

ABERNATHY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2007

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

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**ABERNATHY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007**

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CERTIFICATE OF BOARD

Abernathy Independent School District
Name of School District

Hale
County

095-901
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 June 30, 2007, at a meeting of the Board of Trustees of such school district on the ___ day of _____, 2007.

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

Independent Auditors' Report

UNQUALIFIED OPINION ON THE BASIC FINANCIAL STATEMENTS

Board of School Trustees
Abernathy Independent School District
Abernathy, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Abernathy Independent School District (the District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Abernathy Independent School District, as of June 30, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's discussion and analysis and budgetary comparison information on pages 3-8 and 32, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Abernathy Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The other supplementary information, including the Texas Education Agency requested schedules, listed in the table of contents are likewise presented for purposes of additional analysis and also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Exhibit J-3 - Fund Balance and Cash Flow Calculation Worksheet, which is marked "Unaudited", has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on exhibit J-3.

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

October 4, 2007

ABERNATHY INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

Our discussion and analysis of the Abernathy Independent School District's financial performance provides an overview of the District's financial performance for the year ended June 30, 2007. It should be read in conjunction with the District's Basic Financial Statements and independent auditors' report.

The Management's Discussion and Analysis (MD&A) is an element of the new financial reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued June, 1999. The Texas Education Agency mandated all school districts in Texas adopt the new financial reporting model effective September 1, 2001.

FINANCIAL HIGHLIGHTS

- The net assets of the District increased by \$617,284 or 12.4%. This increase is primarily due to an increase in fund balance resulting from an increase in property values and a change in state funding mechanisms allowing the district to realize a one year bump in tax revenue accruing to the District. The District's statement of activities showed total revenues were \$8,338,287, and expenses totaled \$7,721,003.
- The District ended the year, June 30, 2007, with total net assets of \$5,596,294, and unrestricted net assets of \$3,732,099. The balance of cash and investments at June 30, 2007, was \$3,534,197.
- Total general fund expenditures were \$7,053,281 for the year ended June 30, 2007, this compares with general fund expenditures of \$8,567,127 for the year ended June 30, 2006. This decrease in expenditures reflects the completion of remodeling due to a catastrophic fire during the fall of 2004.
- The District's total revenues on the fund financial statements decreased from \$8,802,339 in 2005-06 to \$8,332,953 in 2006-07, again due to insurance proceeds related to the fire being received in the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a whole, and then proceed to provide an increasingly detailed look at specific financial activities.

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

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

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

The combining statements for nonmajor funds contain information about the District's individual nonmajor funds. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

Government-Wide Financial Statements

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

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

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

In the Statement of Net Assets and the Statement of Activities, the District is reporting its governmental activities. The District currently has no business type activities or component units as defined in the GASB Statement no. 34.

- Governmental activities – All of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education through TEA. The District's administration establishes many other funds to help it control and manage money for particular purposes. The District's three fund types—governmental, proprietary and fiduciary – use different accounting approaches.

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

- Proprietary funds – The District reports the activities for which it charges users (other units of the District) in

proprietary funds using the same accounting methods employed in the Statement of Net Assets and the Statement of Activities. The internal service funds (the District's only category of proprietary funds) report activities that provide worker's compensation insurance coverage to the District's other programs and activities.

· Fiduciary funds – The District is the trustee, or fiduciary, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the government wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in Net Assets

The District's net assets increased during the year ended June 30, 2007. The net assets increased by \$617,284 (see Table II). The net assets of the District's Internal Service Fund decreased by \$3,220. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$3,732,099 at June 30, 2007. This compares with the District's unrestricted net assets at June 30, 2006 of \$2,929,364, an increase of \$802,735.

Table I

**Abernathy Independent School District
Net Assets
June 30, 2007 and 2006**

	June 30, 2007	June 30, 2006
Cash and Temporary Investments	\$ 3,534,197	\$ 2,899,325
Receivables	584,645	730,644
Capital Assets	2,261,518	2,243,377
Total Assets	<u>\$ 6,380,360</u>	<u>\$ 5,873,346</u>
Current Liabilities	\$ 566,749	\$ 512,019
Long-Term Liabilities	397,317	382,317
Total Liabilities	<u>\$ 964,066</u>	<u>\$ 894,336</u>
Net Assets		
Invested in Capital Assets		
Net of Related Debt	\$ 1,864,195	\$ 2,049,646
Unrestricted Net Assets	3,732,099	2,929,364
Total Net Assets	<u>\$ 5,596,294</u>	<u>\$ 4,979,010</u>

Table II

**Abernathy Independent School District
Changes in Net Assets For the Years Ended
June 30, 2007 and 2006**

	June 30,	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program Revenues:		
Charges For Services	\$ 70,022	\$ 61,578
Operating Grants and Contributions	1,058,935	1,007,935
General Revenues:		
Maintenance and Operations Taxes	4,759,451	3,892,531
State Formula Aid	2,220,705	2,157,018
Investment Earnings	166,421	107,142
Miscellaneous	62,753	1,600,975
Total Revenue	<u>\$ 8,338,287</u>	<u>\$ 8,827,179</u>
Expenses:		
Instruction and Instructional-Related Services	\$ 4,378,914	\$ 4,118,623
Instructional and School Leadership	438,184	429,944
Student Support Services	200,562	183,224
Student Transportation	154,961	129,950
Food Services	222,351	217,465
Extracurricular Activities	458,889	415,824
General Administration	468,158	423,943
Plant Maintenance and Data Processing	886,044	1,001,689
Data Processing Services	140,730	151,145
Community Services	9,641	9,028
Debt Service	30,155	54,593
Facilities Acquisition and Construction	233,918	1,731,056
Payments to Fiscal Agent/Member Districts	98,496	95,352
	<u>\$ 7,721,003</u>	<u>\$ 8,961,836</u>
Increase (Decrease) in Net Assets	\$ 617,284	\$ (134,657)
Net Assets - Beginning of Year	<u>4,979,010</u>	<u>5,113,667</u>
Net Assets - End of Year	<u><u>\$ 5,596,294</u></u>	<u><u>\$ 4,979,010</u></u>

The District's total revenues decreased from \$8,827,179 in fiscal year 2006 to \$8,338,287, a decrease of \$488,892. This decrease was attributable to completion of the remodeling project mentioned above. The total expenses of the District decreased by \$1,240,833 from \$8,961,836 to \$7,721,003. This decrease was attributable primarily to the previously discussed catastrophic event.

Other factors impacting the District's financial position include the following:

- The District's total property tax rate changed to \$1.37 per 100 dollars of valuation. The District Appraised valuation of taxable property increased from \$255,805,086 to \$340,140,289, an increase of \$84,335,203 or 33.0%. This increase is considered significant and is related to increases in mineral values. The total

school property taxes assessed for school year 2007 were \$4,659,922. This is an increase of \$822,846 from the \$3,837,076 assessed in 2006.

- The District's average daily attendance (ADA) is the basis for most of the State funding received. The ADA has remained constant from 2006 to 2007, while base state revenues increased \$63,687 from \$2,157,018 in 2006 to \$2,220,705 in 2007 due to the changes in the state funding mechanisms.

Fund Balances

The District's total Governmental Funds fund balance was \$3,489,945. This fund balance is reported in the various Governmental funds as follows:

General Fund \$1,939,945. This balance is available for current spending, however, it has been the practice of the District to try and maintain a fund balance that is at least several months operating expenses.

Designated Fund Balance – Construction \$1,550,000 – This represents amounts the Board of Trustees has earmarked for future facilities and transportation expenditures.

Budgetary Highlights

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments were necessary to accommodate changes in federal program allotments. None of the amendments made were considered to be significant changes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the District had \$2,261,518 of capital assets, net of accumulated depreciation. Financial statement footnote no. 6 discloses the capital asset activity of the District for the year ended June 30, 2007.

Debt

The District entered the year with \$518,735 of outstanding debt related to capital leases from prior year. Footnotes no. 8 and 9 discloses the activity of the districts capital lease obligations and other debt instrument for the year ended June 30, 2007.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The District's elected and appointed officials considered factors such as the economy and enrollment trends, when setting the fiscal year 2008 budget and tax rates. Amounts available for appropriation in the General Fund budget for 2008 are \$7,357,896. Assessed property values for 2008 are \$355,009,495, an increase of 4% over the 2007 values of \$340,135,135. The District's tax rate decreased as mandated by state legislation from the \$1.37 per \$100 valuation in 2007 to a rollback rate of \$1.04 per \$100 valuation in 2008, however the board has adopted a tax rate of \$1.17 pending approval of the voters in a rollback election to be held on November 6, 2007. If approved, the district will receive an additional \$500,000 in combined state and local tax revenue, otherwise tax revenues are expected to decrease about \$950,000 if voters reject the higher rate. Current attendance figures remain constant, and State revenues are expected to increase to make up some of the difference in tax rates.

Both of these factors were considered when setting the budgetary expenditures for 2008. Budgeted expenditures are expected to increase 3% to \$7.2 million in 2008 from \$7.0 million in 2007. This is due to an increase in personnel costs. The District has added no major new programs or initiatives to the 2008 budget and plans to continue all programs currently offered.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show 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, at Abernathy Independent School District, 505 7th Street, Abernathy, Texas 79311.

BASIC FINANCIAL STATEMENTS

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET ASSETS
JUNE 30, 2007

Data Control Codes		Primary Government	Governmental Activities
	ASSETS AND OTHER DEBITS:		
1110	Cash and Temporary Investments	\$	3,534,197
1220	Property Taxes - Delinquent		156,971
1230	Allowance for Uncollectible Taxes		(5,109)
1240	Due from Other Governments		422,062
1250	Accrued Interest		408
1267	Due from Fuduciary Funds		10,313
	Capital Assets:		
1510	Land		55,779
1520	Buildings, Net		1,559,959
1530	Furniture and Equipment, Net		39,979
1540	Vehicles, Net		203,680
1550	Leased Property under Capital Leases		402,121
1000	Total Assets	\$	6,380,360
	LIABILITIES:		
2110	Accounts Payable	\$	43,129
2150	Payroll Deductions and Withholdings		97,254
2160	Accrued Wages Payable		246,366
	Noncurrent Liabilities		
2501	Due Within One Year		92,229
2502	Due in More Than One Year		305,088
2000	Total Liabilities	\$	784,066
	NET ASSETS:		
3200	Invested in Capital Assets, Net of Related Debt	\$	1,864,195
3900	Unrestricted Net Assets		3,732,099
3000	Total Net Assets	\$	5,596,294

The accompanying notes are an integral part of this statement.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		1	3	4	6
Data Control Codes		Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Funds
11	Instruction	\$ 4,229,651	\$ 687	\$ 689,442	\$ (3,539,522)
12	Instructional Resources and Media Services	69,988		3,789	(66,199)
13	Curriculum and Staff Development	79,275		3,541	(75,734)
21	Instructional Leadership	41,231		39,483	(1,748)
23	School Leadership	396,953		36,553	(360,400)
31	Guidance, Counseling, and Evaluation Services	139,966		8,639	(131,327)
33	Health Services	60,596		4,194	(56,402)
34	Student Transportation	154,961		6,605	(148,356)
35	Food Services	222,351	36,197	197,105	10,951
36	Extracurricular Activities	458,889	33,138	22,088	(403,663)
41	General Administration	468,158		14,416	(453,742)
51	Plant Maintenance and Operations	886,044		19,859	(866,185)
52	Security and Monitoring Services	1,175			(1,175)
53	Data Processing Services	139,555		3,988	(135,567)
61	Community Services	9,641		9,233	(408)
72	Interest on Long-Term Debt	30,155			(30,155)
81	Facilities Acquisition and Construction	233,918			(233,918)
93	Payments to Member Districts of SSA	97,746			(97,746)
95	Payments to Juvenile Justice Alt.Ed.Prg.	750			(750)
TP Total Primary Government		\$ 7,721,003	\$ 70,022	\$ 1,058,935	\$ (6,592,046)

Data
Control
Codes

General Revenues:

MT	Property Taxes, Levied for General Purposes	\$ 4,759,451
SF	State Aid Formula Grants	2,220,705
GC	Grants and Contributions not Restricted	23,110
IE	Investment Earnings	166,421
MI	Miscellaneous Local and Intermediate Revenue	39,643
TR	Total General Revenues and Special Items	\$ 7,209,330
CN	Change in Net Assets	\$ 617,284
NB	Net Assets - Beginning	4,979,010
NE	Net Assets - Ending	\$ 5,596,294

The accompanying notes are an integral part of this statement.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007**

Data Control Codes		10 General Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
	ASSETS			
1110	Cash and Temporary Investments	\$ 3,443,904	\$ 4,715	\$ 3,448,619
1220	Property Taxes - Delinquent	156,971		156,971
1230	Allowance for Uncollectible Taxes	(5,109)		(5,109)
1240	Receivables from Other Governments	397,230	24,832	422,062
1250	Accrued Interest	410		410
1260	Due from Other Funds	35,145		35,145
1000	Total Assets	<u>\$ 4,028,551</u>	<u>\$ 29,547</u>	<u>\$ 4,058,098</u>
	LIABILITIES AND FUND BALANCES			
	Liabilities:			
2110	Accounts Payable	\$ 43,124	\$	\$ 43,124
2150	Payroll Deductions and Withholdings Payable	97,254		97,254
2160	Accrued Wages Payable	246,366		246,366
2170	Due to Other Funds		24,832	24,832
2300	Deferred Revenue	151,862		151,862
2000	Total Liabilities	<u>\$ 538,606</u>	<u>\$ 24,832</u>	<u>\$ 563,438</u>
	Fund Balances:			
3510	Designated for Construction	\$ 1,550,000	\$	\$ 1,550,000
3590	Designated for Other Purposes		4,715	4,715
3600	Unreserved and Undesignated	1,939,945		1,939,945
3000	Total Fund Balances	<u>\$ 3,489,945</u>	<u>\$ 4,715</u>	<u>\$ 3,494,660</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,028,551</u>	<u>\$ 29,547</u>	<u>\$ 4,058,098</u>

The accompanying notes are an integral part of this statement.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT
OF NET ASSETS
JUNE 30, 2007

Total Fund Balances - Governmental Funds (Exhibit C-1)	\$ 3,494,660
<p>The District uses internal service funds to charge the costs of certain activities, such as workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.</p>	85,578
<p>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 \$6,803,994 and the accumulated depreciation was (\$4,560,611). The net effect of the beginning balances for capital assets net of depreciation and long-term debt (\$518,735) is to increase net assets.</p>	1,724,648
<p>Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statement, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2007 capital outlays (\$334,485) and debt principal payments (\$121,418) is to increase net assets.</p>	455,903
<p>The 2007 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net assets.</p>	(316,350)
<p>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 property tax revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets.</p>	<u>151,855</u>
Net Assets - Governmental Activities (See A-1)	<u><u>\$ 5,596,294</u></u>

The accompanying notes are an integral part of this statement.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Data Control Codes		10 General Fund	Nonmajor Governmental Funds	98 Total Governmental Funds
	Revenues:			
5700	Local and Intermediate Sources	\$ 5,030,201	\$ 52,447	\$ 5,082,648
5800	State Program Revenues	2,489,141	102,678	2,591,819
5900	Federal Program Revenues	<u>22,267</u>	<u>636,219</u>	<u>658,486</u>
5030	Total Revenues	\$ <u>7,541,609</u>	\$ <u>791,344</u>	\$ <u>8,332,953</u>
	Expenditures:			
0011	Instruction	\$ 3,548,815	\$ 500,649	\$ 4,049,464
0012	Instructional Resources and Media Services	66,667	345	67,012
0013	Curriculum and Staff Development	75,899		75,899
0021	Instructional Leadership		39,483	39,483
0023	School Leadership	359,842	20,223	380,065
0031	Guidance, Counseling, and Evaluation Services	132,710	1,290	134,000
0033	Health Services	56,916	1,100	58,016
0034	Student Transportation	204,035	2,773	206,808
0035	Food Services		212,716	212,716
0036	Extracurricular Activities	455,355	13,361	468,716
0041	General Administration	446,326	1,966	448,292
0051	Plant Maintenance and Operations	882,861	833	883,694
0052	Security and Monitoring Services	1,125		1,125
0053	Data Processing Services	133,545	81	133,626
0061	Community Services		9,233	9,233
0071	Principal on Long-Term Debt	121,413		121,413
0072	Interest on Long-Term Debt	30,155		30,155
0081	Facilities Acquisition and Construction	439,121		439,121
0093	Payments to Member Districts of SSA	97,746		97,746
0095	Payments to Juvenile Justice Alternative Ed. Prg.	<u>750</u>		<u>750</u>
6050	Total Expenditures	\$ <u>7,053,281</u>	\$ <u>804,053</u>	\$ <u>7,857,334</u>
1100	Excess of Revenues Over Expenditures	\$ <u>488,328</u>	\$ <u>(12,709)</u>	\$ <u>475,619</u>
	Other Financing Sources (Uses):			
7915	Transfers In	\$	\$ 15,611	\$ 15,611
8911	Transfers Out (Use)	<u>(15,611)</u>		<u>(15,611)</u>
7080	Total Other Financing Sources (Uses)	\$ <u>(15,611)</u>	\$ <u>15,611</u>	\$ <u>0</u>
1200	Net Change in Fund Balance	\$ 472,717	\$ 2,902	\$ 475,619
0100	July 1 - Fund Balance	<u>3,017,228</u>	<u>1,813</u>	<u>3,019,041</u>
3000	June 30 - Fund Balance	\$ <u><u>3,489,945</u></u>	\$ <u><u>4,715</u></u>	\$ <u><u>3,494,660</u></u>

The accompanying notes are an integral part of this statement.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit C-4

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net change in fund balances - total governmental funds (Exhibit C-3)	\$	475,619
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Amounts reported for governmental activities in the statement of activities (B-1) are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays \$334,485 exceeded depreciation (\$316,350) in the current period.	18,135
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Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the net amount by which deferred property tax revenue changed between the current year \$151,861 and the prior year (\$146,529).	5,332
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Repayment of the bond and other long-term debt principal \$121,418 is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	121,418
---	---------

Internal service funds are used by management to charge the costs of certain activities, such as workers compensation, to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities. (See D-2)	<u>(3,220)</u>
--	----------------

Change in net assets of governmental activities (Exhibit B-1)	\$	<u><u>617,284</u></u>
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The accompanying notes are an integral part of this statement.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2007

		Governmental Activities-
		<u>Internal</u>
		Worker's
		Compensation
		<u>Service Fund</u>
ASSETS:		
Cash and Temporary Investments	\$	<u>85,578</u>
Total Assets	\$	<u>85,578</u>
NET ASSETS:		
Unrestricted Net Assets	\$	<u><u>85,578</u></u>

The accompanying notes are an integral part of this statement.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit D-2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET ASSETS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

		Governmental Activities- Internal Worker's Compensation Service Fund
OPERATING REVENUES		
Charges to Other Funds	\$	37,028
Total Revenues	\$	<u>37,028</u>
OPERATING EXPENSES		
Fixed Costs and Fees	\$	19,718
Claims Paid		15,289
Cost Sharing		5,241
Total Expenses	\$	<u>40,248</u>
Change in Net Assets	\$	(3,220)
Net Assets - July 1 (Beginning)		<u>88,798</u>
Net Assets - June 30 (Ending)	\$	<u><u>85,578</u></u>

The accompanying notes are an integral part of this statement.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2007

	Governmental Activities- <u>Internal</u> Worker's Compensation <u>Service Fund</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
Cash Flows from Operating Activities	
Cash Receipts from Charges to Other Funds	\$ 37,028
Cash Payments to Suppliers for Goods and Services	<u>(40,248)</u>
Net Cash Used in Operating Activities	\$ <u>(3,220)</u>
Net Decrease in Cash and Cash Equivalents	\$ (3,220)
Cash and Cash Equivalents at Beginning of the Year	<u>88,798</u>
Cash and Cash Equivalents at End of Year	\$ <u><u>85,578</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (3,220)
Changes in Assets and Liabilities	
(Increase) Decrease in Due from Other Funds	<u>0</u>
Net Cash Used in Operating Activities	\$ <u><u>(3,220)</u></u>

The accompanying notes are an integral part of this statement.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Agency Funds</u>
ASSETS:	
Cash and Temporary Investments	\$ 63,698
Receivable	<u>10,313</u>
Total Assets	\$ <u>74,011</u>
LIABILITIES:	
Accounts Payable	\$ 5,605
Due to General Fund	10,313
Due to Student Groups	<u>58,093</u>
Total Liabilities	\$ <u>74,011</u>
NET ASSETS:	
Unrestricted Net Assets	\$ <u><u>0</u></u>

The accompanying notes are an integral part of this statement.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abernathy Independent School District's (District) basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; as applied to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of School Trustees (Board), a seven member group, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of Abernathy Independent School District. The Board of Trustees is elected by the public. The Board has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding entities.

B. BASIS OF ACCOUNTING AND PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities display information about the government-wide entity as a whole. These statements report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental Activities, which normally are supported by taxes, state foundation funds, grants, and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support (i.e., internal service funds are considered governmental activities and not business-type activities). The District currently has no business type activities.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

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.

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense to each function allocated. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Major governmental funds are reported as separate columns in the fund financial statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from local sources consist primarily of property taxes. No amounts have been recorded for property tax revenues collected after June 30, 2007. State revenues 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.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources.

The proprietary fund and the fiduciary fund financial statements reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements.

Propriety funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations, they usually come from exchange or exchange-like transactions. Interest income earned on the operating cash account is considered operating revenue. All other revenues are nonoperating.

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for general operations. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. This is a budgeted fund and undesignated fund balances are considered resources available for current operations.

Additionally, the government reports the following fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance generally is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specified project periods. The food service fund is the only required budgeted special revenue fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds. The District's food service fund is considered a special revenue fund since the general fund subsidizes the food service program for all expenditures in excess of NSLP and user fees. Food service fund balances, if any, are used exclusively for child nutrition program purposes.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

PROPRIETARY FUND TYPES

Internal Service Funds – Internal service funds are used to account for revenues and expenses related to services provided to parties inside the District, specifically for the operation of its partially-funded insurance plan for workers' compensation on a cost-reimbursement basis.

FIDUCIARY FUND TYPES

Agency Funds – These custodial funds are used to account for activities of student groups and other organizational activities requiring clearing accounts. Financial resources for the agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District's Board of Trustees. If any unused resources are declared surplus by the student groups, they are transferred to the general fund with a recommendation to the Board for an appropriate utilization through a budgeted program.

C. BASIS OF ACCOUNTING APPLICABLE TO ALL FINANCIAL STATEMENTS

Capital assets, which include buildings and improvements, furniture and equipment, vehicles and work in progress are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful lives are not capitalized.

Revenues from state and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Funds received but unexpended are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. If balances have not been expended by the end of the project period, grantors generally require the District to refund all or part of the unused amount.

Supplies and materials are debited as expenditures when purchased.

It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the District does not have a policy to pay any amounts when employees separate from service with the District.

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR. Mandatory codes are utilized in the form provided in that section.

D. BUDGETARY DATA

The official budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund and the food service special revenue fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
- c. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. Such amendments are made before the fact and they are reflected in the official minutes of the Board. During the year, several amendments were necessary.

E. ENCUMBRANCE ACCOUNTING

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at June 30, 2007.

F. FUND EQUITY

Unreserved, undesignated fund equity for governmental funds in the fund financial statements indicates available amounts for the budgeting of future operations. The unreserved designated fund equity for governmental funds indicates unreserved funds that have been earmarked by Board resolution for specific purposes and are therefore not available for general expenditures to

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

be appropriated in the following period unless amended by future Board action. Reserved fund balance is that portion of fund equity which is not available for appropriation or which has been legally separated for specific purposes.

G. NET ASSETS ON THE STATEMENT OF NET ASSETS

Net assets on the statement of net assets include the following:

Investment in Capital Assets, Net of Related Debt – this component of net assets represents the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, that is directly attributable to the acquisition, construction or improvement of those assets.

Unrestricted – the difference between assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt.

H. CASH AND CASH EQUIVALENTS – PROPRIETARY FUNDS

For purposes of the statement of cash flows for proprietary fund types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

I. MANAGEMENT'S USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principals generally accepted in the United States 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 expenditures during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

Legal and Contractual Provisions Governing Deposits and Investments

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 the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) Mutual Funds, (8) Investment

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the **Public Funds Investment Act**, the District has adopted a deposit and investment policy. That policy does not address the following risks:

- a. Custodial Credit Risk – Deposits and Investments: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits and investments in certificates of deposits may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state or local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits and investments in certificates of deposit are all covered by depository insurance and pledged securities held by a third party in the District's name.
- b. Concentration of Credit Risk – The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. At August 31, 2005, all of the Districts investments are in certificates of deposit with its depository bank, and are completely covered by pledged securities as described in the preceding paragraph.
- c. Credit Risk – Not applicable
- d. Interest Rate Risk – Not applicable
- e. Foreign Currency Risk – Not applicable

The carrying amount of the District's cash and temporary investments at June 30, 2007, approximates fair value and consisted of the following shown below:

	General Fund	Other Funds	Governmental Funds Total	Activity Fund	Total
Cash in Bank	\$ 443,904	\$ 90,293	\$ 534,197	\$ 58,228	\$ 592,425
Certificates of Deposit	<u>3,000,000</u>		<u>3,000,000</u>	<u>5,470</u>	<u>3,005,470</u>
	<u>\$ 3,443,904</u>	<u>\$ 90,293</u>	<u>\$ 3,534,197</u>	<u>\$ 63,698</u>	<u>\$ 3,597,895</u>

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

3. 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 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Delinquent taxes are recorded in the general fund as the District has no debt service requirements. All property taxes remaining uncollected after ten years are provided for in the allowance for uncollectible 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.

4. RECIEVABLE FROM OTHER GOVERNMENTS

The amount due from other governments consisted of \$422,062 due primarily from the State for amount earned and receivable under the Per Capita and Foundation programs.

5. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2007, consisted of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund		
Fiduciary Fund	\$ 10,313	\$
Special Revenue Funds	<u>24,832</u>	<u></u>
	<u>\$ 35,145</u>	<u>\$ 0</u>
 Special Revenue Funds		
General Fund	<u>\$ 0</u>	<u>\$ 24,832</u>
 Fiduciary Fund		
General Fund	<u>\$ 0</u>	<u>\$ 10,313</u>

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

6. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>6/30/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2007</u>
Capital Assets:				
Land	\$ 55,779	\$	\$	\$ 55,779
Building and Improvements	5,140,560	215,423		5,355,983
Furniture and Equipment	168,909			168,909
Capital Lease Items	725,477			725,477
Vehicles	<u>713,269</u>	<u>119,062</u>		<u>832,331</u>
	<u>\$ 6,803,994</u>	<u>\$ 334,485</u>	<u>\$ 0</u>	<u>\$ 7,138,479</u>
Accumulated Depreciation				
Buildings and Improvements	\$ 3,635,169	\$ 160,856	\$	\$ 3,796,025
Furniture and Equipment	118,744	10,186		128,930
Capital Lease Items	220,199	103,156		323,355
Vehicles	<u>586,499</u>	<u>42,152</u>		<u>628,651</u>
	<u>\$ 4,560,611</u>	<u>\$ 316,350</u>	<u>\$ 0</u>	<u>\$ 4,876,961</u>
Total Net Capital Assets	<u>\$ 2,243,383</u>	<u>\$ 18,135</u>	<u>\$ 0</u>	<u>\$ 2,261,518</u>

Depreciation expense was charged to functions of the primary government as follows:

Instruction	\$ 178,714
Instruction Resources and Media Services	2,957
Curriculum and Instructional Staff Development	3,350
Instructional Leadership	1,742
School Leadership	16,773
Guidance, Counseling, and Evaluation Services	5,914
Health Services	2,560
Student (Pupil) Transportation	9,127
Food Services	9,388
Cocurricular/Extracurricular Activities	20,686
General Administration	19,784
Plant Maintenance and Operations	39,000
Security and Monitoring Services	50
Data Processing Services	5,897
Community Services	<u>408</u>
	<u>\$ 316,350</u>

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

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

Buildings and Improvements	15 – 30 years
Furniture and Equipment	5 – 12 years
Vehicles	5 – 10 years

7. DEFERRED REVENUES

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Deferred revenues consisted of the following at June 30, 2007:

	<u>General Fund</u>
Property Taxes - Delinquent	\$ 156,971
Less: Allowance for Uncollectible Taxes	<u>(5,109)</u>
Total Deferred Revenues	<u>\$ 151,862</u>

8. OBLIGATIONS UNDER CAPITAL LEASE

A summary of the activity for the District's capital lease obligations is as follows:

Date of Issue	Description	Interest Rate	Amounts Outstanding 6/30/2006	Issued Current Year	Retired Current Year	Amounts Outstanding 6/30/2007
9/1/2004	Ford Excursion	5.00%	\$ 10,752	\$	\$ 10,752	\$ 0
9/14/2004	Blue Bird Bus	4.70%	18,213		18,213	0
7/29/2004	Dell Computers (Teachers)	7.22%	24,434		20,177	4,257
7/1/2005	Dell Computers (Lab)	7.38%	75,327		32,751	42,576
8/31/2002	Energy Mgmt. System	6.20%	<u>375,009</u>		<u>24,525</u>	<u>350,484</u>
	Total Leases		<u>\$ 503,735</u>	<u>\$ 0</u>	<u>\$ 106,418</u>	<u>\$ 397,317</u>

The Blue Bird Bus lease is a three year lease originating September 14, 2004, for \$54,465. A payment of \$19,068, which included interest of \$856, was made during the year.

The Energy Management System lease is a 15-year lease originating August, 2002. Payments are due quarterly. Four payments totaling \$45,396, which included interest of \$20,874, were made during the year.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

The Ford Excursion lease is a three year lease originating September 1, 2004. One payment totaling \$11,289, which included interest of \$538, was made during the year.

The Dell Computer (Teacher) lease is a three year lease originating July 29, 2004. One payment totaling \$21,942, which included interest of \$1,765, was made during the year.

The Dell Computer (Lab) lease is a three year lease originating July 1, 2005. One payment totaling \$38,310, which included interest of \$5,560, was made during the year.

Future minimum payments for these leases are as follows:

Fiscal Year Ending June 30,	
2008	\$ 88,270
2009	53,350
2010	45,396
2011	45,396
2012	45,396
Thereafter	<u>238,326</u>
Total Payments	\$ 516,134
Less: Interest	<u>(118,817)</u>
Total Principal	<u><u>\$ 397,317</u></u>

Subsequent to the year ended June 30, 2007, the District entered into a new capital lease valued at \$75,776, for computers.

9. TAX MAINTENANCE NOTE

During the year ended June 30, 2006, the District issued \$325,000 of tax maintenance notes, at a rate of 3.75%, to use in connection with the maintenance, repair, rehabilitation and replacement of school property. The District paid off the remaining balance during the current fiscal year, which consisted of principal payments of \$15,000 and interest of \$563.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

10. REVENUES 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, Penalties, Interest, and Other Tax-Related Income	\$ 4,754,115	\$	\$ 4,754,115
Food Sales		36,197	36,197
Interest Income	166,421		166,421
Co-curricular Student Activities	33,138		33,138
Insurance Recovery	68,221		68,221
Other	24,556		24,556
	<u>\$ 5,046,451</u>	<u>\$ 36,197</u>	<u>\$ 5,082,648</u>

11. DEFINED BENEFIT PENSION PLAN

Plan Description – All employees of Abernathy Independent School District employed for one-half or more of the standard work load and who are not exempt from membership under Texas Government Code, participate in the Teacher Retirement System of Texas (TRS), a cost sharing multiple-employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school system of Texas. It operates primarily under the provisions of the Texas Constitution and Texas Government Code. TRS also administers proportional retirement benefits and service credit transfers under Texas Government Code. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling TRS at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publication heading.

Funding Policy – State law provides for fiscal years 2005, 2006, and 2007, a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the District is required to make all or a portion of the State's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to state funding policy. State contributions TRS made on behalf of the District's employees for the years ended June 30 2005, 2006, and 2007, were \$259,355, \$257,927, and \$267,593, respectively. The amounts contributed by the State are reflected in the financial statements in the general fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24. The District paid additional state contributions for the years ended June 30, 2005, 2006, and 2007, in the amount of \$47,768, \$40,290, and \$38,907, respectively, on the portion of the employees salaries that exceeded the statutory minimum and those salaries funded from federal grants, equal to the required contributions for each year.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

The payroll for employees covered by the System for the years ended June 30, 2005, 2006, and 2007, were \$4,322,575, \$4,149,015, and \$4,470,936, respectively. The school district's total payroll was \$4,511,194, \$4,358,518, and \$4,630,144, respectively.

12. SELF-INSURANCE – WORKMEN'S COMPENSATION

The District participates in a public entity risk pool for its Workmen's Compensation Insurance needs. Over one hundred school districts participate in the pool administered by Claims Administrative Services, Inc. The agreement between Abernathy Independent School District and the pool is renewable annually on September 1. The District's maximum loss under the agreement for 2007 was set at \$34,713, excluding fixed costs of \$19,312. The pool is protected against unanticipated catastrophic loss by stop loss coverage provided through Midwest Employers Casualty Corporation. The stop loss policy covers individual claims in excess of \$500,000. The District accounts for its costs associated with the pool through an internal service fund.

The claims administrator for the pool has estimated the District's share of unpaid claims as of August 31, 2007, to be \$38,837 including estimated claims incurred but not reported of \$32,873. The District has not recorded any claims payable at June 30, 2007, related to this liability.

13. LITIGATION

There is no litigation pending against the District which would have a material effect on the financial statements.

14. COMMITMENTS AND CONTINGENCIES

Federal and State Funding

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

REQUIRED SUPPLEMENTARY INFORMATION

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007**

Data Control Codes		Budgeted Amounts			Variance With Final Budget Favorable (Unfavorable)
		Original	Final	Actual	
Revenues:					
5700	Local and Intermediate Sources	\$ 4,823,298	\$ 4,926,391	\$ 5,030,201	\$ 103,810
5800	State Program Revenues	2,272,967	2,558,070	2,489,141	(68,929)
5900	Federal Program Revenues	20,000	20,000	22,267	2,267
5020	Total Revenues	\$ 7,116,265	\$ 7,504,461	\$ 7,541,609	\$ 37,148
Expenditures:					
0011	Instruction	\$ 3,434,950	\$ 3,662,271	\$ 3,548,815	\$ 113,456
0012	Instructional Resources and Media Services	57,242	66,742	66,667	75
0013	Curriculum and Staff Development	94,068	94,068	75,899	18,169
0023	School Leadership	363,493	363,493	359,842	3,651
0031	Guidance, Counseling, and Evaluation Services	136,843	136,843	132,710	4,133
0033	Health Services	57,289	57,289	56,916	373
0034	Student Transportation	199,994	206,180	204,035	2,145
0036	Extracurricular Activities	176,233	466,455	455,355	11,100
0041	General Administration	444,250	448,450	446,326	2,124
0051	Plant Maintenance and Operations	899,802	899,802	882,861	16,941
0052	Security and Monitoring Services	1,200	1,200	1,125	75
0053	Data Processing Services	195,370	134,970	133,545	1,425
0071	Principal on Long-Term Debt	91,318	123,563	121,413	2,150
0072	Interest on Long-Term Debt		30,155	30,155	0
0081	Facilities Acquisition and Construction	225,000	439,500	439,121	379
0093	Payments to Fiscal Agent/Member District of SSA	95,352	97,746	97,746	0
0093	Payments to Juvenile Justice Alternative Ed. Prg.		2,500	750	1,750
6030	Total Expenditures	\$ 6,472,404	\$ 7,231,227	\$ 7,053,281	\$ 177,946
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 643,861	\$ 273,234	\$ 488,328	\$ 215,094
Other Financing Sources (Uses):					
7915	Transfers In	\$ 215,407	\$ 217,254	\$ 214,896	\$ 2,358
8911	Transfers Out	(227,193)	(232,975)	(230,507)	(2,468)
7080	Total Other Financing Sources (Uses)	\$ (11,786)	\$ (15,721)	\$ (15,611)	\$ (110)
1200	Net Change in Fund Balance	\$ 632,075	\$ 257,513	\$ 472,717	\$ 214,984
0100	July 1 - Fund Balance	3,017,228	3,017,228	3,017,228	1,096,900
3000	June 30 - Fund Balance	\$ 3,649,303	\$ 3,274,741	\$ 3,489,945	\$ 1,311,884

OTHER SUPPLEMENTARY INFORMATION

EXHIBITS H-1 THROUGH J-4

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit H-1

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

Data Control Codes		Special Revenue Funds			Total Nonmajor Governmental June 30, 2007
		404 Student Success Initiative	429 Other State Special Revenue Funds	461 Campus Activity Funds	
ASSETS:					
1110	Cash and Temporary Investments	\$	\$	\$ 4,715	\$ 4,715
1240	Due from Other Governments	<u>15,484</u>	<u>9,348</u>	<u></u>	<u>24,832</u>
1000	Total Assets	<u>\$ 15,484</u>	<u>\$ 9,348</u>	<u>\$ 4,715</u>	<u>\$ 29,547</u>
LIABILITIES:					
2170	Due to Other Funds	<u>\$ 15,484</u>	<u>\$ 9,348</u>	<u>\$</u>	<u>\$ 24,832</u>
2000	Total Liabilities	<u>\$ 15,484</u>	<u>\$ 9,348</u>	<u>\$ 0</u>	<u>\$ 24,832</u>
FUND EQUITY:					
3590	Designated for Other Purposes	<u>\$</u>	<u>\$</u>	<u>\$ 4,715</u>	<u>\$ 4,715</u>
3000	Total Fund Equity	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,715</u>	<u>\$ 4,715</u>
4000	Total Liabilities and Fund Equity	<u>\$ 15,484</u>	<u>\$ 9,348</u>	<u>\$ 4,715</u>	<u>\$ 29,547</u>

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit H-2
(Continued)

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Data Control Codes		Special Revenue Funds						
		211 ESEA Title I Part A Improving Basic Program	212 ESEA Title I Part C Migrant Children	224 IDEA B - Formula	240 National School Breakfast and Lunch Program	244 Vocational Education Basic Grant	255 ESEA Title II, Training and Recruitment	262 Enhancing Education Through Technology
	REVENUES:							
5700	Local and Intermediate Sources	\$	\$	\$	\$ 36,197	\$	\$	\$
5800	State Program Revenues				2,086			
5900	Federal Program Revenues	159,744	30,717	230,993	158,822	6,354	46,034	1,626
5020	Total Revenues	\$ 159,744	\$ 30,717	\$ 230,993	\$ 197,105	\$ 6,354	\$ 46,034	\$ 1,626
	EXPENDITURES:							
0011	Instruction	\$ 117,745	\$ 1,340	\$ 228,303	\$	\$ 6,354	\$ 46,034	\$ 1,626
0012	Instructional Resources and Media Services							
0021	Instructional Leadership	39,483						
0023	School Leadership		19,844					
0031	Guidance, Counseling, and Evaluation Services							
0033	Health Services	800	300					
0034	Student Transportation			2,690				
0035	Food Services				212,716			
0036	Extracurricular Activities							
0041	General Administration	1,716						
0051	Plant Maintenance and Operations							
0053	Data Processing Services							
0061	Community Services		9,233					
6030	Total Expenditures	\$ 159,744	\$ 30,717	\$ 230,993	\$ 212,716	\$ 6,354	\$ 46,034	\$ 1,626
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ (15,611)	\$ 0	\$ 0	\$ 0
7020	Other Resources				15,611			
8911	Other (Uses)							
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0100	Fund Balance - July 1 (Beginning)	0	0	0	0	0	0	0
3000	Fund Balance - June 30 (Ending)	0	0	0	0	0	0	0

**Exhibit H-2
(Concluded)**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

		<u>Special Revenue Funds</u>							
Data Control Codes		269 Title V, Part A Innovative Programs	401 Optional Extended Year Program	404 Accelerated Reading	411 Technology Allotment	418 Employee Health Insurance	429 Other State Special Revenue Funds	461 Campus Activity Funds	Total Nonmajor Governmental Funds
REVENUES:									
5700	Local and Intermediate Sources	\$	\$	\$	\$	\$	\$	\$	\$
5800	State Program Revenues		2,053	18,805	20,100	1,458	58,176	16,250	52,447
5900	Federal Program Revenues	<u>1,929</u>							102,678
									636,219
5020	Total Revenues	<u>\$ 1,929</u>	<u>\$ 2,053</u>	<u>\$ 18,805</u>	<u>\$ 20,100</u>	<u>\$ 1,458</u>	<u>\$ 58,176</u>	<u>\$ 16,250</u>	<u>\$ 791,344</u>
EXPENDITURES:									
0011	Instruction	\$ 1,584	\$ 1,757	\$ 18,805	\$ 20,100	\$ 115	\$ 56,886	\$	\$ 500,649
0012	Instructional Resources and Media Services	345							345
0021	Instructional Leadership								39,483
0023	School Leadership		296			83			20,223
0031	Guidance, Counseling, and Evaluation Services						1,290		1,290
0033	Health Services								1,100
0034	Student Transportation					83			2,773
0035	Food Services								212,716
0036	Extracurricular Activities					13		13,348	13,361
0041	General Administration					250			1,966
0051	Plant Maintenance and Operations					833			833
0053	Data Processing Services					81			81
0061	Community Services								9,233
6030	Total Expenditures	<u>\$ 1,929</u>	<u>\$ 2,053</u>	<u>\$ 18,805</u>	<u>\$ 20,100</u>	<u>\$ 1,458</u>	<u>\$ 58,176</u>	<u>\$ 13,348</u>	<u>\$ 804,053</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,902	\$ (12,709)
7020	Other Resources								15,611
8911	Other (Uses)								0
1200	Excess (Deficiency) of Revenues and Other Resources Over (Under) Expenditures and Other (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,902	\$ 2,902
0100	Fund Balance - July 1 (Beginning)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,813</u>	<u>1,813</u>
3000	Fund Balance - June 30 (Ending)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,715</u>	<u>\$ 4,715</u>

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2007**

Exhibit J-1

Last Ten Years Ended June 30,	1	2	3	10	20	31	40	50
	Tax Rates		Assessed/ Appraised Value for School Tax Purposes	Beginning Balance 7/1/2006	Current Year's Total Levy	Maintenance Total Collections	Entire Year's Adjustments	Ending Balance 6/30/2007
	Maintenance	Debt Service						
1998 and Prior Years	1.50000		116,556,310	7,500		1,424	(84)	5,992
1999	1.50000		128,859,077	1,713		408		1,305
2000	1.50000		118,257,866	2,088		16		2,072
2001	1.33280		139,553,721	4,093		318		3,775
2002	1.31000		179,258,123	4,307		708		3,599
2003	1.48600		210,046,085	8,116		1,023	50	7,143
2004	1.50000		200,860,267	14,014		3,991	(63)	9,960
2005	1.50000		200,380,333	25,290		8,992	(11)	16,287
2006	1.50000		255,805,086	83,296		48,165	(1,657)	33,474
2007 (School Year Under Audit)	1.37000		340,140,289		4,659,922	4,655,715	69,157	73,364
1000 TOTALS				\$ 150,417	\$ 4,659,922	\$ 4,720,760	\$ 67,392	\$ 156,971

ABERNATHY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2008-2009
GENERAL AND SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2007

Exhibit J-2

Function 41 and Related Function 53 - General Administration

Account Number	1 702 School Board	2 703 Tax Collection	3 701 Supt.'s Office	4 750 Indirect Cost	5 720 Direct Cost	6 Other Miscellaneous	7 Total
611X - 6146	\$	\$	\$ 156,525	\$ 97,386	\$	\$	\$ 253,911
6149-All Functions							
6211					3,335		3,335
6212				17,000			17,000
6213		71,411					71,411
621X							
6220							
6230				31,626			31,626
6240				4,077			4,077
6250							
6260							
6290							
6320							
6330							
63XX		6,048	2,608	10,731	7,305		26,692
6410	10,186		6,416	3,751			20,353
6420				4,625			4,625
6430	3,160						3,160
6490	14,564		4,653		29,345		48,562
6500							
6600							
6000 - Total	\$ <u>27,910</u>	\$ <u>77,459</u>	\$ <u>170,202</u>	\$ <u>169,196</u>	\$ <u>39,985</u>	\$ <u>0</u>	\$ <u>484,752</u>

Total Expenditures/Expenses for the General and Special Revenue Funds (Schedule C-3) (9) \$ 7,857,336

Less: Deduction of Unallowable Costs

FISCAL YEAR

Capital Outlay (6600) (Only Funds 100-199/200-499)	(10)	\$ 195,238	
Total Debt and Lease (6500) (Only Funds 100-199/200-499)	(11)	\$ 151,568	
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 840,774	
Food (Function 35, 6341 and 6499)	(13)	\$ 89,541	
Stipends (6413)	(14)	\$	
Column 4 (above) - Total Indirect Cost		\$ 169,196	
Subtotal			\$ 1,446,317
Net Allowed Direct Costs			\$ <u>6,411,019</u>

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 5,802,984
Historical Cost of Building Over 50 Years Old	(16)	\$
Amount of Federal Money in Building Cost (Net of #16 Above)	(17)	\$
Total Cost of Furniture & Equipment before Depreciation (1520 & 1540)	(18)	\$ 1,279,716
Historical Cost of Furniture and Equipment over 16 years old	(19)	\$ 23,377
Amount of Federal Money in Furniture & Equipment (Net of #19 Above)	(20)	\$

(8)- Note A - \$36,460 of amounts in Function 53 expenditures are included in this report on administrative costs.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
GENERAL FUND AS OF JUNE 30, 2007
UNAUDITED**

Exhibit J-3

Data Control Codes	Explanation	Amount
1	Total General Fund Balance 6/30/2007 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>3,489,945</u>
2	Total Reserved Fund Balance (Exhibit C-1 total of object 3400s for the General Fund only)	\$ _____
3	Total Designated Fund Balance (Exhibit C-1 total of object 3500s for the General Fund only)	\$ <u>1,550,000</u>
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues)	\$ _____
5	Estimate of one month's average cash disbursements during the regular school session (9/1/2007 - 5/31/2008)	\$ <u>800,000</u>
6	Estimate of delayed payments from state sources (58XX) including August payment delays	\$ _____
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	\$ _____
8	Estimate of delayed payments from federal sources (59XX)	\$ _____
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	\$ _____
10	Optimum Fund Balance and Cash Flow (2+3+4+5+6+7+8+9)	\$ <u>2,350,000</u>
11	Excess Unreserved, Undesignated General Fund Balance (1-10)	\$ <u>1,139,945</u>

Explanation of Net Undesignated, Unreserved General Fund Balance:

The District currently intends to maintain at least two to three months worth of operating expenditures in reserve.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION FUND
YEAR ENDED JUNE 30, 2007

Data Control Codes		Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
		Original	Final		
Revenues:					
5700	Local and Intermediate Sources	\$ 36,650	\$ 36,650	\$ 36,197	\$ (453)
5800	State Program Revenues	2,100	2,100	2,086	(14)
5900	Federal Program Revenues	<u>143,700</u>	<u>158,457</u>	<u>158,822</u>	<u>365</u>
5020	Total Revenues	<u>\$ 182,450</u>	<u>\$ 197,207</u>	<u>\$ 197,105</u>	<u>\$ (102)</u>
Expenditures:					
0035	Food Services	<u>\$ 194,236</u>	<u>\$ 212,928</u>	<u>\$ 212,716</u>	<u>\$ 212</u>
6030	Total Expenditures	<u>\$ 194,236</u>	<u>\$ 212,928</u>	<u>\$ 212,716</u>	<u>\$ 212</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (11,786)</u>	<u>\$ (15,721)</u>	<u>\$ (15,611)</u>	<u>\$ 110</u>
Other Financing Sources:					
7915	Transfers In	<u>\$ 11,786</u>	<u>\$ 15,721</u>	<u>\$ 15,611</u>	<u>\$ (110)</u>
1200	Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
0100	July 1 - Fund Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
1300	June 30 - Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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FAX: (806) 747-3815

8215 NASHVILLE AVENUE

LUBBOCK, TEXAS 79423-1954

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

Board of School Trustees
Abernathy Independent School District
Abernathy, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Abernathy Independent School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 4, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Abernathy 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 that are required to be reported under *Government Auditing Standards*.

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

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

October 4, 2007

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATE FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

Current Year Findings –

None

Corrective Action Plan –

N/A

Status of Prior Year Findings –

N/A

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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

Board of School Trustees
Abernathy Independent School District
Abernathy, Texas

Compliance

We have audited the compliance of Abernathy Independent School District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Abernathy Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of A-133 findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Abernathy Independent School District's management. Our responsibility is to express an opinion on Abernathy Independent School District's compliance based on our audit.

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

In our opinion, Abernathy Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Abernathy Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Abernathy Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Balinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

October 4, 2007

FEDERAL FINANCIAL ASSISTANCE SECTION

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF A-133 FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

I. Summary of Auditors' Results

1. Type of auditor's report issued on the financial statements: **Unqualified**
2. Significant Deficiencies: **None.**
3. There were no significant deficiencies noted; therefore, there were no material weaknesses.
4. Noncompliance which is material to the financial statements: **None**
5. Type of auditor's report on compliance for major programs: **Unqualified**
6. Did the audit disclose findings which are required to be reported under Sec. __510(a): **No**
7. Major programs include:
 - 84.027A – IDEA – Part B, Formula
 - Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
8. Low risk auditee: **Yes**

II. Findings Related to the Financial Statements

The audit disclosed no findings required to be reported.

III. Findings and Questioned Costs Related to the Federal Awards

The audit disclosed no findings required to be reported.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007**

Prior Year's Findings/Noncompliance

N/A

Status of Prior Year's Findings/Noncompliance

N/A

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007

Federal Grantor/ Pass-through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<u>Passed Through Texas Education Agency</u>			
ESEA Title I, Part A - Improving Basic Programs (211)	84.010A	7610101095901	\$ 159,744
ESEA Title I, Part C - Migrant (212)	84.011	7615001095901	\$ 30,717
Vocational Education - Basic Grant (244)	84.048	7420006095901	\$ 6,354
IDEA - Part B, Formula (224)	84.027	7660001095901	\$ 230,993
ESEA Title II, Part A - Teacher & Principal Training	84.367A	7694501095901	\$ 46,034
ESEA Title II, Part D - Enhancing Education thru Technology	84.318X	7630001095901	\$ 1,626
ESEA Title V, Part A - Innovative Programs	84.298	7685001095901	\$ 1,929
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 477,397
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<u>Passed Through Texas Education Agency</u>			
National School Lunch Program (240)*	10.555	N/A	\$ 124,577
School Breakfast Program (240)*	10.553	N/A	19,488
Food Distribution (240)	10.550	N/A	14,757
TOTAL U.S. DEPARTMENT OF AGRICULTURE			\$ 158,822
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 636,219

*Clustered programs are required by Compliance Supplement.

**ABERNATHY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Abernathy Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

ABERNATHY INDEPENDENT SCHOOL DISTRICT

Exhibit L-1

**SCHOOLS FIRST QUESTIONNAIRE
FOR THE YEAR ENDED JUNE 30, 2007**

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the District received a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Were there any disclosures in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	0