146,620

-

27,164
 3,576

-

132,458
 188,743
6,752,868

698,891

7,680
(7,680)

-

698,891
 1,362,149
\$ 2,061,040

JUNCTION INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
 REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2018

Total Net Change in Fund Balances - Governmental Funds	\$ 698,891
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase net position.	40,796
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 position.	(271,983)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from taxes 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 increase net position.	19,545
Current year changes due to GASB 68 decreased revenues in the amount of \$57,452 but also decreased expenditures in the amount of \$2,895. The net effect on the change in the ending net position was a decrease in the amount of \$54,557.	(54,557)
The implementation of GASB 75 to report the District's share of the TRS OPEB plan resulted in a prior period adjustment in the amount of (\$4,440,763). The changes in the ending net position as a result of reporting the OPEB items was a decreased in the change in net position in the amount of \$881,901.	881,901
 Change in Net Position of Governmental Activities	 <u>\$ 1,314,593</u>

The accompanying notes are an integral part of this statement.

JUNCTION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2018

	Agency Funds
ASSETS:	
Cash & Cash Equivalents	\$ 121,812
Due From Other Governments	-
Due From Other Funds	600
Total Assets	\$ 122,412
LIABILITIES:	
Accounts Payable	\$ 849
Due to Other Funds	85,339
Due to Student Groups	36,224
Total Liabilities	\$ 122,412

**JUNCTION INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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 Position 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.

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 some times 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 Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

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. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. 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. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.
3. 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 capital assets are recorded at estimated fair market value at the date of donation.

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

4. Risk Management - The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.
5. In the fund financial statements, governmental funds report designations for restrictions, commitments, assignments and non-spendable reserves of fund balance of amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance have been eliminated from the government-wide financial statements. The unassigned fund balance represents that portion of the fund balance

that is available for budgeting in future periods. Commitments and assignments of fund balance may only be done by a resolution of the Board of Trustees. Commitments and assignments may only be relieved by incurring expenditures for that purpose or by Board resolution. Fund balance amounts that are restricted, committed, or assigned are considered to have been spent when the expenditure is incurred for the purpose for which the fund balance was restricted, committed, or assigned. If an expenditure that meets the criteria in more than one fund balance category, then the District considers that the fund balance is relieved in the following order: restricted, committed, assigned, and then unassigned.

6. Pensions - The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.
7. Other Post Employment Benefits – The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.
8. 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 J-4.

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 Use 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.

As of August 31, 2018, Junction Independent School District had the following investments which are reported as cash and cash equivalents on the balance sheet.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> (in years)		<u>Credit Rating</u>
			<u>Less Than 1</u>	
Investment Pools	\$ 5,410	\$	5,410	AAA
	<u>\$ 5,410</u>	<u>\$</u>	<u>5,410</u>	

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, 2018 and Interfund transfers for the year ended August 31, 2018 consisted of the following individual fund balances:

Interfund Balance	<u>From Other Funds</u>	<u>To Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 20,917	
Trust & Agency	85,339	\$ 600
Total General Fund	<u>106,256</u>	<u>600</u>
Special Revenue Fund		
General Fund	-	20,917
Total Special Revenue Fund	<u>-</u>	<u>20,917</u>
Trust & Agency		
General Fund	600	85,339
Total Trust & Agency Fund	<u>600</u>	<u>85,339</u>
Total Interfund Balances	<u>\$ 106,856</u>	<u>\$ 106,856</u>
Interfund Transfers		
General Fund:		
Special Revenue Fund	\$ -	\$ 7,680
Total General Fund	<u>-</u>	<u>7,680</u>
Special Revenue Fund:		
General Fund	7,680	-
Total Special Revenue Fund	<u>7,680</u>	<u>-</u>
TOTAL	<u>\$ 7,680</u>	<u>\$ 7,680</u>

The District had not cleared all interfund receivables and payables at the end of the year. All amounts are scheduled to be repaid within one year.

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the twelve months ended August 31, 2018, was as follows:

Depreciation was charged to functions as follows:

Instruction	\$ 117,125
Student Transportation	46,846
Food Services	32,091
Cocurricular/Extracurricular	48,132
General Administration	7,681
Plant Maintenance and Operations	20,109
	<u>\$ 271,984</u>

F. CHANGES IN LONG-TERM LIABILITIES

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
Notes Payable:					
FSB - 31533 Bus 11	\$ 71,791	\$ -	\$ 13,582	\$ 58,209	\$ 13,960
FSB - 31659 Bus 12	71,786	-	13,582	58,204	13,960
Total Notes Payable	<u>143,577</u>	<u>-</u>	<u>27,164</u>	<u>116,413</u>	<u>27,920</u>
Total governmental activities	<u>\$ 143,577</u>	<u>\$ -</u>	<u>\$ 27,164</u>	<u>\$ 116,413</u>	<u>\$ 27,920</u>

G. NOTES PAYABLE

Current requirements for principal and interest are accounted for in the General Fund.

A summary of general long-term debt for the year ended August 31, 2018 is as follows:

Description	Interest Rate Payable	Amount Original Issue	Interest Current Year	Payable	Outstanding
				Amounts Outstanding 09/01/2017	Outstanding 08/31/2018
FSB - 31533 Bus 11	2.78%	\$ 85,000	\$ 1,996	\$ 71,791	\$ 58,209
FSB - 31659 Bus 12	2.78%	85,000	1,996	71,786	58,204
		<u>\$ 170,000</u>	<u>\$ 3,991</u>	<u>\$ 143,577</u>	<u>\$ 116,413</u>

Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

<u>Year Ending August 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	27,920	3,236
2020	28,696	2,460
2021	29,494	1,662
2022	30,303	843
Totals	<u>\$ 116,413</u>	<u>\$ 8,201</u>

E. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that

includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2017 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$179,336,534,819
Less: Plan Fiduciary Net Position	<u>(147,361,922,120)</u>
Net Pension Liability	<u>\$ 31,974,612,699</u>
 Net Position as percentage of Total Pension Liability	 82.170%

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018. Contribution Rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Junction ISD 2017 Employer Contributions	\$	98,730
Junction ISD 2017 Member Contributions	\$	294,327
Junction ISD 2017 NECE On-Behalf Contributions	\$	208,554

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-

estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

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

The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Junction ISD's proportionate share of the net pension liability:	\$ 1,673,869	\$ 992,921	\$ 425,922

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Junction Independent School District reported a liability of \$992,921 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Junction Independent School District. The amount recognized by Junction Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Junction Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$ 992,921
State's proportionate share that is associated with the District	<u>2,038,944</u>
Total	<u>\$ 3,031,865</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .0031053423% which was a .0002909616% increase from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, Junction Independent School District recognized pension expense of \$308,810 and revenue of \$155,523 for support provided by the State.

At August 31, 2018, Junction Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,527	\$53,547
Changes in actuarial assumptions	45,229	25,893
Difference between projected and actual investment earnings		72,362
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	297,436	22,219
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	98,730	
Total	\$455,922	\$174,021

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

Year ended August 31:	Pension Expense Amount
2019	\$ 31,993
2020	95,374
2021	27,123
2022	6,818
2023	11,529
Thereafter	10,334

I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

Plan Description. Junction Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care. It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care’s fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Standard Plan Premium Rates Effective Sept. 1, 2016 - Dec. 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

* or surviving spouse

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.0% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of pay. Section

1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding by employer	1.00%	1.25%
Junction ISD 2017 Employer Contributions	\$	32,191
Junction ISD 2017 Member Contributions	\$	28,668
Junction ISD 2017 NECE On-Behalf Contributions	\$	34,472

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

Actuarial Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82.*

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%

Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.

** Includes Inflation at 2.50%

*** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

Discount Rate. A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. *The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017*

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

The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the 2017 Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Junction ISD's proportionate share of the net OPEB liability:	\$2,988,645	\$2,532,217	\$2,165,352

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Junction ISD's proportionate share of the net OPEB liability:	\$2,108,324	\$2,532,217	\$3,088,419

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, Junction Independent School District reported a liability of \$2,532,217 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to Junction Independent School District. The amount recognized by Junction Independent School District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net pension liability that was associated with Junction Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 2,532,217
State's proportionate share that is associated with the District	<u>2,883,387</u>
Total	<u>\$ 5,415,604</u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net OPEB liability was .0058230304% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period.

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

For the year ended August 31, 2018, Junction Independent School District recognized OPEB expense of \$(1,814,568) and revenue of \$(964,858) for support provided by the State.

At August 31, 2018, Junction Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$.	\$ 52,862
Changes in actuarial assumptions		1,006,369
Difference between projected and actual investment earnings	385	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	10	
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	32,191	
Total	\$32,586	\$1,059,231

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

Year ended August 31:	OPEB Expense Amount
2019	\$ (139,714)
2020	(139,714)
2021	(139,714)
2022	(139,714)
2023	(139,714)
Thereafter	(360,170)

J. MEDICARE PART D – ON BEHALF PAYMENTS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective

January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (“TRS-Care”) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. These payments totaled \$11,488, \$11,421 and \$14,427, for fiscal years 2018, 2017, and 2016, respectively.

K. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff During the year ended August 31, 2018, employees of the District were covered by health insurance plan (the Plan). The District paid premiums of \$225 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, 2017, and terms of coverage and premiums costs are included in the contractual provisions.

L. 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, 2018, are summarized below. All federal grants shown below are passed through the TEA.

<u>FUND</u>	<u>STATE ENTITLEMENT</u>	<u>FEDERAL GRANT</u>	<u>TOTAL</u>
General	\$ 123,629	\$ 8,644	\$ 132,273
Special Revenue	-	41,661	41,661
	<u>\$ 123,629</u>	<u>\$ 50,305</u>	<u>\$ 173,934</u>

M. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Total
Property Taxes	\$ 3,910,467	\$ -	\$ 3,910,467
Penalties & Interest and Other			
Tax -related Income	44,833	-	44,833
Investment Income	12,746	-	12,746
Food Sales	-	30,933	30,933
Rent	4,604	-	4,604
Co-curricular Student Activities	11,821	-	11,821
Other	18,143	20,928	39,071
	<u>\$ 4,002,614</u>	<u>\$ 51,861</u>	<u>\$ 4,054,475</u>

N. 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, 2018 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.

O. LITIGATION

The District is occasionally involved in litigation in the general course of business. Attorneys for the District indicate that the Junction Independent School District has no pending or threatened litigation as of August 31, 2018. No provision has been made in the financial statements regarding these matters.

P. PRIOR PERIOD ADJUSTMENT

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(4,440,763) which resulted in a restated beginning net position balance of \$654,561.

REQUIRED SUPPLEMENTARY
SCHEDULES

JUNCTION INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED AUGUST 31, 2018

Data	Budgeted Amounts	
Control	Original	Final
Codes	Original	Final
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 4,021,385	\$ 4,032,112
5800 State Program Revenues	2,455,183	2,455,183
5900 Federal Program Revenues	5,000	5,000
5020 Total Revenue	<u>6,481,568</u>	<u>6,492,295</u>
EXPENDITURES:		
Current:		
0011 Instruction	3,492,332	3,433,332
0012 Instructional Resources and Media Services	63,516	63,516
0013 Curriculum and Instructional Staff Development	26,160	30,160
0021 Instructional Leadership	-	-
0023 School Leadership	366,370	366,370
0031 Guidance Counseling and Evaluation Services	132,859	132,859
0033 Health Services	60,756	60,756
0034 Student (Pupil) Transportation	245,813	245,813
0035 Food Services	2,250	12,250
0036 Cocurricular/Extracurricular Activities	565,737	572,319
0041 General Administration	341,407	351,407
0051 Plant Maintenance and Operations	673,925	678,070
0052 Security and Monitoring Services	7,100	12,100
0053 Data Processing Services	161,643	161,643
0061 Community Service	500	500
Debt Service:		
0071 Debt Service - Principal on long-term debt	28,200	28,200
0072 Interest on Long Term Debt	4,000	4,000
Capital Outlay:		
0081 Facilities Acquisition and Construction	-	-
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	133,000	133,000
0099 Other Intergovernment Charges	175,000	190,000
6030 Total Expenditures	<u>6,480,568</u>	<u>6,476,295</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>1,000</u>	<u>16,000</u>
OTHER FINANCING SOURCES (USES):		
7914 Non Current Loan Proceeds	-	-
8911 Operating Transfers Out	(1,000)	(16,000)
Total Other Financing Sources (Uses)	<u>(1,000)</u>	<u>(16,000)</u>
1200 Net Change in Fund Balances	-	-
0100 Fund Balance - September 1 (Beginning)	<u>1,340,859</u>	<u>1,340,859</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,340,859</u>	<u>\$ 1,340,859</u>

The accompanying notes are an integral part of this statement.

Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
\$ 4,002,614	\$ (29,498)
2,652,014	196,831
58,284	53,284
<u>6,712,912</u>	<u>220,617</u>
3,232,267	201,065
59,401	4,115
26,766	3,394
-	-
357,220	9,150
118,836	14,023
54,360	6,396
129,548	116,265
9,456	2,794
554,071	18,248
339,074	12,333
622,960	55,110
8,187	3,913
146,620	15,023
-	500
27,164	1,036
3,576	424
-	-
132,458	542
188,743	1,257
<u>6,010,707</u>	<u>465,588</u>
<u>702,205</u>	<u>686,205</u>
-	-
<u>(7,680)</u>	<u>8,320</u>
<u>(7,680)</u>	<u>8,320</u>
694,525	694,525
1,340,859	-
<u>\$ 2,035,384</u>	<u>\$ 694,525</u>

JUNCTION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Districts Proportion of the Net Pension Liability (Asset)	0.0031053423%	.00281438075%	0.0030904000%	0.0016927000%
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 992,921	\$ 1,063,513	\$ 1,092,415	\$ 452,143
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,038,944	2,563,782	2,426,742	2,265,325
Total	<u>\$ 3,031,865</u>	<u>\$ 3,627,295</u>	<u>\$ 3,519,157</u>	<u>\$ 2,717,468</u>
District's Covered-Employee Payroll	\$ 3,671,634	\$ 3,725,685	\$ 3,620,308	\$ 3,753,763
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	27.04%	28.55%	30.17%	12.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

JUNCTION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 98,730	\$ 90,912	\$ 89,420	\$ 91,508
Contribution in Relation to the Contractually Required Contribution	(98,730)	(90,912)	(89,420)	(91,508)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 3,822,427	\$ 3,671,634	\$ 3,725,685	\$ 3,620,308
Contributions as a percentage of covered-Employee Payroll	2.58%	2.48%	2.40%	2.53%

JUNCTION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement year Ended August 31, 2017
Districts Proportion of the Net OPEB Liability (Asset)	0.0058230304%
Districts Proportionate Share of the Net OPEB Liability (Asset)	\$ 2,532,217
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	2,883,387
Total	\$ 5,415,604
District's Covered-Employee Payroll	\$ 3,671,634
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	68.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	0.91%

JUNCTION INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 FOR THE YEAR ENDED AUGUST 31, 2018

	Measurement year Ended August 31, <u>2018</u>
Contractually Required Contribution	\$ 32,191
Contribution in Relation to the Contractually Required Contribution	(32,191)
Contribution Deficiency (Excess)	<u><u>\$ -</u></u>
 District's Covered-Employee Payroll	 \$ 3,822,427
 Contributions as a percentage of covered-Employee Payroll	 0.84%

**JUNCTION INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018**

Changes of benefit terms.

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

Changes of assumptions.

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefit.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Changes in Assumptions.

The following were changes to the actuarial assumptions or other inputs that affected measurement of Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

REQUIRED TEA SCHEDULES

JUNCTION INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

For Years Ended August 31	(1) Tax Rates		(3)	(10)
	Maintenance	Debt Service	Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/2017
2009 and prior years	Various	Various	Various	16,488
2010	0.95330	-	280,591,844	2,639
2011	0.95330	-	293,487,599	2,609
2012	0.95330	-	309,243,575	2,818
2013	0.95330	-	337,012,063	4,039
2014	0.95330	-	342,724,221	6,616
2015	0.95330	-	371,857,757	9,214
2016	0.95330	-	369,543,556	18,973
2017	0.95330	-	359,259,040	49,198
2018 (School year under audit)	0.99330	-	395,431,950	
1000 TOTALS				112,595

(20) Current Year's Total Levy	(31) Maintenance Total Collections	(32) Debt Service Total Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
	130	-	6	16,352
	26	-	-	2,613
	56	-	-	2,553
	182	-	-	2,635
	542	-	(103)	3,600
	1,562	-	(72)	5,126
	3,764	-	21	5,429
	6,513	-	218	12,242
	26,956	-	749	21,494
<u>3,927,826</u>	<u>3,870,735</u>	<u>-</u>	<u>(4,171)</u>	<u>61,262</u>
<u><u>3,927,826</u></u>	<u><u>3,910,468</u></u>	<u><u>-</u></u>	<u><u>(3,354)</u></u>	<u><u>133,306</u></u>

JUNCTION INDEPENDENT SCHOOL DISTRICT
 BUDGETARY COMPARISON SCHEDULE
 CHILD NUTRITION PROGRAM
 YEAR ENDED AUGUST 31, 2018

Data	Budgeted Amounts	
Control	Original	Final
Codes	Original	Final
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 3,300	\$ 36,000
5800 State Program Revenues	8,000	10,000
5900 Federal Program Revenues	284,077	313,377
5020 Total Revenue	<u>295,377</u>	<u>359,377</u>
EXPENDITURES:		
Current:		
0035 Food Services	295,377	375,377
6030 Total Expenditures	<u>295,377</u>	<u>375,377</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>-</u>	<u>(16,000)</u>
OTHER FINANCING SOURCES (USES):		
7915 Operating Transfers In	-	16,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>16,000</u>
1200 Net Change in Fund Balances	<u>-</u>	<u>-</u>
0100 Fund Balance - September 1 (Beginning)	-	-
1300 Cumulative Effect - Change in Accounting	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
\$ 36,267	\$ 267
9,728	(272)
<u>318,452</u>	<u>5,075</u>
<u>364,447</u>	<u>5,070</u>
<u>372,127</u>	<u>3,250</u>
<u>372,127</u>	<u>3,250</u>
<u>(7,680)</u>	<u>8,320</u>
<u>7,680</u>	<u>(8,320)</u>
<u>7,680</u>	<u>(8,320)</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>

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OVERALL COMPLIANCE, INTERNAL CONTROLS
AND FEDERAL AWARDS SECTION

EDE & COMPANY, LLC

Certified Public Accountants

Eric Ede
Donna Ede Jones

P. O. Box 219
Knippa, Texas 78870
Telephone (830) 934-2148
Fax (830) 934-2799
Email: edecpa@hotmail.com

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

Independent Auditor's Report

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Junction Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Junction Independent School District's basic financial statements, and have issued our report thereon dated November 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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

Ede & Company, LLC
Ede & Company. LLC
Certified Public Accountants
Knippa, Texas

November 14, 2018

SCHOOLS FIRST QUESTIONNAIRE

JUNCTION INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2018

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreements at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teacher Retirement System(TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Programs (FSP) funds as a result of a financial?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end..	N/A
SF11	Net Pension Assets (1920) at fiscal year end.	N/A
SF12	Net Pension Liabilities (2540) at fiscal year end.	\$992,921
SF13	Net Pension Expense (6147) at fiscal year end.	\$2,532,217