

**JUNCTION INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED AUGUST 31, 2019**



JUNCTION INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
for the Year Ended August 31, 2019

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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, 2019, at a meeting of the board of trustees of such school district on the 13th day of November, 2019.

\_\_\_\_\_  
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  
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## 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, 2019, 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, 2019, 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.

## 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 November 11, 2019, 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 11, 2019



## 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, 2019. 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 \$2,286.9 at August 31, 2019.
- During the year, the District's expenses were 315,310 less than the \$7,885,793 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 \$2,261,465.

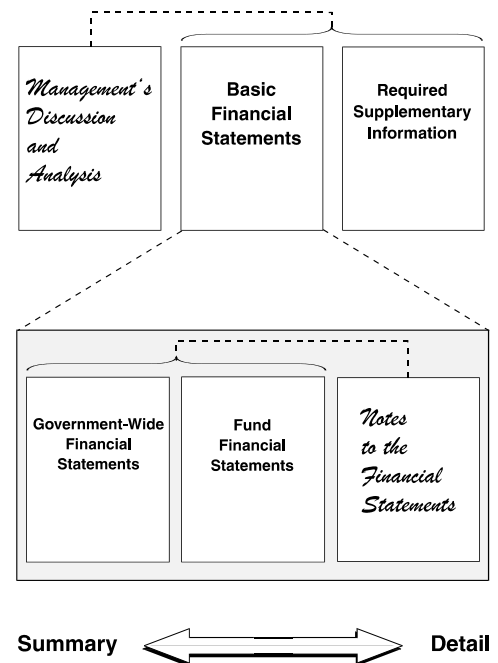
### OVERVIEW OF THE FINANCIAL STATEMENTS

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 \$2,286.9 thousand at August 31, 2019. (See Table A-1).

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

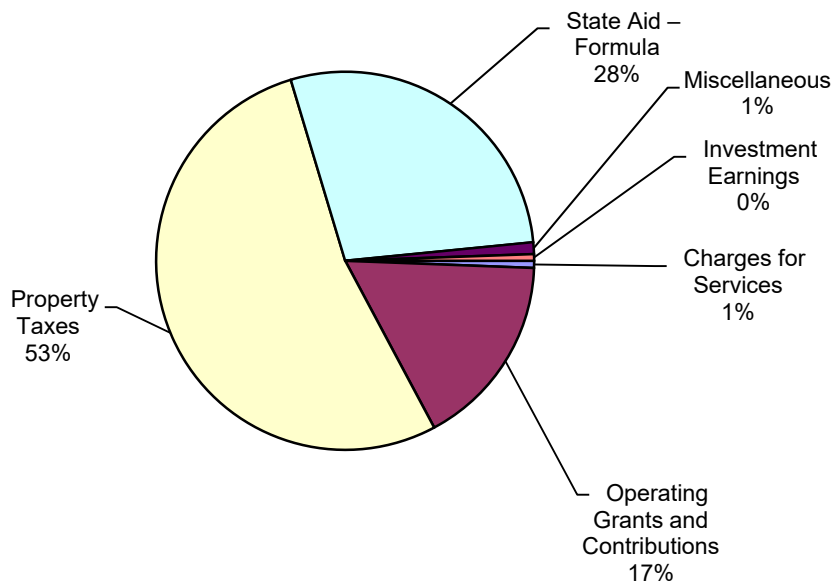
	Governmental Activities		Total Percentage Change
	2019	2018	2019-2018
Current assets:			
Cash and cash equivalents	\$ 2,320.7	\$ 2,034.1	14.1%
Property taxes receivable	161.0	133.3	20.8%
Allowance for uncollectible taxes	(4.8)	(4.3)	11.6%
Due from other governments	155.7	215.2	-27.6%
Internal balances	75.2	85.3	-11.8%
Other receivables	5.0	5.0	0.0%
Prepayments	36.7	11.6	216.4%
Total current assets	<u>2,749.5</u>	<u>2,480.2</u>	10.9%

Noncurrent assets:			
Capital Assets	10,270.9	10,074.8	1.9%
Less accumulated depreciation	(6,058.1)	(5,909.4)	2.5%
Total noncurrent assets	<u>4,212.8</u>	<u>4,165.4</u>	<u>1.1%</u>
Total Assets	<u>6,962.3</u>	<u>6,645.6</u>	<u>4.8%</u>
Deferred Outflows of Resources			
Deferred Outflow - Pensions	919.0	455.9	101.6%
Deferred Outflow - OPEB	195.3	32.6	499.1%
Total Deferred Outflows of Resources	<u>1,114.3</u>	<u>488.5</u>	<u>128.1%</u>
Current liabilities:			
Accounts payable	17.6	16.0	10.0%
Interest Payable	-	1.8	-100.0%
Accrued wages payable	305.3	264.8	15.3%
Due to fiduciary funds	0.6	0.6	0.0%
Accrued expenses	8.3	7.0	18.6%
Total current liabilities	<u>331.8</u>	<u>290.2</u>	<u>14.3%</u>
Long-term liabilities:			
Notes Payable	-	116.4	-100.0%
Net Pension Liability	1,594.0	992.9	60.5%
Net OPEB Liability	2,307.9	2,532.2	-8.9%
Total Long-term liabilities	<u>3,901.9</u>	<u>3,641.5</u>	<u>7.2%</u>
Total Liabilities	<u>4,233.7</u>	<u>3,931.7</u>	<u>7.7%</u>
Deferred Inflows of Resources			
Deferred Inflow - Pensions	167.5	174.0	-3.7%
Deferred Inflow - OPEB	1,388.5	1,059.2	31.1%
Total Deferred Outflows of Resources	<u>1,556.0</u>	<u>1,233.2</u>	<u>26.2%</u>
Net Position:			
Invested in capital assets	4,212.9	4,049.0	4.0%
Restricted for Federal & State Programs	-	25.7	-100.0%
Unrestricted	(1,925.9)	(2,105.5)	-8.5%
Total Net Position	<u>\$ 2,287.0</u>	<u>\$ 1,969.2</u>	<u>16.1%</u>

Changes in net position. The District's total revenues were \$7,885.8 thousand. A significant portion, 53 percent, of the District's revenue comes from taxes. (See Figure A-3.) 28 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 \$7,570.5 thousand 54 percent of these costs are for instructional and student services.

**Figure A-3 2019 Revenue Sources**



**Governmental Activities**

- A 4% increase in Property tax rates in 2019, along with a 2.4% increase in values resulted in the increase of tax revenues from \$3,930.0 thousand to \$4,191.8 thousand.

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

	Governmental Activities		Percentage Change 2019-2018
	2019	2018	
Program Revenues:			
Charges for Services	\$ 48.2	\$ 47.4	1.7%
Operating Grants and Contributions	1,307.7	(0.8)	-163562.5%
General Revenue			
Property Taxes	4,191.8	3,930.0	6.7%
State Aid - Formula	2,214.2	2,379.2	-6.9%
Investment Earnings	44.3	12.7	248.8%
Other	79.6	23.9	233.1%
Total Revenue	<u>7,885.8</u>	<u>6,392.4</u>	<u>23.4%</u>
Instruction	4,055.3	2,510.4	61.5%
Instructional Resources and Media Services	95.3	40.9	133.0%
Curriculum and Instructional Staff Development	29.4	26.8	9.7%
School Leadership	377.2	216.5	74.2%
Guidance Counseling and Evaluation Services	171.7	66.5	158.2%
Health Services	63.5	30.6	107.5%
Student (Pupil) Transportation	186.6	139.8	33.5%
Food Services	406.1	308.4	31.7%
Cocurricular/Extracurricular Activities	704.2	503.9	39.7%
General Administration	346.0	233.1	48.4%
Plant Maintenance and Operations	663.2	569.5	16.5%
Security and Monitoring Services	7.5	8.2	-8.5%
Data Processing Service	135.0	98.3	37.3%
Debt Service - Interest	5.4	3.6	50.0%
Facilities Acquisition and Construction	-	-	0.0%
Payments to Fiscal Agent	133.5	132.5	0.8%
Other Intergovernment Charges	190.6	188.8	1.0%
Total Expense	<u>7,570.5</u>	<u>5,077.8</u>	<u>49.1%</u>
Excess (Deficiency) Before Other Resources, Uses & Transfers	315.3	1,314.6	-76.0%
Other Resources (Uses)	-	-	0.0%
Increase ( Decrease) in Net Position	<u>\$ 315.3</u>	<u>\$ 1,314.6</u>	<u>-76.0%</u>

**Figure A-4 2019 Expenses by Function**

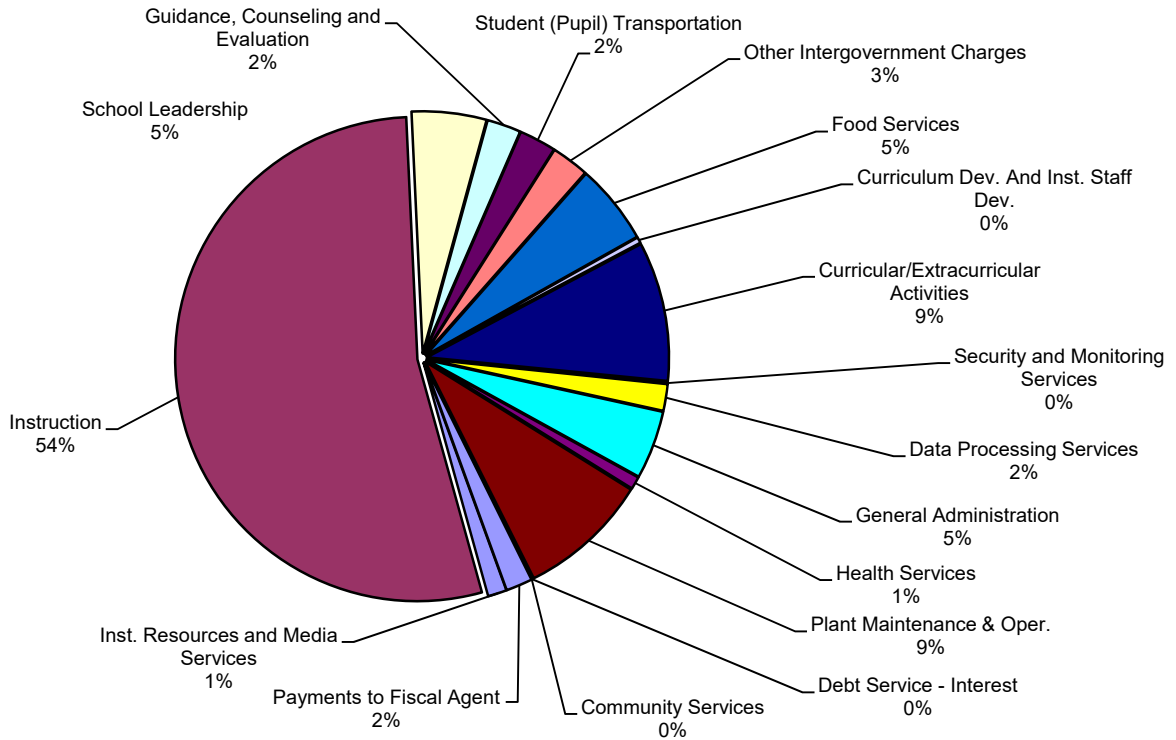


Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$7,570.5 thousand.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$4,191.8 thousand.
- Some of the cost was paid by those who directly benefited from the programs \$48.2 thousand, or
- By grants and contributions \$1,307.7 thousand.

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

	Total Costs of Services			Net Cost of Services		
	2019	2018	Percent Change	2019	2018	Percent Change
Instructional	\$ 4,055.3	\$ 2,510.4	61.5%	\$ 3,397.4	\$ 2,530.6	34.3%
School Administration	346.0	233.1	48.4%	321.3	279.3	15.0%
Plant Maintenance & Operations	663.2	569.5	16.5%	642.8	603.3	6.5%
Cocurricular/Extracurricular	704.2	503.9	39.7%	653.6	537.7	21.6%

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$7,885.8 compared to \$6,392.4 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 \$478,516 below final budget amounts. However, resources available were \$83,831 below the final budgeted amount. Some reasons for these differences are:

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

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2019, the District had invested \$10,270.9 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents a 1.9% increase (including additions and deductions) over last year.

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

	Governmental Activities		Percentage
	2019	2018	Change
			2019-2018
Land	\$ 429.5	\$ 429.5	0.0%
Construction in Progress	-	-	0.0%
Building and Improvements	8,087.4	8,076.4	0.1%
Furniture & Equipment	1,754.0	1,568.9	11.8%
Totals at historical cost	10,270.9	10,074.8	1.9%
Total Accumulated Depreciation	(6,058.1)	(5,909.4)	2.5%
Net Capital Assets	\$ 4,212.8	\$ 4,165.4	1.1%

### Long Term Debt

The District had no debt outstanding at the end of the year..

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

- There is a 3.17% in appraised value used for the 2020 budget preparation.
- Tax rates decreased in 2020 from \$1.033 to .97.
- State funding is subject to legislative cuts.
- ADA stay approximately the same..

These indicators were taken into account when adopting the general fund budget for 2020. Amounts available for appropriation in the general fund budget are approximately \$7.16 million, with a small increase over the final 2019

Expenditures are budgeted increase approximately 4.93% at \$7.16 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 2020.

## 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, 2019

1

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 2,320,668
1220 Property Taxes Receivable (Delinquent)	161,004
1230 Allowance for Uncollectible Taxes	(4,830)
1240 Due from Other Governments	155,692
1267 Due from Fiduciary Fund	75,222
1290 Other Receivable, net	4,962
1410 Prepayments	36,669
Capital Assets:	
1510 Land	429,517
1520 Buildings, Net	3,122,437
1530 Furniture & Fixtures, Net	660,918
1000 Total Assets	<u>6,962,259</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflows - Pension	919,009
1706 Deferred Outflows - OPEB	195,327
1700 Total Deferred Outflow of Resources	<u>1,114,336</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	17,635
2140 Interest Payable	-
2160 Accrued Wages Payable	305,251
2150 Payroll Deductions and Withholdings Payable	-
2177 Due to Fiduciary Funds	600
2200 Accrued Expenses	8,263
Noncurrent Liabilities	
2501 Due Within One Year	-
2502 Due in More Than One Year	-
2540 Net Pension Liability	1,593,981
2545 Net OPEB Liability (proportionate Share)	<u>2,307,938</u>
2000 Total Liabilities	<u>4,233,668</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows - Pension	167,497
2606 Deferred Inflows - OPEB	1,388,486
2600 Total Deferred Inflow of Resources	<u>1,555,983</u>
<b>NET POSITION</b>	
3200 Invested in Capital Assets, Net of Related Debt	4,212,872
3820 Restricted for Federal and State Programs	-
3900 Unrestricted Net Position	<u>(1,925,928)</u>
3000 Total Net Position	<u>\$ 2,286,944</u>

The accompanying notes are an integral part of this statement.



JUNCTION INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
AUGUST 31, 2019

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
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 4,055,339	\$ 3,850	\$ 654,064	\$ (3,397,425)
12 Instructional Resources and Media Services	95,259	-	41,777	(53,482)
13 Curriculum and Staff Development	29,355	-	-	(29,355)
21 Instructional Leadership	-	-	-	-
23 School Leadership	377,240	-	34,034	(343,206)
31 Guidance Counseling and Evaluation Services	171,679	-	15,901	(155,778)
33 Health Services	63,474	-	6,251	(57,224)
34 Student (Pupil) Transportation	186,604	-	148,751	(37,853)
35 Food Services	406,056	20,528	323,305	(62,223)
36 Extracurricular Activities	704,176	23,830	26,747	(653,599)
41 General Administration	346,027	-	24,722	(321,305)
51 Facilities Maintenance and Operations	663,180	-	20,411	(642,769)
52 Security and Monitoring Services	7,561	-	-	(7,561)
53 Data Processing Services	134,986	-	11,698	(123,288)
61 Community Services	-	-	-	-
72 Debt Service - Interest	5,407	-	-	(5,407)
81 Facilities Acquisition and Construction	-	-	-	-
93 Payments related to Shared Services Arrangement	133,490	-	-	(133,490)
99 Other Intergovernment Charges	190,650	-	-	(190,650)
TG Total governmental activities	<u>\$ 7,570,483</u>	<u>\$ 48,208</u>	<u>\$ 1,307,660</u>	<u>\$ (6,214,615)</u>
Data				
Control	General revenues:			
Codes	Taxes:			
MT	Property taxes, levied for general purposes			4,191,843
DT	Property taxes, levied for debt service			-
SF	State aid-formula grants			2,214,182
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			44,286
MI	Miscellaneous			79,614
FR	Transfers In (Out)			-
TR	Total general revenues, and transfers			<u>6,529,925</u>
CN	Change in net position			315,310
NB	Net position—beginning			1,971,634
	Prior Period Adjustment			-
NE	Net position—ending			<u>\$ 2,286,944</u>

The accompanying notes are an integral part of this statement.

JUNCTION INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2019

Data Control Codes	10 General Fund	20 Special Revenue Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 2,320,310	\$ 359
1220 Property Taxes - Delinquent	161,004	-
1230 Allowance for Uncollectible Taxes (Credit)	(4,830)	-
1240 Due from Other Governments	106,296	49,396
1260 Due from Other Funds	88,585	-
1290 Other Receivable, net	4,962	-
1410 Prepayments	36,669	-
1000 Total Assets	<u>\$ 2,712,996</u>	<u>\$ 49,755</u>
<b>LIABILITIES</b>		
2110 Accounts Payable	\$ 17,561	\$ 74
2120 Short Term Bonds and Loans Payable	-	-
2140 Interest Payable	-	-
2150 Payroll Deductions & Withholdings Payable	-	-
2160 Accrued Wages Payable	271,605	33,646
2170 Due to Other Fund	600	13,363
2180 Due to Other Governments	-	-
2200 Accrued Expenditures/Expenses	5,591	2,672
2300 Unearned Revenue	-	-
2000 Total Liabilities	<u>295,357</u>	<u>49,755</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2601 Unavailable Revenue- Property Taxes	<u>156,174</u>	-
2600 Total Deferred Inflows of Resources	<u>156,174</u>	-
<b>FUND BALANCE</b>		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restrictions	-	-
Committed Fund Balance:		
3545 Other Committed Fund Balance	126,123	-
Unassigned Fund Balance:		
3600 Unassigned Fund Balance	<u>2,135,342</u>	-
3000 Total Fund Balances	<u>2,261,465</u>	-
4000 Total Liabilities, Deferred Inflows, & Fund Balances	<u>\$ 2,712,996</u>	<u>\$ 49,755</u>

The accompanying notes are an integral part of this statement.

	98
	Total Governmental Funds
	<hr/>
\$	2,320,669
	161,004
	(4,830)
	155,692
	88,585
	4,962
	36,669
	<hr/>
\$	<u>2,762,751</u>
	<hr/>
\$	17,635
	-
	-
	-
	305,251
	13,963
	-
	8,263
	-
	<hr/>
	<u>345,112</u>
	<hr/>
	156,174
	<hr/>
	<u>156,174</u>
	<hr/>
	-
	126,123
	<hr/>
	<u>2,135,342</u>
	<u>2,261,465</u>
	<hr/>
\$	<u><u>2,762,751</u></u>

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

<b>Total Fund Balances - Governmental Funds</b>		\$ 2,261,465
<b>1</b>	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$10,074,795 and accumulate depreciation was \$5,909,372. 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 \$116,413. 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.	4,049,010
<b>2</b>	Current year capital outlays and long-term debt principal payments are expended in the fund financial statements, but the 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 2019 capital outlays, and debt principal payments is to increase net position.	471,346
<b>3</b>	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 \$455,922, a Deferred Resource Inflow in the amount of \$174,021 and a net pension liability in the amount of \$992,921. The impact of this on Net Position is (711,020). Changes from the current year reporting of the TRS plan resulted in a decrease in net position in the amount of (\$131,449). 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 (\$842,469).	(842,469)
<b>4</b>	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. At the beginning of the year, the net position related to OPEB was a Deferred Resource Outflow in the amount of \$32,586, a Deferred Resource Inflow in the amount of \$1,059,231 and a net OPEB liability in the amount of \$2,532,217. The impact of this on Net Position is (3,558,862). Changes from the current year reporting of the OPEBS plan resulted in a increase in net position in the amount of \$57,765. 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 (\$3,501,097).	(3,501,097)
<b>4</b>	The 2019 depreciation expense increased accumulate Depreciation. The net effect on the current year's depreciation is to decrease net position.	(307,484)
<b>5</b>	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	156,173
<b>19</b>	<b>Net Position of Governmental Activities</b>	\$ 2,286,944

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, 2019

Data	10	20
Control	General	Special Revenue
Codes	Fund	Funds
<b>REVENUES:</b>		
5700 Total Local and Intermediate Sources	\$ 4,329,010	\$ 61,832
5800 State Program Revenues	2,632,898	45,146
5900 Federal Program Revenues	-	607,610
5020 Total Revenue	<u>6,961,908</u>	<u>714,588</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	3,386,479	382,381
0012 Instructional Resources and Media Services	91,439	-
0013 Curriculum and Instructional Staff Development	29,355	-
0023 School Leadership	359,082	-
0031 Guidance Counseling and Evaluation Services	163,022	-
0033 Health Services	60,280	-
0034 Student (Pupil) Transportation	379,211	-
0035 Food Services	6,264	355,164
0036 Extracurricular Activities	640,716	-
0041 General Administration	324,364	-
0051 Facilities Maintenance and Operations	715,489	-
0052 Security and Monitoring Services	7,561	-
0053 Data Processing Services	129,301	-
Debt Service:		
0071 Debt Service - Principal on long-term debt	388,328	-
0072 Interest on Long Term Debt	5,407	-
Capital Outlay:		
0081 Facilities Acquisition and Construction	-	-
Intergovernmental:		
0093 Payments to Fiscal Agent/Member Districts of SSA	133,490	-
0099 Other Intergovernment Charges	190,650	-
6030 Total Expenditures	<u>7,010,438</u>	<u>737,545</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>(48,530)</u>	<u>(22,957)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
7914 Non-current Loan Proceeds	271,915	-
7915 Operating Transfers In	14,042	11,343
8911 Operating Transfers Out	(11,343)	(14,042)
Total Other Financing Sources (Uses)	<u>274,614</u>	<u>(2,699)</u>
1200 Net Change in Fund Balances	226,084	(25,656)
0100 Fund Balance - September 1 (Beginning)	2,035,381	25,656
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,261,465</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

98
Total Governmental
Funds

\$ 4,390,842
2,678,044
607,610
<u>7,676,496</u>

3,768,860
91,439
29,355
359,082
163,022
60,280
379,211
361,428
640,716
324,364
715,489
7,561
129,301

388,328
5,407

-

133,490
190,650
<u>7,747,983</u>

<u>(71,487)</u>
-----------------

271,915
25,385
(25,385)
<u>271,915</u>

200,428
2,061,037
<u>\$ 2,261,465</u>

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, 2019

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$ 200,428
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 2019 capital outlays and debt principal payments is to increase net position.	471,346
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.	(307,484)
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.	24,704
Current year changes due to GASB 68 increased revenues in the amount of \$115,278 but also increased expenditures in the amount of \$246,727. The net effect on the change in the ending net position was a decrease in the amount of \$131,449.	(131,449)
Current year changes due to GASB 75 increased revenues in the amount of \$69,314 but also increased expenditures in the amount of \$11,549. The net effect on the change in the ending net position was a increase in the amount of \$57,765	57,765
<b>Change in Net Position of Governmental Activities</b>	\$ 315,310

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, 2019

	Agency Funds
<b>ASSETS:</b>	
Cash & Cash Equivalents	\$ 135,312
Due From Other Governments	-
Due From Other Funds	600
Total Assets	\$ 135,912
 <b>LIABILITIES:</b>	
Accounts Payable	\$ 8,213
Due to Other Funds	75,222
Due to Student Groups	52,477
Total Liabilities	\$ 135,912

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2019**

**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 (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *GASB Statement No. 76*; 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.

*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.

*Fair Value Measurement.* As of August 31, 2019, Junction Independent School District retrospectively / prospectively applied Government Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

*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.

**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 tuition paid by students not residing in the district, 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, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

#### **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:

3. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The Districts Agency Fund is the Student Activity Fund

#### **E. FUND BALANCE POLICY**

Junction Independent School District reports fund balance for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or must be maintained intact and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications - committed, assigned, and unassigned.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action. The authority to make assignments shall be in effect until modified or rescinded by the Board by majority vote in a scheduled meeting.

#### **F. OTHER ACCOUNTING POLICIES**

1. The District records purchases of supplies as expenditures.
2. The District records its investments in external investment pools at cost, which approximates fair value.

3. The District provides risk management obligations by carrying appropriate insurance. Property and general liability insurance are obtained from the Texas Association of School Boards Risk Management Fund. Risk of loss is not retained by the District.
4. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
5. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.
6. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
7. 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 government.
8. 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
Infrastructure	40
Vehicles	10
Office Equipment	10
Computer Equipment	10

9. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Districts deferred outflows of resources consist of differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (OPEB), change in proportion and differences between employer's contributions and the proportionate share of contributions (pension & OPEB), and contributions paid to TRS subsequent to the measurement date (pension & OPEB).

10. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. In the government wide financial statements, the District reports a deferred inflow of resources for differences between expected and actual actuarial experience (pension & OPEB), changes in actuarial assumptions (pension & OPEB), differences between projected and actual investment earnings (pension), and changes in proportion and differences between employer's contributions and the proportionate share of contributions (pension).

## **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, 2019, 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>Investment Maturities</u> (in years)		<u>Credit Rating</u>
	<u>Fair Value</u>	<u>Less Than 1</u>	
Investment Pools	\$ 5,535	\$ 5,535	AAA
	<u>\$ 5,535</u>	<u>\$ 5,535</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, 2019 and Interfund transfers for the year ended August 31, 2019 consisted of the following individual fund balances:

<b>Interfund Balance</b>	<u>From Other Funds</u>	<u>To Other Funds</u>
General Fund:		
Special Revenue Fund	\$ 21,406	
Trust & Agency	75,222	\$ 600
Total General Fund	<u>96,629</u>	<u>600</u>
Special Revenue Fund		
General Fund	-	21,406
Total Special Revenue Fund	<u>-</u>	<u>21,406</u>
Trust & Agency		
General Fund	600	75,222
Total Trust & Agency Fund	<u>600</u>	<u>75,222</u>
Total Interfund Balances	<u>\$ 97,229</u>	<u>\$ 97,229</u>
<b>Interfund Transfers</b>		
General Fund:		
Special Revenue Fund	\$ 14,042	\$ 11,343
Total General Fund	<u>14,042</u>	<u>11,343</u>
Special Revenue Fund:		
General Fund	11,343	14,042
Total Special Revenue Fund	<u>11,343</u>	<u>14,042</u>
TOTAL	<u>\$ 25,385</u>	<u>\$ 25,385</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, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 429,517	\$ -	\$ -	\$ 429,517
Construction in Progress	-	-	-	-
Total capital assets not being depreciated	<u>429,517</u>	<u>-</u>	<u>-</u>	<u>429,517</u>
<i>Capital assets being depreciated:</i>				
Buildings and Improvements	8,076,361	11,000	-	8,087,361
Furniture and Equipment	1,568,917	343,932	158,805	1,754,044
Total capital assets being depreciated	<u>9,645,278</u>	<u>354,932</u>	<u>158,805</u>	<u>9,841,405</u>
Less accumulated depreciation for:				
Buildings and Improvements	4,754,184	199,740	-	4,953,924
Furniture and Equipment	1,155,188	107,744	158,805	1,104,127
Total accumulated depreciation	<u>5,909,372</u>	<u>307,484</u>	<u>158,805</u>	<u>6,058,051</u>
Total capital assets being depreciated, net	<u>3,735,906</u>	<u>47,448</u>	<u>-</u>	<u>3,783,354</u>
Governmental activities capital assets, net	<u>\$ 4,165,423</u>	<u>\$ 47,448</u>	<u>\$ -</u>	<u>\$ 4,212,871</u>

Depreciation was charged to functions as follows:

Instruction	\$ 124,515
Student Transportation	73,957
Food Services	32,090
Cocurricular/Extracurricular	48,132
General Administration	7,681
Plant Maintenance and Operations	21,109
	<u>\$ 307,484</u>

## E. 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, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
<i>Notes Payable:</i>					
FSB - 31533 Bus 11	\$ 58,209	\$ -	\$ 58,209	\$ -	\$ -
FSB - 31659 Bus 12	58,204	-	58,204	-	-
FSB - 32644 Bus Loan	-	271,915	271,915	-	-
Total Notes Payable	<u>116,413</u>	<u>271,915</u>	<u>388,328</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 116,413</u>	<u>\$ 271,915</u>	<u>\$ 388,328</u>	<u>\$ -</u>	<u>\$ -</u>

**F. 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, 2019 is as follows:

Description	Interest Rate Payable	Amount	Interest	Payable	
		Original Issue	Current Year	Outstanding 09/01/2018	Outstanding 08/31/2019
FSB - 31533 Bus 11	2.78%	\$ 85,000	\$ 707	\$ 58,209	\$ -
FSB - 31659 Bus 12	2.78%	85,000	706	58,204	-
FSB - 32644 Bus Loan	4.50%	271,915	3,994	-	-
		<u>\$ 441,915</u>	<u>\$ 5,407</u>	<u>\$ 116,413</u>	<u>\$ -</u>

**G. 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 2018 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2018.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$209,611,328,793
Less: Plan Fiduciary Net Position	<u>(154,568,901,833)</u>
Net Pension Liability	<u>\$ 55,042,426,960</u>
Net Position as percentage of Total Pension Liability	73.74%

**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. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. Contribution Rates can be found in the TRS 2018 CAFR, Note 11, on page 76.

	<u><b>Contribution Rates</b></u>	
	<u><b>2018</b></u>	<u><b>2019</b></u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Junction ISD 2019 Employer Contributions	\$	106,029
Junction ISD 2019 Member Contributions	\$	308,725
Junction ISD 2018 NECE On-Behalf Contributions	\$	207,191

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, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions.**

Roll Forward – A change was made in the measurement date of the total pension liability for the 2018 measurement year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total pension liability to August 31, 2018. This is the first year using the roll forward procedures.

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System’s actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan. The active mortality rates were based on 90 percent of the RP 2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the so18 TRS of Texas Healthy Pensioner Mortality Tables.

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.90%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August, 2018	3.69% - Source for the rate is the Fixed income Market Data/Yield Curve/Data 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."
Last year ending August 31 in Projection Period (100 Years)	2116
Inflation	2.3%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
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, 2017 and adopted in July 2018

**Discount Rate.** The single discount rate used to measure the total pension liability was 6.907%. The Discount Rate can be found in the 2018 TRS CAFR on page 77. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation <sup>1</sup>	Long Term Expected Arithmetic Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18%	5.7%	1.04%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.95%	0.8%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
<b>Stable Value</b>			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0.0%	0.0%
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	-0.3%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.7%	0.2%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	3.7%	0.18%
Inflation Expectation	0%	0%	2.30%
Volatility Drag <sup>2</sup>	0%	0%	-0.79%
<b>Total</b>	<b>100%</b>		<b>7.25%</b>

1 Target allocations are based on the FY2016 policy model.

2 The Expected Contribution to Long-Term Portfolio 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 2018 Net Pension Liability.

	<b><u>1% Decrease in Discount Rate (5.907%)</u></b>	<b><u>Discount Rate (6.907%)</u></b>	<b><u>1% Increase in Discount Rate (7.907%)</u></b>
Junction ISD's proportionate share of the net pension liability:	\$ 2,405,700	\$ 1,593,981	\$ 936,847

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At August 31, 2019, Junction Independent School District reported a liability of \$1,593,981 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	\$ 1,593,981
State's proportionate share that is associated with the District	<u>3,387,437</u>
Total	<u>\$ 4,981,418</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 and rolled forward to August 31, 2018. 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .0028959135% which was a .0002094288% decrease from its proportion measured as of August 31, 2017.

**Changes Since the Prior Actuarial Valuation** – Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability..

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, 2019, Junction Independent School District recognized pension expense of \$572,744 and revenue of \$335,266 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2019, 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	\$ 9,936	\$ 39,110
Changes in actuarial assumptions	574,707	17,960
Difference between projected and actual investment earnings		30,245
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	228,337	80,182
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	106,029	
Total	\$919,009	\$167,497

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
2020	\$ 180,631
2021	116,983
2022	97,695
2023	98,867
2024	95,514
Thereafter	55,793

**H. 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 retiree with and without Medicare coverage.

TRS-Care Standard Plan Premium Rates		
Effective January 1, 2018 - December 31, 2018		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

\* 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 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .75% 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.

**Contribution Rates**

	<b><u>2018</u></b>	<b><u>2019</u></b>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding by employer	1.25%	1.25%
Junction ISD 2019 Employer Contributions	\$	33,928
Junction ISD 2019 Member Contributions	\$	26,061
Junction ISD 2018 NECE On-Behalf Contributions	\$	43,837

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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

***Actuarial Assumptions.***

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

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 that was rolled forward to August 31, 2018:

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 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Inflation	2.30%
Discount Rate *	3.69% *
Aging Factors	Based on plan specific experience
Election Rates	Normal retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	3.0%
Projected Salary Increases **	3.05% to 9.05% **
Healthcare Trend Rates ***	4.50% to 11.00%***
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, 2018.

\*\* Includes Inflation at 2.30%

\*\*\* Initial trend rates are 6.75% for non-Medicare retirees; 9.00% for Medicare retirees and 11.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years.

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

**Discount Rate.** A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of .27 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2018 TRS CAFR on page 71.* 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.

**Sensitivity of the Net OPEB Liability:**

**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:	\$1,916,780	\$2,307,938	\$2,823,101

**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 (3.69%) in measuring the 2018 Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Junction ISD's proportionate share of the net OPEB liability:	\$2,747,239	\$2,307,938	\$1,960,422

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.** At August 31, 2019, Junction Independent School District reported a liability of \$2,307,938 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 OPEB liability that was associated with Junction Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 2,307,938
State's proportionate share that is associated with the District	<u>3,177,367</u>
Total	<u>\$ 5,485,305</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 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 OPBE plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net OPBE liability was .0046222618% which was an increase (decrease) of (.0012007686%) from its proportion measured as of August 31, 2017.

**Changes Since the Prior Actuarial Valuation** – There following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period.

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIB) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.

- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

Changes in Benefit Terms: The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2019, Junction Independent School District recognized OPEB expense of \$91,737 and revenue of \$115,574 for support provided by the State.

At August 31, 2019, 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	\$ 122,474	\$ 36,423
Changes in actuarial assumptions	38,513	693,403
Difference between projected and actual investment earnings	404	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	8	658,660
Contributions paid to TRS subsequent to the measurement date	33,928	
Total	\$195,327	\$1,388,486

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
2020	\$ (172,770)
2021	(172,770)
2022	(172,770)
2023	(172,846)
2024	(172,892)
Thereafter	(363,039)

**I. 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 \$14,653, \$11,488 and \$11,421, for fiscal years 2019, 2018, and 2017, respectively.

**J. HEALTH CARE COVERAGE**

The District sponsors a modified self-insurance plan to provide health care benefits to staff. During the year ended August 31, 2019, 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, 2018, and terms of coverage and premiums costs are included in the contractual provisions.

**K. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2019, 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>OTHER</u>	<u>TOTAL</u>
General	\$ 89,727	\$ -	\$ 16,569	\$ 106,296
Special Revenue		49,396	-	49,396
	<u>\$ 89,727</u>	<u>\$ 49,396</u>	<u>\$ 16,569</u>	<u>\$ 155,692</u>

## L. 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	\$ 4,167,138	\$ -	\$ 4,167,138
Penalties & Interest and Other			
Tax -related Income	51,488	-	51,488
Investment Income	44,286	-	44,286
Food Sales	1,267	19,261	20,528
Rent	3,850	-	3,850
Co-curricular Student Activities	23,830	-	23,830
Other	37,151	42,571	79,722
	<u>\$ 4,329,010</u>	<u>\$ 61,832</u>	<u>\$ 4,390,842</u>

## M. 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, 2019 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.

## N. 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, 2019. No provision has been made in the financial statements regarding these matters.

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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, 2019

Data	Budgeted Amounts	
Control	Original	Final
Codes	Original	Final
<b>REVENUES:</b>		
5700 Total Local and Intermediate Sources	\$ 4,381,000	\$ 4,426,080
5800 State Program Revenues	2,480,644	2,614,659
5900 Federal Program Revenues	5,000	5,000
5020 Total Revenue	<u>6,866,644</u>	<u>7,045,739</u>
<b>EXPENDITURES:</b>		
<b>Current:</b>		
0011 Instruction	3,574,282	3,497,282
0012 Instructional Resources and Media Services	95,021	95,021
0013 Curriculum and Instructional Staff Development	22,820	34,820
0023 School Leadership	360,222	361,222
0031 Guidance Counseling and Evaluation Services	166,627	172,627
0033 Health Services	61,862	63,862
0034 Student (Pupil) Transportation	255,380	527,295
0035 Food Services	4,250	12,250
0036 Cocurricular/Extracurricular Activities	583,774	662,774
0041 General Administration	347,647	347,647
0051 Plant Maintenance and Operations	833,480	824,560
0052 Security and Monitoring Services	11,700	11,700
0053 Data Processing Services	132,479	135,479
0061 Community Service	500	500
<b>Debt Service:</b>		
0071 Debt Service - Principal on long-term debt	62,400	389,315
0072 Interest on Long Term Debt	9,200	7,600
<b>Intergovernmental:</b>		
0093 Payments to Fiscal Agent/Member Districts of SSA	145,000	145,000
0099 Other Intergovernment Charges	200,000	200,000
6030 Total Expenditures	<u>6,866,644</u>	<u>7,488,954</u>
1100 Excess (Deficiency) Revenues Over Expenditures	<u>-</u>	<u>(443,215)</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
7914 Non-current Loan Proceeds	-	271,915
7915 Operating Transfers In	1,000	1,000
8911 Operating Transfers Out	(1,000)	(21,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>251,915</u>
1200 Net Change in Fund Balances	-	(191,300)
0100 Fund Balance - September 1 (Beginning)	<u>2,035,381</u>	<u>2,035,381</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,035,381</u>	<u>\$ 1,844,081</u>

The accompanying notes are an integral part of this statement.



Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
\$ 4,329,010	\$ (97,070)
2,632,898	18,239
-	(5,000)
6,961,908	(83,831)
3,386,479	110,803
91,439	3,582
29,355	5,465
359,082	2,140
163,022	9,605
60,280	3,582
379,211	148,084
6,264	5,986
640,716	22,058
324,364	23,283
715,489	109,071
7,561	4,139
129,301	6,178
-	500
388,328	987
5,407	2,193
133,490	11,510
190,650	9,350
7,010,438	478,516
(48,530)	394,685
271,915	-
14,042	13,042
(11,343)	9,657
274,614	22,699
226,084	417,384
2,035,381	-
\$ 2,261,465	\$ 417,384

JUNCTION INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>	FY 2017 <u>Plan Year 2016</u>	FY 2016 <u>Plan Year 2015</u>	FY 2015 <u>Plan Year 2014</u>
Districts Proportion of the Net Pension Liability (Asset)	0.0028959135%	0.0031053423%	.00281438075%	0.0030904000%	0.0016927000%
Districts Proportionate Share of the Net Pension Liability (Asset)	\$ 1,593,981	\$ 992,921	\$ 1,063,513	\$ 1,092,415	\$ 452,143
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,387,437	2,038,944	2,563,782	2,426,742	2,265,325
Total	<u>\$ 4,981,418</u>	<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	\$ 3,822,427	\$ 3,031,865	\$ 3,627,295	\$ 3,519,157	\$ 2,717,468
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	41.70%	32.75%	29.32%	31.04%	16.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 106,029	\$ 98,730	\$ 90,912	\$ 89,420	\$ 91,508
Contribution in Relation to the Contractually Required Contribution	(106,029)	(98,730)	(90,912)	(89,420)	(91,508)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 4,009,415	\$ 3,822,427	\$ 3,031,865	\$ 3,627,295	\$ 3,519,157
Contributions as a percentage of covered-Employee Payroll	2.64%	2.58%	3.00%	2.47%	2.60%

JUNCTION INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>
Districts Proportion of the Net OPEB Liability (Asset)	0.0046222618%	0.0058230304%
Districts Proportionate Share of the Net OPEB Liability (Asset)	\$ 2,307,938	\$ 2,532,217
State's Proportionate Share of the Net OPEB Liability (Asset) associated with the District	3,177,367	2,883,387
Total	<u>\$ 5,485,305</u>	<u>\$ 5,415,604</u>
District's Covered-Employee Payroll	\$ 3,822,427	\$ 3,671,634
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of covered-Employee Payroll	60.38%	68.97%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	1.57%	0.91%

JUNCTION INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 FOR THE YEAR ENDED AUGUST 31, 2019

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	2019	2018
Contractually Required Contribution	\$ 33,928	\$ 32,191
Contribution in Relation to the Contractually Required Contribution	(33,928)	(32,191)
Contribution Deficiency (Excess)	\$ -	\$ -
 District's Covered-Employee Payroll	 \$ 4,009,415	 \$ 3,822,427
 Contributions as a percentage of covered-Employee Payroll	 0.85%	 0.84%

**JUNCTION INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2019**

A. Notes to Schedules for the TRS Pension

*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.*

Assumptions, methods, and plan changes which are specific to the Pension Trust Fund were updated from the prior year's report. The Net Pension Liability increased significantly since the prior measurement date due to a change in the following actuarial assumptions:

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants were updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

B. Notes to Schedules for the TRS OPEB Plan

*Changes in Benefit.*

The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during plan years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

*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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIB) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

In this valuation the impact of the Cadillac tax has been calculated as a portion of the trend assumption.

Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption

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## REQUIRED TEA SCHEDULES

JUNCTION INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2019

For Years Ended August 31	(1) Tax Rates		(3) Assessed/Appraised Value For School Tax Purposes	(10) Beginning Balance 9/1/2018
	Maintenance	Debt Service		
2009 and prior years	Various	Various	Various	18,965
2011	0.95330	-	293,487,599	2,553
2012	0.95330	-	309,243,575	2,635
2013	0.95330	-	337,012,063	3,600
2014	0.95330	-	342,724,221	5,126
2015	0.95330	-	371,857,757	5,429
2016	0.95330	-	369,543,556	12,242
2017	0.95330	-	359,259,040	21,494
2018	0.99330	-	395,431,950	61,262
2019 (School year under audit)	1.03330	-	404,961,949	
1000 TOTALS				133,306

(20) Current Year's Total Levy	(31) Maintenance Total Collections	(32) Debt Service Total Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
	237	-	(6)	18,734
	5	-	13	2,535
	101	-	13	2,521
	1,103	-	7	2,490
	2,014	-	(18)	3,130
	1,192	-	(122)	4,359
	2,621	-	(97)	9,718
	6,071	-	384	15,038
	36,531	-	(861)	25,591
<u>4,184,472</u>	<u>4,117,262</u>	<u>-</u>	<u>(9,678)</u>	<u>76,887</u>
<u><u>4,184,472</u></u>	<u><u>4,167,138</u></u>	<u><u>-</u></u>	<u><u>(10,364)</u></u>	<u><u>161,004</u></u>

JUNCTION INDEPENDENT SCHOOL DISTRICT  
 BUDGETARY COMPARISON SCHEDULE  
 CHILD NUTRITION PROGRAM  
 YEAR ENDED AUGUST 31, 2019

Data	Budgeted Amounts		
Control	Original	Final	
Codes			
<b>REVENUES:</b>			
5700	Total Local and Intermediate Sources	\$ 17,500	\$ 17,500
5800	State Program Revenues	8,000	8,000
5900	Federal Program Revenues	<u>329,477</u>	<u>329,477</u>
5020	Total Revenue	<u>354,977</u>	<u>354,977</u>
<b>EXPENDITURES:</b>			
Current:			
0035	Food Services	<u>356,477</u>	<u>376,477</u>
6030	Total Expenditures	<u>356,477</u>	<u>376,477</u>
1100	Excess (Deficiency) Revenues Over Expenditures	<u>(1,500)</u>	<u>(21,500)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7915	Operating Transfers In	<u>1,500</u>	<u>21,500</u>
	Total Other Financing Sources (Uses)	<u>1,500</u>	<u>21,500</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)
\$ 26,722	\$ 9,222
10,860	2,860
<u>306,239</u>	<u>(23,238)</u>
<u>343,821</u>	<u>(11,156)</u>
<u>355,164</u>	<u>21,313</u>
<u>355,164</u>	<u>21,313</u>
<u>(11,343)</u>	<u>10,157</u>
<u>11,343</u>	<u>(10,157)</u>
<u>11,343</u>	<u>(10,157)</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

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## 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, 2019, 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 11, 2019.

### 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 11, 2019

## SCHOOLS FIRST QUESTIONNAIRE

JUNCTION INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2019

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.	\$1,593,981
SF13	Net Pension Expense (6147) at fiscal year end.	\$2,307,938