

LA JOYA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2005

Reyna & Garza, P.L.L.C.
Certified Public Accountants

LA JOYA INDEPENDENT SCHOOL DISTRICT

YEAR ENDED AUGUST 31, 2005

BOARD OF TRUSTEES

Carmen Ramirez	President
Elma Garza	Vice-President
Arturo Gonzalez, Jr.	Secretary
Joe Aguilar	Member
Joel Garcia	Member
Ruben E. Farias	Member
Cesar Ramirez	Member

Superintendent of Schools
Mrs. Filomena Leo

Executive Assistant For Administration and Finance
Mr. Ricardo R. Vela

LA JOYA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2005

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CERTIFICATE OF BOARD

La Joya Independent School District
Name of School District

Hidalgo
County

108912
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved _____ disapproved for the year ended August 31, 2005 at a meeting of the Board of Trustees of such school district on the 14th day of December, 2005.

(Signature on File)

Signature of Board Secretary

(Signature on File)

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)

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Reyna & Garza, PLLC

Certified Public Accountants

4416 S. McColl Road

Edinburg, TX 78539

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY
INFORMATION INCLUDING THE
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

Board of Trustees
La Joya Independent School District
201 E. Expressway 83
La Joya, Texas Tx 78560

Members of the Board:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Joya Independent School District (the District) as of and for the year ended August 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's administrators. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of La Joya Independent School District as of August 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 4 through 9 is not a required part of the basic financial statements but is 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise La Joya 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. 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 Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-5. Except for Exhibit J-3 (Cash Flow and the Optimum Fund Balance Calculation Schedule) which is marked **UNAUDITED** and on which we express no opinion, these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

(Signature on File)
Reyna & Garza, PLLC
Certified Public Accountants

December 2, 2005

Management's Discussion and Analysis
LA JOYA INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the La Joya Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2005. Please read it in conjunction with the independent auditors' report on page 2, and the District's Basic Financial Statements which begin on page 10.

FINANCIAL HIGHLIGHTS

- The District's net assets at August 31, 2005 were \$166 million, an increase of \$17.48 million as a result of this year's operations.
- During the year, the District had expenses that were \$10.7 million less than the \$202.1 million generated in tax and other revenues for governmental programs. This compares to last year when expenses exceeded revenues by \$4.5 million.
- Total cost of all of the District's programs increased by \$7.9 million.
- The General Fund ended the year with a fund balance of \$53.1 million.
- The resources available for appropriation were \$1.9 million more than budgeted for the General Fund.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets and the Statement of Activities on pages 10 and 11. 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 starting on page 12 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 goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

The notes to the financial statements starting on page 21 provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and 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

The Statement of Net Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Assets and the Statement of Activities, the District reports one kind of activity:

- Governmental activities—Most 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 begin on page 12 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds, governmental and proprietary, use different accounting approaches.

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

- Proprietary funds—The District reports the activities for which it charges users (whether outside customers or 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. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance program, and the print shop.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for monies held on behalf of third parties. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 20. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

Net assets of the District's governmental activities increased from \$148,548,291 to \$166,029,576. 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 – were \$56,830,133 at August 31, 2005.

In 2005, net assets of our government-type activities increased by \$17,481,285 or 11.768 percent.

Table I
LA JOYA INDEPENDENT SCHOOL DISTRICT
NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and other assets	178,882,999	84,854,213	0	0	178,882,999	84,854,213
Capital assets	172,409,866	174,981,577	0	0	172,409,866	174,981,577
Total assets	<u>351,292,865</u>	<u>259,835,790</u>	<u>0</u>	<u>0</u>	<u>351,292,865</u>	<u>259,835,790</u>
Long-term liabilities	171,555,658	96,018,788	0	0	171,555,658	96,018,788
Other liabilities	13,707,632	15,268,711	0	0	13,707,632	15,268,711
Total liabilities	<u>185,263,290</u>	<u>111,287,499</u>	<u>0</u>	<u>0</u>	<u>185,263,290</u>	<u>111,287,499</u>
Net Assets:						
Invested in capital assets, net of related debt	(3,548,268)	74,621,556	0	0	(3,548,268)	74,621,556
Restricted - Federal and State Programs	5,595,105	3,753,969	0	0	5,595,105	3,753,969
Restricted - Debt Service	4,265,388	3,523,214	0	0	4,265,388	3,523,214
Restricted – Capital Projects	102,887,218	0	0	0	102,887,218	0
Unrestricted	56,830,133	66,649,552	0	0	56,830,133	66,649,552
Total Net Assets	<u>166,029,576</u>	<u>148,548,291</u>	<u>0</u>	<u>0</u>	<u>166,029,576</u>	<u>148,548,291</u>

Table II
LA JOYA INDEPENDENT SCHOOL
DISTRICT
CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	945,319	865,552	0	0	945,319	865,552
Operating Grants and Contributions	31,787,466	29,337,657	0	0	31,787,466	29,337,657
General Revenues:						
Maintenance and Operations Taxes	21,613,513	17,872,906	0	0	21,613,513	17,872,906
Debt Service Taxes	2,031,113	795,845	0	0	2,031,113	795,845
State Aid Formula Grants	137,936,375	128,671,559	0	0	137,936,375	128,671,559
Investment Earnings	7,379,196	1,002,799	0	0	7,379,196	1,002,799
Miscellaneous	1,758,382	1,152,772	0	0	1,758,382	1,152,772
Total Revenue	<u>203,451,364</u>	<u>179,699,090</u>	<u>0</u>	<u>0</u>	<u>203,451,364</u>	<u>179,699,090</u>

Expenses:

Instruction, curriculum and media services	104,994,548	101,627,107	0	0	104,994,548	101,627,107
Instructional/school leadership	11,084,729	10,204,393	0	0	11,084,729	10,204,393
Guidance, social work, health, transportation	17,369,079	15,780,650	0	0	17,369,079	15,780,650
Food Services	10,936,085	10,567,770	0	0	10,936,085	10,567,770
Co curricular activities	4,190,952	4,051,896	0	0	4,190,952	4,051,896
General administration	4,603,304	4,605,506	0	0	4,603,304	4,605,506
Plant Maintenance, Security and Data Processing	21,758,774	18,867,649	0	0	21,758,774	18,867,649
Community Services	868,838	842,979	0	0	868,838	842,979
Debt Service	10,534,854	5,561,243	0	0	10,534,854	5,561,243
Other activities	40,887	36,867	0	0	40,887	36,867
Total Expenses	186,382,052	172,146,060	0	0	186,382,052	172,146,060

Increase in net assets before transfers and special items	17,069,311	7,553,030	0	0	17,069,311	7,553,030
Transfers	0	0	0	0	0	0
Special Items-Prior Period Adjust	411,974	(286,949)	0	0	411,974	(286,949)
Increase in Net Assets	0	0	0	0	0	0
Net assets at 9/1/04	148,548,291	141,282,210	0	0	148,548,291	141,282,210
Net assets at 8/31/05	166,029,576	148,548,291	0	0	166,029,576	148,548,291

The cost of all governmental activities this year was \$186.4 million compared to \$172.1 million last year. However, as shown in the Statement of Activities on page 11 the amount that our taxpayers ultimately financed for these activities through District taxes was only \$23.6 million because some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions or by the State equalization funding.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds as presented in the balance sheet on page 14 reported a combined fund balance of \$140.3 million, which is an increase from last year's total of \$48.3 million. This increase was due to the fact that the District issued an \$81.3 million bond issue and a current year increase of 10.7 million.

Capital expenditures reduce available fund balances; they create new assets for the District as reported in the Statement of Net Assets and as discussed in the notes to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category involves amendments to move funds from functions that did not need all the resources originally appropriated to them to other functions where resources were needed. The second category involves budgeting for additional local, state or federal revenues

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, the District had \$231.7 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of just over \$3.6 million, or 1.56 percent above last year.

Debt Administration

At year-end, the District had \$175.96 million in bonds, notes and capital leases outstanding versus \$100.36 million from last year—an increase of 75.33 percent. The District's general obligation bond rating has been the highest possible according to national rating agencies.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2006 fiscal year increased by \$89 million from \$1.469 billion to \$1.558 billion.
- The district's refined average daily attendance for 2005-2006 is expected to be 21,868 up from 21,102 for fiscal year 2004-2005.

These indicators were taken into account when adopting the General Fund budget for 2006. Amounts available for appropriation in the General Fund budget are \$169.4 million, an increase of 7.4 percent over the original 2005 budget of \$157.8 million. The District will use its revenues to finance programs currently being offered. Total governmental budgeted expenditures are expected to rise nearly 6.89% to \$206.3 million in 2005-2006 from the 2004-2005 original budget of \$193 million.

If these estimates are realized, the District's budgetary General Fund balance is expected to decrease by \$4.9 million by the close of 2006.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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 La Joya Independent School District, 201 E. Expressway 83, La Joya, Texas 78560.

BASIC FINANCIAL STATEMENTS

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LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2005

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ (1,614,709)
1120 Current Investments	156,484,318
1220 Property Taxes Receivable (Delinquent)	9,625,078
1230 Allowance for Uncollectible Taxes	(1,591,255)
1240 Due from Other Governments	13,681,133
1267 Due from Fiduciary Funds	556,824
1290 Other Receivables (net)	18,773
1300 Inventories	1,292,066
1410 Deferred Expenses	430,771
1510 Land	10,095,999
1520 Buildings, net	155,322,934
1530 Furniture and Equipment, net	1,174,939
1540 Other Capital Assets, net	4,834,141
1580 Construction in Progress	981,853
1000 Total Assets	351,292,865
LIABILITIES	
2110 Accounts Payable	2,948,060
2150 Payroll Deductions & Withholdings	580,912
2160 Accrued Wages Payable	4,974,858
2180 Due to Other Governments	698,682
2300 Deferred Revenues	102,644
Long Term Liabilities:	
2501 Due Within One Year	4,402,476
2502 Due in More Than One Year	171,555,658
2000 Total Liabilities	185,263,290
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	(3,548,268)
3820 Restricted for Federal and State Programs	5,595,105
3850 Restricted for Debt Service	4,265,388
3860 Restricted for Capital Projects	102,887,218
3900 Unrestricted Net Assets	56,830,133
3000 Total Net Assets	\$ 166,029,576

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2005

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Assets

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 96,423,666	\$ 22,050	\$ 22,223,386	\$ (74,178,230)
12 Instructional Resources & Media Services	4,954,642	-	869,000	(4,085,642)
13 Curriculum and Staff Development	3,616,240	-	2,666,404	(949,836)
21 Instructional Leadership	2,277,395	-	582,294	(1,695,101)
23 School Leadership	8,807,334	-	426,158	(8,381,176)
31 Guidance, Counseling & Evaluation Services	7,448,172	-	1,146,759	(6,301,413)
32 Social Work Services	1,523,800	-	986,525	(537,275)
33 Health Services	1,640,871	-	121,134	(1,519,737)
34 Student (Pupil) Transportation	6,756,236	-	634,552	(6,121,684)
35 Food Services	10,936,085	451,703	99,781	(10,384,601)
36 Cocurricular/Extracurricular Activities	4,190,952	172,065	84,221	(3,934,666)
41 General Administration	4,603,306	299,501	152,823	(4,150,982)
51 Plant Maintenance and Operations	18,791,673	-	531,102	(18,260,571)
52 Security and Monitoring Services	2,347,279	-	198,063	(2,149,216)
53 Data Processing Services	619,822	-	20,788	(599,034)
61 Community Services	868,838	-	744,476	(124,362)
62 School District Administrative Support (ESC)	-	-	300,000	300,000
72 Debt Service - Interest on Long Term Debt	9,312,358	-	-	(9,312,358)
73 Debt Service - Bond Issuance Cost & Fees	1,222,496	-	-	(1,222,496)
95 Payments to Juvenile Justice Alternative Ed. Prg.	40,887	-	-	(40,887)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 186,382,052	\$ 945,319	\$ 31,787,466	(153,649,267)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	21,613,513
DT	Property Taxes, Levied for Debt Service	2,031,113
GC	Grants & Contributions not Restricted	137,936,375
IE	Investment Earnings	7,379,196
MI	Miscellaneous Local and Intermediate Revenue	1,758,382
TR	Total General Revenues	170,718,579
CN	Change in Net Assets	17,069,311
NB	Net Assets--Beginning	148,548,291
PA	Prior Period Adjustment	411,974
NE	Net Assets--Ending	\$ 166,029,576

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2005

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ (1,245,502)	\$ 216	\$ 417,598	\$ (827,688)
1120 Investments - Current	45,107,875	82,886,740	4,212,841	132,207,456
1220 Property Taxes - Delinquent	8,701,244	-	923,834	9,625,078
1230 Allowance for Uncollectible Taxes (credit)	(1,435,352)	-	(155,903)	(1,591,255)
1240 Due from Other Governments	11,150,446	-	2,530,687	13,681,133
1260 Due from Other Funds	5,561,679	772,463	324,866	6,659,008
1290 Other Receivables	18,203	-	570	18,773
1300 Inventories	1,292,066	-	-	1,292,066
1410 Deferred Expenditures	430,771	-	-	430,771
1000 Total Assets	<u>\$ 69,581,430</u>	<u>\$ 83,659,419</u>	<u>\$ 8,254,493</u>	<u>\$ 161,495,342</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 261,368	\$ 104,623	\$ 307,901	\$ 673,892
2150 Payroll Deductions and Withholdings Payable	580,912	-	-	580,912
2160 Accrued Wages Payable	4,527,800	-	447,058	4,974,858
2170 Due to Other Funds	3,728,608	-	2,377,355	6,105,963
2180 Due to Other Governments	122	667,578	30,982	698,682
2190 Due to Student Groups	165	-	-	165
2300 Deferred Revenues	7,340,816	-	795,651	8,136,467
2000 Total Liabilities	<u>\$ 16,439,791</u>	<u>\$ 772,201</u>	<u>\$ 3,958,947</u>	<u>\$ 21,170,939</u>
Fund Balances:				
Reserved For:				
3410 Investments in Inventory	\$ 1,317,850	\$ -	\$ -	\$ 1,317,850
3420 Retirement of Long-Term Debt	-	-	4,265,388	4,265,388
3440 Outstanding Encumbrances	39,409	-	-	39,409
3450 Food Service	4,985,754	-	-	4,985,754
3490 Other Purposes	579,193	-	30,158	609,351
Unreserved Designated For:				
3510 Construction	20,000,000	82,887,218	-	102,887,218
Unreserved and Undesignated:				
3600 Reported in the General Fund	26,219,433	-	-	26,219,433
3000 Total Fund Balances	<u>\$ 53,141,639</u>	<u>\$ 82,887,218</u>	<u>\$ 4,295,546</u>	<u>\$ 140,324,403</u>
4000 Total Liabilities and Fund Balances	<u>\$ 69,581,430</u>	<u>\$ 83,659,419</u>	<u>\$ 8,254,493</u>	<u>\$ 161,495,342</u>

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 AUGUST 31, 2005

Total Fund Balances - Governmental Funds	\$	140,324,403
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase(decrease) net assets.		21,219,618
2 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 \$228,139,137 and the accumulated depreciation was \$53,157,561. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net assets.		74,621,556
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2005 capital outlays and debt principal payments is to increase (decrease) net assets.		(71,676,164)
4 The 2005 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(6,711,752)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		8,251,915
19 Net Assets of Governmental Activities	<u>\$</u>	<u>166,029,576</u>

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005

EXHIBIT C-3

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 24,387,267	\$ 3,535,894	\$ 4,648,390	\$ 32,571,551
5800 State Program Revenues	118,933,021	-	14,864,296	133,797,317
5900 Federal Program Revenues	12,478,348	-	23,327,562	35,805,910
5020 Total Revenues	<u>155,798,636</u>	<u>3,535,894</u>	<u>42,840,248</u>	<u>202,174,778</u>
EXPENDITURES:				
Current:				
0011 Instruction	75,114,393	-	19,163,563	94,277,956
0012 Instructional Resources & Media Services	4,130,161	-	728,220	4,858,381
0013 Curriculum & Instructional Staff Development	894,023	-	2,637,934	3,531,957
0021 Instructional Leadership	1,692,082	-	532,234	2,224,316
0023 School Leadership	8,489,886	-	119,011	8,608,897
0031 Guidance, Counseling & Evaluation Services	6,383,352	-	891,226	7,274,578
0032 Social Work Services	508,731	-	979,554	1,488,285
0033 Health Services	1,552,070	-	50,557	1,602,627
0034 Student (Pupil) Transportation	6,881,759	-	441,313	7,323,072
0035 Food Services	10,596,865	-	94,652	10,691,517
0036 Cocurricular/Extracurricular Activities	4,103,030	-	500	4,103,530
0041 General Administration	4,465,684	-	30,334	4,496,018
0051 Plant Maintenance and Operations	18,196,186	-	164,322	18,360,508
0052 Security and Monitoring Services	2,296,587	-	104,635	2,401,222
0053 Data Processing Services	602,376	-	3,000	605,376
0061 Community Services	94,745	-	741,587	836,332
Debt Service:				
0071 Debt Service - Principal on long-term debt	426,672	-	4,615,680	5,042,352
0072 Debt Service - Interest on long-term debt	50,111	-	9,396,781	9,446,892
0073 Debt Service - Bond Issuance Cost and Fees	-	-	1,222,496	1,222,496
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,026,871	1,988,677	-	3,015,548
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	40,887	-	-	40,887
6030 Total Expenditures	<u>147,546,471</u>	<u>1,988,677</u>	<u>41,917,599</u>	<u>191,452,747</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,252,165</u>	<u>1,547,217</u>	<u>922,649</u>	<u>10,722,031</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital-related Debt Issued (Regular Bonds)	-	81,340,000	63,175,000	144,515,000
7912 Sale of Real and Personal Property	60,516	-	-	60,516
7915 Transfers In	2,765,842	-	-	2,765,842
7949 Other Resources	21,581	-	-	21,581
8911 Transfers Out (Use)	(2,765,842)	-	-	(2,765,842)
8949 Other (Uses)	-	-	(63,740,000)	(63,740,000)
7080 Total Other Financing Sources (Uses)	<u>82,097</u>	<u>81,340,000</u>	<u>(565,000)</u>	<u>80,857,097</u>
EXTRAORDINARY ITEMS:				
7919 Extraordinary Item - Resource	39,758	-	-	39,758
1200 Net Change in Fund Balances	8,374,020	82,887,217	357,649	91,618,886
0100 Fund Balance - September 1 (Beginning)	44,664,285	-	3,629,257	48,293,542
1300 Increase (Decrease) in Fund Balance	103,334	-	308,640	411,974
3000 Fund Balance - August 31 (Ending)	<u>\$ 53,141,639</u>	<u>\$ 82,887,217</u>	<u>\$ 4,295,546</u>	<u>\$ 140,324,403</u>

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2005

Total Net Change in Fund Balances - Governmental Funds	\$	91,618,886
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase (decrease) net assets.		2,578,421
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2005 capital outlays and debt principal payments is to increase (decrease) net assets.		71,676,164
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets.		(6,711,752)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net assets.		(142,092,408)
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>17,069,311</u>

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 20,972,517	\$ 23,536,317	\$ 24,387,267	\$ 850,950
5800	State Program Revenues	117,509,297	118,434,080	118,933,021	498,941
5900	Federal Program Revenues	11,760,000	11,960,000	12,478,348	518,348
5020	Total Revenues	150,241,814	153,930,397	155,798,636	1,868,239
EXPENDITURES:					
Current:					
0011	Instruction	80,607,459	80,638,182	75,114,393	5,523,789
0012	Instructional Resources & Media Services	4,096,702	4,716,864	4,130,161	586,703
0013	Curriculum & Instructional Staff Development	666,834	937,150	894,023	43,127
0021	Instructional Leadership	1,980,657	2,117,827	1,692,082	425,745
0023	School Leadership	9,139,318	9,415,170	8,489,886	925,284
0031	Guidance, Counseling & Evaluation Services	6,656,087	6,834,617	6,383,352	451,265
0032	Social Work Services	526,621	728,277	508,731	219,546
0033	Health Services	1,795,062	1,996,871	1,552,070	444,801
0034	Student (Pupil) Transportation	6,928,729	7,128,729	6,881,759	246,970
0035	Food Services	11,575,386	11,785,386	10,596,865	1,188,521
0036	Cocurricular/Extracurricular Activities	3,849,012	4,397,198	4,103,030	294,168
0041	General Administration	5,095,247	5,450,718	4,465,684	985,034
0051	Plant Maintenance and Operations	16,560,268	18,877,634	18,196,186	681,448
0052	Security and Monitoring Services	2,432,466	2,718,678	2,296,587	422,091
0053	Data Processing Services	682,292	806,292	602,376	203,916
0061	Community Services	101,952	302,931	94,745	208,186
0071	Debt Service - Principal on long-term debt	211,094	690,505	426,672	263,833
0072	Debt Service - Interest on long-term debt	32,758	82,758	50,111	32,647
0081	Facilities Acquisition and Construction	4,850,000	4,496,189	1,026,871	3,469,318
0095	Payments to Juvenile Justice Alternative Ed. Prg.	50,000	75,000	40,887	34,113
6030	Total Expenditures	157,837,944	164,196,976	147,546,471	16,650,505
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,596,130)	(10,266,579)	8,252,165	18,518,744
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	60,516	60,516
7915	Transfers In	3,889,831	3,918,318	2,765,842	(1,152,476)
7949	Other Resources	-	-	21,581	21,581
8911	Transfers Out (Use)	3,889,831	(3,918,318)	(2,765,842)	1,152,476
7080	Total Other Financing Sources (Uses)	7,779,662	-	82,097	82,097
EXTRAORDINARY ITEMS:					
7919	Extraordinary Item - Resource	-	-	39,758	39,758
1200	Net Change in Fund Balances	183,532	(10,266,579)	8,374,020	18,640,599
0100	Fund Balance - September 1 (Beginning)	44,664,285	44,664,285	44,664,285	-
1300	Increase (Decrease) in Fund Balance	-	-	103,334	103,334
3000	Fund Balance - August 31 (Ending)	\$ 44,847,817	\$ 34,397,706	\$ 53,141,639	\$ 18,743,933

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
AUGUST 31, 2005

	Governmental Activities -
	Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ (787,021)
Investments - Current	24,276,861
Due from Other Funds	<u>245,641</u>
Total Current Assets	<u>23,735,481</u>
Noncurrent Assets:	
Capital Assets:	
Furniture and Equipment	137,952
Depreciation on Furniture and Equipment	<u>(137,952)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u>23,735,481</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	2,274,001
Due to Other Funds	<u>241,862</u>
Total Liabilities	<u>2,515,863</u>
NET ASSETS	
Unrestricted Net Assets	<u>21,219,618</u>
Total Net Assets	<u><u>\$ 21,219,618</u></u>

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 20,571,811
Total Operating Revenues	<u>20,571,811</u>
OPERATING EXPENSES:	
Payroll Costs	78,301
Professional and Contracted Services	1,961,417
Supplies and Materials	95,617
Other Operating Costs	<u>15,858,055</u>
Total Operating Expenses	<u>17,993,390</u>
Operating Income	2,578,421
Total Net Assets - September 1 (Beginning)	<u>18,641,197</u>
 Total Net Assets - August 31 (Ending)	 <u><u>\$ 21,219,618</u></u>

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005

	Governmental Activities -
	Total Internal Service Funds
<hr/>	
Cash Flows from Operating Activities:	
Cash Received from User Charges	\$ 14,086,138
Cash Received from Assessments - Other Funds	(1,025,042)
Cash Payments to Employees for Services	(66,001)
Cash Payments for Insurance Claims	(1,949,117)
Cash Payments for Suppliers	(82,578)
Cash Payments for Other Operating Expenses	(15,668,343)
Net Cash Provided by (Used for) Operating Activities	<u>(4,704,943)</u>
Net Increase(Decrease) in Cash and Cash Equivalents	(4,704,943)
Cash and Cash Equivalents at Beginning of the Year:	<u>3,917,922</u>
Cash and Cash Equivalents at the End of the Year:	<u><u>\$ (787,021)</u></u>
Reconciliation of Operating Income to Net Cash Provided By (Used For) Operating Activities:	
Operating Income:	\$ 2,578,421
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(233,854)
Increase (decrease) in Accounts Payable	227,351
Increase (decrease) in Investment Securities	<u>(7,276,861)</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ (4,704,943)</u></u>

The accompanying notes are an integral part of this statement.

LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2005

	Agency Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 1,019,087
Investments - Current	392,419
Due from Other Funds	100
Other Receivables	<u>7,064</u>
Total Assets	<u>\$ 1,418,670</u>
 LIABILITIES	
Accounts Payable	\$ 256,628
Due to Other Funds	556,824
Due to Other Governments	22,805
Due to Student Groups	578,812
Payable from Restricted Assets	<u>3,601</u>
Total Liabilities	<u>\$ 1,418,670</u>

The accompanying notes are an integral part of this statement.

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LA JOYA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

Proprietary 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. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

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

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Capital Projects Funds** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

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

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.
3. **Internal Service Funds** – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District's Internal Service Funds are.

Print Shop (Fund 752)
Health Insurance (Fund 753)
Worker's Compensation (Fund 770)
Unemployment Insurance (Fund 780)

4. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are.

Tax Collections Clearing (Fund 861)
Student Activity Accounts (Fund 865)
Merit Scholarship (Fund 876)
Employee Memorial (Fund 877)

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased
2. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

4. **Compensated Absences:** It is the District's Policy to permit some employees to accumulate earned but unused sick pay benefits. As of August 31, 2005, the accumulated sick leave balance is \$18,987,561.
5. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building Improvements	40
Vehicles	7
Other Equipment	5

6. 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.

7. **Self Insurance Plans**

Workers' Compensation – Self Funded

During the year ended August 31, 2005, La Joya ISD met its statutory worker's compensation obligations by participating as a self-funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties

As a self-funded member of the TASB Risk Management Fund, La Joya ISD is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative service to its self-funded members including claims administration and customer service.

The member is protected against higher than expected claim costs through the purchase of stop loss coverage.

The Fund's audited financial statements as of August 31, 2004, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin, Texas.

Unemployment Compensation – Self Funded

During the year ended August 31, 2005, the La Joya ISD met its statutory unemployment compensation obligations by participating as a self funded member of the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund's audited financial statements as of August 31, 2004, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin, Texas

8. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.
9. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
10. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.
11. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
12. The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. The District had a liability of \$667,578 as of August 31, 2005.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets</u> <u>at the Beginning of the year</u>	<u>Historic Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net Value at the</u> <u>Beginning of the</u> <u>Year</u>	<u>Change in Net</u> <u>Assets</u>
Land	9,094,675		9,094,675	
Buildings	193,834,686	40,115,554	153,719,132	
Furniture & Equipment	7,752,205	6,427,433	1,324,772	
Vehicles	11,702,090	6,614,574	5,087,516	
Construction in Progress	<u>5,755,481</u>		<u>5,755,481</u>	
Change in Net Assets				<u>174,981,576</u>

<u>Long-term Liabilities</u> <u>at the Beginning of the year</u>	<u>Payable at the</u> <u>Beginning of the</u> <u>Year</u>	
Bonds Payable	98,773,715	
Loans Payable	859,633	
Capital Leases	726,672	
Change in Net Assets		<u>(100,360,020)</u>

Net Adjustment to Net Assets 74,621,556

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to</u> <u>Changes in Net</u> <u>Assets</u>	<u>Adjustments to</u> <u>Net Assets</u>
<u>Current Year Capital Outlay</u>			
Land	1,001,324		
Buildings & Improvements	938,508		
Furniture & Equipment	1,105,455		
Construction in Progress	<u>981,853</u>		
Total Capital Outlay	<u>4,027,140</u>	<u>4,027,140</u>	<u>4,027,140</u>
<u>Debt Principal Payments</u>			
Bond Principal	66,922,352		
Loan Principal	212,476		
Capital Lease Payments	514,196		
Total Principal Payments	<u>67,649,024</u>	<u>67,649,024</u>	<u>67,649,024</u>
Total Adjustment to Net Assets		<u>71,676,164</u>	<u>71,676,164</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Assets</u>	<u>Adjustments to Net Assets</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	2,119,380	(2,119,380)	
Uncollected taxes (assumed collectible) from Current Year Levy	3,003,844	3,003,844	3,003,844
Uncollected Taxes (assumed collectible) from Prior Year Levy	5,029,979		5,029,979
<u>Reclassify Proceeds of Bonds, Loans & Capital Leases</u>			
New Bond Issue	144,515,000	(144,515,000)	
Other	<u>1,538,128</u>	<u>1,538,128</u>	<u>218,092</u>
Total		<u>(142,092,408)</u>	<u>8,251,915</u>

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J4 and J5.

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

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

B. DEFICIT FUND EQUITY

As of August 31, 2005 the Print Shop, Fund 752, had a deficit Fund Equity of \$139,861.

C. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended August 31, 2005, expenditures exceeded appropriations in the debt service-interest and bond issuance costs functions of the Debt Service Fund by \$3,923,175 and \$1,199,496, respectively.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. 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, (9) and 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 pools, (9) guaranteed investment contracts, (10) and 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 however does not address all of 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 may not be returned to it. The District’s policy regarding types of deposits allowed and collateral requirements is defined in BDAE Legal as: Secure public funds by eligible securities to the extent and in the manner required by the Public Funds Collateral Act. *Gov’t Code Ch.2257.*

The District’s cash deposits at August 31, 2005 and during the year ended August 31, 2005 were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: First National Bank
 - b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$207,079,999.
 - c. The highest combined balances of cash, savings, and time deposit accounts amounted to \$188,211,432 and occurred during the month of February 2005.
 - d. The amount of FDIC coverage at the time of the highest combined balance was \$200,000.
- b. Interest-rate Risk - Interest-rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. The District manages its exposure to interest rate risk by purchasing a combination of short and long term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time to provide the cash flow and liquidity needed for operations. The District policy does not address interest-rate risk.
 - c. Other Credit Risk Exposure - The District is not exposed to other credit risk for all deposits are collateralized by US Government Securities. The District policy does not address other credit risk.
 - d. Concentration Risk - The District is not exposed to concentration credit risk for all deposits are collateralized by US Government Securities. The District policy does not address concentration risk.

The District's investments at August 31, 2005, are shown below:

<u>Name</u>	<u>Market Value</u>	<u>Category</u>
FNB Investment Pool		
General Fund	39,998,852	1
Construction Fund	82,886,740	1
Debt Service Fund	4,212,841	1
Food Service Fund	5,109,023	1
Workers Comp Fund	11,251,649	1
Unemployment Fund	808,873	1
Health Insurance Fund	12,216,339	1
Tax Collection Fund	392,419	1
 FNB Investment Pool Total	 \$156,876,737	

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2005, consisted of the following amounts:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
General Fund:		
General Fund	2,463,126	2,463,126
Special Revenue Fund	2,351,172	247,377
Capital Projects Fund	0	772,463
Internal Service Fund	241,817	245,641
Trust and Agency Fund	<u>505,564</u>	<u>0</u>
Total General Fund	<u>5,561,679</u>	<u>3,728,608</u>
 Special Revenue Fund:		
General Fund	247,377	2,351,172
Special Revenue Fund	26,184	26,184
Internal Service Fund	<u>44</u>	<u>0</u>
Total Special Revenue Fund	<u>273,605</u>	<u>2,377,356</u>
 Debt Service Fund		

Trust and Agency Fund	<u>51,260</u>	<u>0</u>
Total Debt Service Fund	<u>51,260</u>	<u>0</u>
Capital Projects Fund		
General Fund	<u>772,463</u>	<u>0</u>
Total Capital Projects Fund	<u>772,463</u>	<u>0</u>
Internal Service Fund		
General Fund	245,641	241,817
Special Revenue Fund	<u>0</u>	<u>44</u>
Total Internal Service Fund	<u>245,641</u>	<u>241,861</u>
Trust and Agency Fund		
General Fund	0	505,564
Debt Service Fund	<u>0</u>	<u>51,260</u>
Total Trust and Agency Fund	<u>0</u>	<u>556,824</u>
Total	<u><u>6,904,648</u></u>	<u><u>6,904,648</u></u>

E. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2005, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
Governmental Activities:					
General Fund	\$ 8,701,244	\$ 11,150,446	\$ 5,561,679	\$ 18,203	\$25,431,572
Construction Fund	0	0	772,463	0	772,463
Internal Service Funds	0	0	245,641	0	245,641
Nonmajor Governmental Funds	923,834	2,530,687	324,866	570	3,779,957
Total - Governmental Activities	<u>9,625,078</u>	<u>13,681,133</u>	<u>6,904,649</u>	<u>18,773</u>	<u>30,229,633</u>
Less: Allowance allowed for uncollectible	<u>\$(1,591,255)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$(1,591,255)</u>
Net Total Receivable	<u>\$ 8,033,823</u>	<u>\$13,681,133</u>	<u>\$6,904,649</u>	<u>\$18,773</u>	<u>\$28,638,378</u>

Payables at August 31, 2005, were as follows:

	<u>Accounts Payable</u>	<u>Loans, Leases and Bonds Payable - Current Year</u>	<u>Salaries and Benefits</u>	<u>Due To Other Funds</u>	<u>Due to Other Governments</u>	<u>Other</u>	<u>Total Payables</u>
Governmental Activities:							
General Fund	\$261,368	\$ 0	\$4,527,800	\$3,728,608	\$122	\$581,077	\$9,098,975
Construction Fund	104,623	0	0	0	667,578	0	772,201
Internal Service Funds	2,274,001	0	0	241,862	0	0	2,515,863
Nonmajor Govt'l Funds	<u>307,901</u>	<u>0</u>	<u>447,058</u>	<u>2,377,355</u>	<u>30,982</u>	<u>0</u>	<u>3,163,296</u>
Total - Gov. Activities	<u>\$2,947,893</u>	<u>\$ 0</u>	<u>\$4,974,858</u>	<u>\$6,347,825</u>	<u>\$698,682</u>	<u>\$ 581,077</u>	<u>\$15,550,335</u>

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2005, was as follows:

	Primary Government Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Governmental Activities:					
Land	9,094,675	1,001,324	-	-	10,095,999
Buildings and Improvements	193,834,686	938,508	-	5,755,481	200,528,675
Construction in Progress	5,755,481	981,853	-	(5,755,481)	981,853
Furniture and Equipment	7,752,205	269,197	(513,528)	112,902	7,620,776
Vehicles	11,702,090	836,257	(68,553)	-	12,469,794
Totals at Historic Cost	228,139,137	4,027,139	(582,081)	112,902	231,697,097
Less Accumulated Depreciation for:					
Buildings and Improvements	40,115,554	5,090,188	-	-	45,205,742
Furniture and Equipment	6,427,433	531,932	(513,528)	-	6,445,837
Vehicles	6,614,574	1,089,631	(68,553)	-	7,635,652
Total Accumulated Depreciation	53,157,561	6,711,752	(582,081)	-	59,287,232
Governmental Activities Capital Assets, Net	174,981,576	(2,684,612)	-	112,902	172,409,865

Depreciation expense was charged to governmental functions as follows:

Instruction	3,664,313
Instructional Resources and Media Services	188,831
Curriculum Development and Instructional Staff Development	137,277
Instructional Leadership	86,453
School Leadership	334,603
Guidance, Counseling, and Evaluation Services	282,742
Social Work Services	57,845
Health Services	62,290
Student (Pupil) Transportation	284,627
Food Services	415,548
Co-Curricular/Extracurricular Activities	159,492
General Administration	174,747
Plant Maintenance and Operations	713,620
Security and Monitoring Service	93,329
Data Processing Services	23,529
Community Services	32,506
Total Depreciation Expense	6,711,752

G. BONDS AND LONG-TERM NOTESPAYABLE

Bonded indebtedness of the District is reflected in the General Long-Term Debt Account Group. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

A summary of changes in general long-term debt for the year ended August 31, 2005 is as follows:

DESCRIPTION	INTEREST RATE PAYABLE	AMOUNTS ORIGINAL ISSUE	INTEREST CURRENT YEAR	PAYABLE AMOUNTS OUTSTANDING 09-01-04	ISSUED	RETIRED	OUTSTANDING 08-31-2005
Refunding Bond Series 1992 Issued 12-01-1992	5.27%	7,543,170	381,240	6,341,973	-	6,190,000	151,973
Refunding Bond Series 1994 Issued 03-01-1994	2.70% to 3.00%	7,244,990	819,372	4,050,681	-	4,050,681	-
Unlimited Tax School Building Bonds Issued 02-15-1998	5.09%	43,000,000	1,953,981	38,065,000	-	20,015,000	18,050,000
Unlimited Tax School Building Bonds Issued 08-01-2000	5.48%	47,200,000	2,319,013	43,225,000	-	36,505,000	6,720,000
Unlimited Tax School Building Bonds Issued 08-15-2004	4.79%	81,340,000	3,923,175	-	81,340,000	1,295,000	80,045,000
Unlimited Tax Refunding Bonds Series 2005	4.03%	63,175,000	-	-	63,175,000	-	63,175,000
Total			9,396,781	91,682,654	144,515,000	68,055,681	168,141,973

Series 1992 CAB Accreted Values

Maturity Date	Payment at Maturity	Number of CABS	Per \$5K Maturity: Accreted Value at 8/31/05	Total CAB Accreted Values: Accreted Value 8/31/2005
8/1/2012	\$ 1,965,000	393	\$ 3,152.27	\$ 1,238,842.11
8/1/2013	\$ 1,965,000	393	\$ 2,939.83	\$ 1,155,353.19
8/1/2014	\$ 1,965,000	393	\$ 2,739.05	\$ 1,076,446.65
8/1/2015	\$ 1,965,000	393	\$ 2,561.88	\$ 1,006,818.84
8/1/2016	\$ 1,965,000	393	\$ 2,383.46	\$ 936,699.78
8/1/2017	\$ 1,965,000	393	\$ 2,228.22	\$ 875,690.46
8/1/2018	\$ 1,965,000	393	\$ 2,083.08	\$ 818,650.44
				\$ 7,108,501.47

The Accreted Values of the Series 1992 Capital Appreciation Bonds includes the principal amount of \$151,973 as of August 31, 2005.

The La Joya ISD issued and sold the \$81,340,000 Unlimited Tax School Building Bonds Series 2004 in September 2004. Bond proceeds are to be used for the construction of four elementary schools, a middle school and a high school.

In addition, the \$63,175,000 Unlimited Tax Refunding Bonds, Series 2005 was issued and sold in August 2005 to defease the following bond issues:

Refunding Bond Series 1992	\$ 5,615,000
Refunding Bond Series 1994	3,915,000
Unlimited Tax School Building Bond Issue 1998	18,855,000
Unlimited Tax School Building Bonds Issue 2000	<u>35,355,000</u>
Total Bonds Refunded	\$63,740,000

Bond proceeds were placed in an irrevocable trust to provide for all future debt payments on the old bonds. Accordingly, the trust account asset and the defeased bonds are not included in the District's government-wide statement of net assets. On August 31, 2005, \$63,740,000 of bonds outstanding are considered defeased.

There are a number of limitations and restrictions contained in the general obligation bond indenture. La Joya ISD is in compliance with all significant limitations and restrictions at August 31, 2005.

H. DEBT SERVICE REQUIREMENTS - BONDS AND CAPITAL LEASES

Debt service requirements for bonds are as follows:

Year Ended August 31,	General Obligations		
	Principal	Interest	Total Requirements
2006	4,190,000	8,411,024	12,601,024
2007	4,635,000	7,945,469	12,580,469
2008	4,845,000	7,726,600	12,571,600
2009	6,160,000	7,471,000	13,631,000
2010	6,465,000	7,163,688	13,628,688
2011-2015	29,376,086	39,050,964	68,427,050
2016-2020	35,540,876	29,233,324	64,774,200
2021-2025	39,080,000	13,799,219	52,879,219
2026-2030	18,935,000	7,142,463	26,077,463
2031-2035	18,915,012	1,950,625	20,865,637
Total	168,141,974	129,894,375	298,036,349

Notes Payable

La Joya ISD implemented the LoanSTAR project an Energy Conservation project. The original amount borrowed was \$1,235,667 at an annual interest rate of 4.04% for 8 years.

Year Ended August 31,	<u>General Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2006	156,724	30,122	186,846
2007	163,152	23,694	186,846
2008	169,844	17,002	186,846
2009	176,810	10,036	186,846
2010	<u>137,351</u>	<u>2,784</u>	<u>140,135</u>
Total	<u>803,881</u>	<u>83,638</u>	<u>887,519</u>

Capital Leases

The La Joya ISD entered into a capital lease purchase with Dell Computers in the amount of \$1,492,500 commencing on 06-01-2004 and ending on 05-31-2006. As of 08-31-2005, the La Joya ISD had paid off the balance owed on this capital lease.

The La Joya ISD entered into a capital lease purchase with KRONOS Inc. The total cost of the lease purchase was \$217,743 and is to be paid over a 24 month period starting May 01, 2004.

General Obligations

Year Ended August 31,	<u>Principal</u>
2006	<u>\$55,752</u>
Total	<u>\$55,752</u>

I. DEFINED BENEFIT PENSION PLAN

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

Funding Policy. State law provides for fiscal years 2003, 2004 and 2005 a state contribution rate of 6.0% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State contributions to TRS made on behalf of LA JOYA INDEPENDENT SCHOOL DISTRICT's employees for the years ended August 31, 2003, 2004 and 2005 were \$4,475,507, \$4,807,982, and \$4,500,755, respectively. LA JOYA INDEPENDENT SCHOOL DISTRICT paid additional state contributions for the years ended August 31, 2003, 2004 and 2005 in the amount of \$492,035, \$534,991 and \$728,201, respectively, on the portion of the employees' salaries that exceeded the statutory minimum.

J. HEALTH CARE COVERAGE

The District sponsors a modified self-insurance plan to provide health care benefits to staff members and their dependents. Transactions related to the plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. Partial staff member contributions are required for personal coverage and total staff member contributions are required for coverage of dependents. The District obtained excess loss insurance which limited annual claims paid from the Fund for the year ended August 31, 2005, to \$75,000 for any individual participant and an aggregate limit equal to \$14,322,654.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2005, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the Fund as they become due.

Changes in the balances of claims liabilities during the past year are as follows:

	<u>Year Ended August 31, 2004</u>	<u>Year Ended August 31, 2005</u>
Unpaid claims, beginning of the year	\$803,129	\$1,933,398
Incurred claims (including IBNR'S)	12,014,840	12,376,027
Claim Payments	<u>(10,884,571)</u>	<u>(12,036,022)</u>
Unpaid claims, end of fiscal year	<u>\$1,933,398</u>	<u>\$2,273,403</u>

K. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	91,682,654	144,515,000	68,055,680	168,141,974	4,190,000
Notes Payable	954,430	-	150,549	803,881	156,724
Total Bonds and Notes Payable	<u>92,637,084</u>	<u>144,515,000</u>	<u>68,206,229</u>	<u>168,945,855</u>	<u>4,346,724</u>
Other Liabilities:					
Capital Leases	631,875	-	576,123	55,752	55,752
Total Other Liabilities	<u>631,875</u>	<u>-</u>	<u>576,123</u>	<u>55,752</u>	<u>55,752</u>
Total Governmental Activities Long-term Liabilities	<u>93,268,959</u>	<u>144,515,000</u>	<u>68,782,352</u>	<u>169,001,607</u>	<u>4,402,476</u>

L. DEFERRED REVENUE

Deferred revenue at year end consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Net Tax Revenue	\$7,265,892		\$767,931	\$8,033,823
Food Service Receipts	74,923			74,923
Tx. Placement Spanish Lang.		4,200		4,200
Advanced Placement Prog.		20,579		20,579
Read to Succeed		25		25
Order of Alhambra		49		49
Loss Prevention Grant		2,866		2,866
Total Deferred Revenue	<u>\$7,340,815</u>	<u>\$27,719</u>	<u>\$767,931</u>	<u>\$8,136,465</u>

M. DUE FROM STATE AGENCIES

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2005, are summarized below. All federal grants shown below are passed through the Texas Education Agency and are reported on the combined financial statements as Due from State Agencies. The following are exceptions, \$45,076 in the Special Revenue Funds which is due from The University of Texas-Pan American on behalf of The Michael and Sarah Dell Foundation.

<u>FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>TOTAL</u>
General	\$10,640,527	\$509,919	\$11,150,446
Special Revenue	<u>45,076</u>	<u>2,485,610</u>	<u>2,530,686</u>
Total	<u>\$10,685,603</u>	<u>\$2,995,529</u>	<u>\$13,681,132</u>

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$20,667,283	\$0	\$1,935,516	\$0	\$22,602,799
Penalties, Interest and Other Tax-related Income	1,258,825	0	154,286	0	1,413,111
Investment Income	1,405,327	0	505,162	2,045,894	3,956,383
Food Sales	420,091	0	0	0	420,091
Co-curricular Student Activities	163,159	0	0	0	163,159
Other	<u>472,582</u>	<u>120,613</u>	<u>1,932,813</u>	<u>1,490,000</u>	<u>4,016,008</u>
Total	<u>\$24,387,267</u>	<u>\$120,613</u>	<u>\$4,527,777</u>	<u>\$3,535,894</u>	<u>\$32,571,551</u>

O. LITIGATION

The District is the defendant in various lawsuits arising out of the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for potential loss has been recorded.

P. MAINTENANCE OF EFFORT

The total amount paid by the District (a self-funded plan) for the employee health care premiums is as follows:

- a) Total District Premium paid for health care 2004-2005 \$ 12,896,313
- b) Subtract any non-medical expenditures
 Life Insurance \$ 86,474
- c) 2004-2005 Maintenance of Effort \$12,809,839

Q. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES.

The La Joya ISD has selected architects to construct four elementary schools, a middle school and a high school as of 08-31-2005. The following schedule reflects the status of each project:

Project	Architect/ Date Selected	Location	Projected Starting Date	Estimated Completion Date	Estimated Cost
Elementary School No. 19	R.O.F.A. December 21, 2004	Moorefield & 1- 1/2 Mile Line	August 24, 2005	August 2006	\$ 7,202,000.
Elementary School No. 20	T.D.C.I. December 21, 2004	Bentsen Palm Drive & 4-1/2 Mile Line	November 2005	August 2006	\$ 7,368,000.
Elementary School No. 21	Vitetta August 17, 2005	4-Mile Line & Liberty Boulevard	June 2006	August 2007	\$ 7,532,000.
Elementary School No. 22	Vitetta August 17, 2005	Pueblo De Palmas Subdivision	June 2006	August 2007	\$ 7,744,000.
Middle School No. 7	T.D.C.I. January 5, 2005	Pueblo De Palmas Subdivision	March 2006	August 2007	\$ 14,000,000.
High School No. 4	ERO January 5, 2005	4-Mile Line & Bentsen Palm Drive	March 2006	January 2008	\$ 38,000,000.

R. PRIOR PERIOD ADJUSTMENT

The District recognized prior period adjustments in the Governmental Funds totaling \$411,974. The majority of the adjustment was a result of additionally earned revenues, which had not been recognized previously.

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COMBINING AND OTHER STATEMENTS

LA JOYA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2005

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	
ASSETS					
1110	Cash and Cash Equivalents	\$ (8,472)	\$ 1,414,017	\$ (181,984)	\$ (27,076)
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (credit)	-	-	-	-
1240	Due from Other Governments	12,009	523,525	278,985	273,529
1260	Due from Other Funds	-	3,389	542	130,118
1290	Other Receivables	-	350	-	-
1000	Total Assets	<u>\$ 3,537</u>	<u>\$ 1,941,281</u>	<u>\$ 97,543</u>	<u>\$ 376,571</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ -	\$ 46	\$ 882	\$ 192,104
2160	Accrued Wages Payable	-	277,182	46,479	62,423
2170	Due to Other Funds	3,537	1,659,557	49,640	113,237
2180	Due to Other Governments	-	4,496	542	8,807
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>3,537</u>	<u>1,941,281</u>	<u>97,543</u>	<u>376,571</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long-Term Debt	-	-	-	-
3490	Other Purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,537</u>	<u>\$ 1,941,281</u>	<u>\$ 97,543</u>	<u>\$ 376,571</u>

EXHIBIT H-1 (Cont'd)

225 IDEA - Part B Preschool	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	256 ESEA, I, F Comprehensive School Reform	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	280 IDEA - B Capacity Building
\$ (315)	\$ (2,850)	\$ 32,521	\$ (75,905)	\$ (32,840)	\$ (35,985)	\$ 264	\$ (716)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,659	10,980	47,017	72,042	19,657	68,972	2,312	2,473
-	-	500	30,531	19,768	500	-	-
-	-	50	-	-	-	50	-
<u>\$ 1,344</u>	<u>\$ 8,130</u>	<u>\$ 80,088</u>	<u>\$ 26,668</u>	<u>\$ 6,585</u>	<u>\$ 33,487</u>	<u>\$ 2,626</u>	<u>\$ 1,757</u>
\$ -	\$ -	\$ -	\$ 7,453	\$ -	\$ -	\$ -	\$ -
914	321	45,334	-	291	7,723	-	1,370
430	7,809	34,254	5,556	6,294	25,264	2,626	387
-	-	500	13,659	-	500	-	-
-	-	-	-	-	-	-	-
<u>1,344</u>	<u>8,130</u>	<u>80,088</u>	<u>26,668</u>	<u>6,585</u>	<u>33,487</u>	<u>2,626</u>	<u>1,757</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,344</u>	<u>\$ 8,130</u>	<u>\$ 80,088</u>	<u>\$ 26,668</u>	<u>\$ 6,585</u>	<u>\$ 33,487</u>	<u>\$ 2,626</u>	<u>\$ 1,757</u>

LA JOYA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2005

Data Control Codes	281 Title I, A School Improvement	283 AP Spanish Grant	285 Teaching American History	287 Target Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (119,832)	\$ 4,201	\$ (97,335)	\$ (97,057)
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (credit)	-	-	-	-
1240	Due from Other Governments	207,314	-	114,007	128,363
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 87,482</u>	<u>\$ 4,201</u>	<u>\$ 16,672</u>	<u>\$ 31,306</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 84,941	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	2,541	-	16,672	31,306
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	4,201	-	-
2000	Total Liabilities	<u>87,482</u>	<u>4,201</u>	<u>16,672</u>	<u>31,306</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long-Term Debt	-	-	-	-
3490	Other Purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 87,482</u>	<u>\$ 4,201</u>	<u>\$ 16,672</u>	<u>\$ 31,306</u>

EXHIBIT H-1 (Cont'd)

288 COPS Grant	289 GEAR-UP Grant	385 Visually Impaired	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	399 Investment Capital Funds	401 Optional Extended Year Program	404 Student Success Initiative
\$ (20,450)	\$ (59,333)	\$ (1,219)	\$ (12,881)	\$ 20,579	\$ (119,825)	\$ (111,313)	\$ (138,257)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
61,555	77,792	1,170	17,209	-	125,841	140,590	246,084
-	500	103	-	-	1,023	59	1
-	-	120	-	-	-	-	-
<u>\$ 41,105</u>	<u>\$ 18,959</u>	<u>\$ 174</u>	<u>\$ 4,328</u>	<u>\$ 20,579</u>	<u>\$ 7,039</u>	<u>\$ 29,336</u>	<u>\$ 107,828</u>
\$ -	\$ 13,609	\$ -	\$ -	\$ -	\$ 5,263	\$ -	\$ -
-	578	-	-	-	-	-	-
41,105	4,772	-	2,024	-	1,776	29,336	107,828
-	-	174	2,304	-	-	-	-
-	-	-	-	20,579	-	-	-
<u>41,105</u>	<u>18,959</u>	<u>174</u>	<u>4,328</u>	<u>20,579</u>	<u>7,039</u>	<u>29,336</u>	<u>107,828</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 41,105</u>	<u>\$ 18,959</u>	<u>\$ 174</u>	<u>\$ 4,328</u>	<u>\$ 20,579</u>	<u>\$ 7,039</u>	<u>\$ 29,336</u>	<u>\$ 107,828</u>

LA JOYA INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2005

Data Control Codes	411 Technology Allotment	415 Kindergarten and Pre-K Grants	418 Employee Health Insurance	421 Master Reading Teacher	
ASSETS					
1110	Cash and Cash Equivalents	\$ 60,386	\$ 48,570	\$ 12,876	\$ (907)
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (credit)	-	-	-	-
1240	Due from Other Governments	48,317	-	4,209	-
1260	Due from Other Funds	-	-	85,621	907
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ 108,703</u>	<u>\$ 48,570</u>	<u>\$ 102,706</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
2110	Accounts Payable	\$ 3,603	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	74,942	48,570	102,706	-
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenues	-	-	-	-
2000	Total Liabilities	<u>78,545</u>	<u>48,570</u>	<u>102,706</u>	<u>-</u>
Fund Balances:					
Reserved For:					
3420	Retirement of Long-Term Debt	-	-	-	-
3490	Other Purposes	30,158	-	-	-
3000	Total Fund Balances	<u>30,158</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 108,703</u>	<u>\$ 48,570</u>	<u>\$ 102,706</u>	<u>\$ -</u>

429 Read To Succeed	486 Order of Ahambra	498 Loss Prevention Grant	499 AVID Grant	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ 25	\$ 49	\$ 5,158	\$ (37,783)	\$ 416,311	\$ 1,287	\$ 417,598
-	-	-	-	-	4,212,841	4,212,841
-	-	-	-	-	923,834	923,834
-	-	-	-	-	(155,903)	(155,903)
-	-	-	45,076	2,530,687	-	2,530,687
-	-	44	-	273,606	51,260	324,866
-	-	-	-	570	-	570
<u>\$ 25</u>	<u>\$ 49</u>	<u>\$ 5,202</u>	<u>\$ 7,293</u>	<u>\$ 3,221,174</u>	<u>\$ 5,033,319</u>	<u>\$ 8,254,493</u>
\$ -	\$ -	\$ -	\$ -	\$ 307,901	\$ -	\$ 307,901
-	-	-	4,443	447,058	-	447,058
-	-	2,336	2,850	2,377,355	-	2,377,355
-	-	-	-	30,982	-	30,982
25	49	2,866	-	27,720	767,931	795,651
<u>25</u>	<u>49</u>	<u>5,202</u>	<u>7,293</u>	<u>3,191,016</u>	<u>767,931</u>	<u>3,958,947</u>
-	-	-	-	-	4,265,388	4,265,388
-	-	-	-	30,158	-	30,158
-	-	-	-	30,158	4,265,388	4,295,546
<u>\$ 25</u>	<u>\$ 49</u>	<u>\$ 5,202</u>	<u>\$ 7,293</u>	<u>\$ 3,221,174</u>	<u>\$ 5,033,319</u>	<u>\$ 8,254,493</u>

LA JOYA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes	204 ESEA Title IV Safe & Drug Free Schools	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>185,283</u>	<u>12,082,889</u>	<u>2,472,575</u>	<u>3,484,255</u>
5020 Total Revenues	<u>185,283</u>	<u>12,082,889</u>	<u>2,472,575</u>	<u>3,484,255</u>
EXPENDITURES:				
Current:				
0011 Instruction	45,744	9,707,828	1,585,183	2,605,019
0012 Instructional Resources & Media Services	-	243,842	-	1,980
0013 Curriculum & Instructional Staff Development	-	787,100	7,284	17,874
0021 Instructional Leadership	19,967	203,295	173,447	93,731
0023 School Leadership	-	34,219	-	-
0031 Guidance, Counseling & Evaluation Services	119,533	70,683	64,046	410,803
0032 Social Work Services	-	494,787	472,519	-
0033 Health Services	-	27,031	4,029	-
0034 Student (Pupil) Transportation	-	-	-	337,871
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	3,870	-	-
0051 Plant Maintenance and Operations	39	24,529	2,112	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	-	485,705	163,955	16,977
Debt Service:				
0071 Debt Service - Principal on long-term debt	-	-	-	-
0072 Debt Service - Interest on long-term debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>185,283</u>	<u>12,082,889</u>	<u>2,472,575</u>	<u>3,484,255</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital-related Debt Issued (Regular Bonds)	-	-	-	-
8949 Other (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Increase (Decrease) in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

225 IDEA - Part B Preschool	244 Vocational Ed Basic Grant	255 ESEA II,A Training and Recruiting	256 ESEA, I, F Comprehensive School Reform	262 Title II, D Education Technology	263 Title III, A English Lang. Acquisition	269 Title V, Pt.A Innovative Programs	280 IDEA - B Capacity Building
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
<u>20,329</u>	<u>403,327</u>	<u>1,523,169</u>	<u>404,159</u>	<u>213,075</u>	<u>1,217,006</u>	<u>138,255</u>	<u>19,590</u>
<u>20,329</u>	<u>403,327</u>	<u>1,523,169</u>	<u>404,159</u>	<u>213,075</u>	<u>1,217,006</u>	<u>138,255</u>	<u>19,590</u>
20,329	369,396	900,027	219,541	13,024	1,035,369	82,843	18,657
-	-	-	-	-	-	-	-
-	-	619,090	165,115	190,911	166,032	51,674	933
-	-	-	1,527	-	15,605	1,976	-
-	-	3,815	17,009	-	-	-	-
-	33,931	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	237	-	-	-	1,555	-
-	-	-	967	-	-	207	-
-	-	-	-	-	-	-	-
-	-	-	-	9,140	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>20,329</u>	<u>403,327</u>	<u>1,523,169</u>	<u>404,159</u>	<u>213,075</u>	<u>1,217,006</u>	<u>138,255</u>	<u>19,590</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LA JOYA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes	281 Title I, A School Improvement	283 AP Spanish Grant	285 Teaching American History	287 Target Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	<u>207,314</u>	<u>5,799</u>	<u>318,725</u>	<u>274,563</u>
5020 Total Revenues	<u>207,314</u>	<u>5,799</u>	<u>318,725</u>	<u>274,563</u>
EXPENDITURES:				
Current:				
0011 Instruction	112,860	-	152,778	-
0012 Instructional Resources & Media Services	-	-	-	-
0013 Curriculum & Instructional Staff Development	80,904	2,732	165,947	274,563
0021 Instructional Leadership	13,500	-	-	-
0023 School Leadership	-	3,067	-	-
0031 Guidance, Counseling & Evaluation Services	-	-	-	-
0032 Social Work Services	-	-	-	-
0033 Health Services	-	-	-	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	-
0036 Cocurricular/Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Plant Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	50	-	-	-
Debt Service:				
0071 Debt Service - Principal on long-term debt	-	-	-	-
0072 Debt Service - Interest on long-term debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>207,314</u>	<u>5,799</u>	<u>318,725</u>	<u>274,563</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital-related Debt Issued (Regular Bonds)	-	-	-	-
8949 Other (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Increase (Decrease) in Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

288 COPS Grant	289 GEAR-UP Grant	385 Visually Impaired	394 Pregnancy, Education and Parenting	397 Advanced Placement Incentives	399 Investment Capital Funds	401 Optional Extended Year Program	404 Student Success Initiative
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	1,889	83,134	9,134	154,622	140,590	491,138
<u>74,924</u>	<u>282,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>74,924</u>	<u>282,325</u>	<u>1,889</u>	<u>83,134</u>	<u>9,134</u>	<u>154,622</u>	<u>140,590</u>	<u>491,138</u>
-	95,001	1,889	77,279	-	108,357	138,705	428,910
-	-	-	-	-	-	-	20,109
-	4,176	-	-	9,134	44,709	1,885	42,119
-	-	-	-	-	-	-	-
-	375	-	4,478	-	-	-	-
-	131,321	-	1,377	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	371	-	-	-	-	-	-
74,924	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	51,081	-	-	-	1,556	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>74,924</u>	<u>282,325</u>	<u>1,889</u>	<u>83,134</u>	<u>9,134</u>	<u>154,622</u>	<u>140,590</u>	<u>491,138</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LA JOYA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005

Data Control Codes	411 Technology Allotment	415 Kindergarten and Pre-K Grants	418 Employee Health Insurance	421 Master Reading Teacher
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	633,070	421,632	1,456,833	15,000
5900 Federal Program Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
5020 Total Revenues	<u>633,070</u>	<u>421,632</u>	<u>1,456,833</u>	<u>15,000</u>
EXPENDITURES:				
Current:				
0011 Instruction	37,615	421,632	858,897	15,000
0012 Instructional Resources & Media Services	422,879	-	39,410	-
0013 Curriculum & Instructional Staff Development	-	-	896	-
0021 Instructional Leadership	-	-	9,186	-
0023 School Leadership	-	-	54,604	-
0031 Guidance, Counseling & Evaluation Services	-	-	59,532	-
0032 Social Work Services	-	-	12,248	-
0033 Health Services	-	-	19,497	-
0034 Student (Pupil) Transportation	-	-	103,442	-
0035 Food Services	-	-	94,652	-
0036 Cocurricular/Extracurricular Activities	-	-	500	-
0041 General Administration	-	-	23,830	-
0051 Plant Maintenance and Operations	-	-	135,479	-
0052 Security and Monitoring Services	-	-	28,537	-
0053 Data Processing Services	-	-	3,000	-
0061 Community Services	-	-	13,123	-
Debt Service:				
0071 Debt Service - Principal on long-term debt	300,000	-	-	-
0072 Debt Service - Interest on long-term debt	-	-	-	-
0073 Debt Service - Bond Issuance Cost and Fees	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
6030 Total Expenditures	<u>760,494</u>	<u>421,632</u>	<u>1,456,833</u>	<u>15,000</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(127,424)</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
7911 Capital-related Debt Issued (Regular Bonds)	-	-	-	-
8949 Other (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balance	(127,424)	-	-	-
0100 Fund Balance - September 1 (Beginning)	106,042	-	-	-
1300 Increase (Decrease) in Fund Balance	<u>51,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 30,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

429 Read To Succeed	486 Order of Ahambra	498 Loss Prevention Grant	499 AVID Grant	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ 951	\$ 2,634	\$ 117,029	\$ 120,614	\$ 4,527,776	\$ 4,648,390
-	-	-	-	3,407,042	11,457,254	14,864,296
-	-	-	-	23,327,562	-	23,327,562
-	951	2,634	117,029	26,855,218	15,985,030	42,840,248
-	951	-	110,729	19,163,563	-	19,163,563
-	-	-	-	728,220	-	728,220
-	-	-	4,856	2,637,934	-	2,637,934
-	-	-	-	532,234	-	532,234
-	-	-	1,444	119,011	-	119,011
-	-	-	-	891,226	-	891,226
-	-	-	-	979,554	-	979,554
-	-	-	-	50,557	-	50,557
-	-	-	-	441,313	-	441,313
-	-	-	-	94,652	-	94,652
-	-	-	-	500	-	500
-	-	2,634	-	30,334	-	30,334
-	-	-	-	164,322	-	164,322
-	-	-	-	104,635	-	104,635
-	-	-	-	3,000	-	3,000
-	-	-	-	741,587	-	741,587
-	-	-	-	300,000	4,315,680	4,615,680
-	-	-	-	-	9,396,781	9,396,781
-	-	-	-	-	1,222,496	1,222,496
-	951	2,634	117,029	26,982,642	14,934,957	41,917,599
-	-	-	-	(127,424)	1,050,073	922,649
-	-	-	-	-	63,175,000	63,175,000
-	-	-	-	-	(63,740,000)	(63,740,000)
-	-	-	-	-	(565,000)	(565,000)
-	-	-	-	(127,424)	485,073	357,649
-	-	-	-	106,042	3,523,215	3,629,257
-	-	-	-	51,540	257,100	308,640
\$ -	\$ -	\$ -	\$ -	\$ 30,158	\$ 4,265,388	\$ 4,295,546

LA JOYA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 AUGUST 31, 2005

	752	753
	Print Shop	Insurance
<hr/>		
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 98,325	\$ (932,934)
Investments - Current	-	12,216,339
Due from Other Funds	<u>2,265</u>	<u>19</u>
Total Current Assets	<u>100,590</u>	<u>11,283,424</u>
Noncurrent Assets:		
Capital Assets:		
Furniture and Equipment	137,952	-
Depreciation on Furniture and Equipment	<u>(137,952)</u>	<u>-</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>
Total Assets	<u>100,590</u>	<u>11,283,424</u>
 LIABILITIES		
Current Liabilities:		
Accounts Payable	-	2,273,468
Due to Other Funds	<u>240,451</u>	<u>445</u>
Total Liabilities	<u>240,451</u>	<u>2,273,913</u>
 NET ASSETS		
Unrestricted Net Assets	<u>(139,861)</u>	<u>9,009,511</u>
Total Net Assets	<u>\$ (139,861)</u>	<u>\$ 9,009,511</u>

770 Workers Compensation Fund	780 Unemployment Compensation Fund	Total Internal Service Funds
\$ 38,196	\$ 9,392	\$ (787,021)
11,251,649	808,873	24,276,861
<u>239,256</u>	<u>4,101</u>	<u>245,641</u>
<u>11,529,101</u>	<u>822,366</u>	<u>23,735,481</u>
-	-	137,952
<u>-</u>	<u>-</u>	<u>(137,952)</u>
-	-	-
<u>11,529,101</u>	<u>822,366</u>	<u>23,735,481</u>
533	-	2,274,001
<u>962</u>	<u>4</u>	<u>241,862</u>
<u>1,495</u>	<u>4</u>	<u>2,515,863</u>
<u>11,527,606</u>	<u>822,362</u>	<u>21,219,618</u>
<u>\$ 11,527,606</u>	<u>\$ 822,362</u>	<u>\$ 21,219,618</u>

LA JOYA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005

	752	753
	Print Shop	Insurance
<hr/>		
OPERATING REVENUES:		
Local and Intermediate Sources	\$ 240,724	\$ 16,052,264
Total Operating Revenues	<u>240,724</u>	<u>16,052,264</u>
OPERATING EXPENSES:		
Payroll Costs	77,354	947
Professional and Contracted Services	69,945	1,889,174
Supplies and Materials	70,406	12,465
Other Operating Costs	<u>99</u>	<u>14,449,706</u>
Total Operating Expenses	<u>217,804</u>	<u>16,352,292</u>
Operating Income (Loss)	22,920	(300,028)
Total Net Assets - September 1 (Beginning)	<u>(162,781)</u>	<u>9,309,539</u>
Total Net Assets - August 31 (Ending)	<u>\$ (139,861)</u>	<u>\$ 9,009,511</u>

770 Workers Compensation Fund	780 Unemployment Compensation Fund	Total Internal Service Funds
<u>\$ 4,203,609</u>	<u>\$ 75,214</u>	<u>\$ 20,571,811</u>
<u>4,203,609</u>	<u>75,214</u>	<u>20,571,811</u>
-	-	78,301
2,298	-	1,961,417
12,746	-	95,617
<u>1,331,517</u>	<u>76,733</u>	<u>15,858,055</u>
<u>1,346,561</u>	<u>76,733</u>	<u>17,993,390</u>
2,857,048	(1,519)	2,578,421
<u>8,670,558</u>	<u>823,881</u>	<u>18,641,197</u>
<u>\$ 11,527,606</u>	<u>\$ 822,362</u>	<u>\$ 21,219,618</u>

LA JOYA INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2005

	752	753
	Print Shop	Insurance
<hr/>		
Cash Flows from Operating Activities:		
Cash Received from User Charges	\$ 250,213	\$ 13,835,925
Cash Received from Assessments - Other Funds	-	-
Cash Payments to Employees for Services	(65,054)	(947)
Cash Payments for Insurance Claims	(57,645)	(1,889,174)
Cash Payments for Suppliers	(57,367)	(12,465)
Cash Payments for Other Operating Expenses	(99)	(14,242,552)
Net Cash Provided by (Used for) Operating Activities	<u>70,048</u>	<u>(2,309,213)</u>
Net Increase(Decrease) in Cash and Cash Equivalents	70,048	(2,309,213)
Cash and Cash Equivalents at Beginning of the Year:	<u>28,277</u>	<u>1,376,279</u>
Cash and Cash Equivalents at the End of the Year:	<u>\$ 98,325</u>	<u>\$ (932,934)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss):	\$ 22,920	\$ (300,028)
Effect of Increases and Decreases in Current Assets and Liabilities:		
Decrease (increase) in Receivables	9,489	-
Increase (decrease) in Accounts Payable	37,639	207,154
Increase (decrease) in Investment Securities	-	(2,216,339)
Net Cash Provided by (Used for) Operating Activities	<u>\$ 70,048</u>	<u>\$ (2,309,213)</u>

770 Workers Compensation Fund	780 Unemployment Compensation Fund	Total Internal Service Funds
\$ -	\$ -	\$ 14,086,138
(287,282)	(737,760)	(1,025,042)
-	-	(66,001)
(2,298)	-	(1,949,117)
(12,746)	-	(82,578)
<u>(1,348,959)</u>	<u>(76,733)</u>	<u>(15,668,343)</u>
<u>(1,651,285)</u>	<u>(814,493)</u>	<u>(4,704,943)</u>
(1,651,285)	(814,493)	(4,704,943)
<u>1,689,481</u>	<u>823,885</u>	<u>3,917,922</u>
<u>\$ 38,196</u>	<u>\$ 9,392</u>	<u>\$ (787,021)</u>
\$ 2,857,048	\$ (1,519)	\$ 2,578,421
(239,242)	(4,101)	(233,854)
(17,442)	-	227,351
<u>(4,251,649)</u>	<u>(808,873)</u>	<u>(7,276,861)</u>
<u>\$ (1,651,285)</u>	<u>\$ (814,493)</u>	<u>\$ (4,704,943)</u>

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T.E.A. REQUIRED SCHEDULES

LA JOYA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2005

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
1996 and prior years	Various	Various	\$ Various
1997	1.23770	0.31830	632,640,306
1998	1.20830	0.25800	758,137,238
1999	1.24220	0.31380	832,821,799
2000	1.45440	0.10160	839,498,732
2001	1.32930	0.12650	1,003,130,163
2002	1.41040	0.11760	1,251,488,277
2003	1.50000	0.06990	1,212,391,175
2004	1.50000	0.06990	1,213,424,732
2005 (School year under audit)	1.50000	0.14200	1,469,147,866
1000 TOTALS			

(10) Beginning Balance 9/1/2004	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2005
\$ 1,107,288	\$ -	\$ 71,834	\$ 31,445	\$ 59,328	944,681
329,428	-	36,537	9,396	1,197	282,298
349,620	-	41,678	8,899	877	298,166
405,274	-	55,134	13,928	455	335,757
528,634	-	98,367	6,872	(8,747)	432,142
762,236	-	164,945	15,696	(14,923)	596,518
1,041,857	-	252,579	21,060	(12,392)	780,610
1,559,830	-	436,302	20,332	(10,299)	1,113,495
2,360,734	-	784,270	36,547	36,109	1,503,808
-	23,263,220	18,711,317	1,771,340	(557,040)	3,337,603
<u>\$ 8,444,901</u>	<u>\$ 23,263,220</u>	<u>\$ 20,652,963</u>	<u>\$ 1,935,515</u>	<u>\$ (505,435)</u>	<u>\$ 9,625,078</u>

LA JOYA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2006-2007
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ 206,568	\$ 248,375	\$ 2,295,095	\$ -	\$ 905,217	\$ 3,655,255
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	102,187	-	102,187
6211	Legal Services	-	-	162,993	-	-	-	162,993
6212	Audit Services	-	-	-	44,550	-	-	44,550
6213	Tax Appraisal and Collection	-	198,519	-	-	-	-	198,519
621X	Other Professional Services	-	-	53,585	73,974	-	972	128,531
6220	Tuition and Transfer Payments	-	-	-	-	-	5,898	5,898
6230	Education Service Centers	-	-	-	2,850	-	-	2,850
6240	Contr. Maint. and Repair	-	-	-	-	133,900	-	133,900
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	1,771	360	20,018	-	672	22,821
6290	Miscellaneous Contr.	-	33,129	31,777	28,104	-	57,832	150,842
6320	Textbooks and Reading	-	-	5,498	648	-	1,464	7,610
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,024	16,698	8,929	120,986	-	89,962	237,599
6410	Travel, Subsistence, Stipends	30,263	1,450	21,247	48,067	-	7,264	108,291
6420	Ins. and Bonding Costs	-	2,500	89	-	-	-	2,589
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	3,566	715	64,076	144,680	-	26,109	239,146
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 34,853	\$ 461,350	\$ 596,929	\$ 2,778,972	\$ 236,087	\$ 1,095,390	\$ 5,203,581

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 174,529,112

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,043,963
Total Debt & Lease(6500)	(11)	776,783
Plant Maintenance (Function 51, 6100-6400)	(12)	18,259,671
Food (Function 35, 6341 and 6499)	(13)	4,099,852
Stipends (6413)	(14)	86,204
Column 4 (above) - Total Indirect Cost		2,778,972

SubTotal:

28,045,444

Net Allowed Direct Cost

\$ 146,483,668

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 200,528,676
Historical Cost of Building over 50 years old	(16)	\$ -
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 20,090,570
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: Function 53 expenditures are included in this report on administrative costs.

LA JOYA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2006-2007
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2005

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ 206,568	\$ 248,375	\$ 2,295,095	\$ -	\$ 902,217	\$ 3,652,255
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	102,187	-	102,187
6211	Legal Services	-	-	162,993	-	-	-	162,993
6212	Audit Services	-	-	-	44,550	-	-	44,550
6213	Tax Appraisal and Collection	-	198,519	-	-	-	-	198,519
621X	Other Professional Services	-	-	53,585	73,974	-	972	128,531
6220	Tuition and Transfer Payments	-	-	-	-	-	5,898	5,898
6230	Education Service Centers	-	-	-	2,850	-	-	2,850
6240	Contr. Maint. and Repair	-	-	-	-	133,900	-	133,900
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	1,771	360	20,018	-	672	22,821
6290	Miscellaneous Contr.	-	33,129	31,777	28,104	-	57,832	150,842
6320	Textbooks and Reading	-	-	5,498	648	-	1,464	7,610
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	1,024	16,698	8,929	120,986	-	89,962	237,599
6410	Travel, Subsistence, Stipends	30,263	1,450	21,247	48,067	-	7,264	108,291
6420	Ins. and Bonding Costs	-	2,500	89	-	-	-	2,589
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	3,566	715	64,076	144,680	-	26,109	239,146
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 34,853	\$ 461,350	\$ 596,929	\$ 2,778,972	\$ 236,087	\$ 1,092,390	\$ 5,200,581

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 174,529,112

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 2,043,963
Total Debt & Lease(6500)	(11)	776,783
Plant Maintenance (Function 51, 6100-6400)	(12)	18,259,671
Food (Function 35, 6341 and 6499)	(13)	4,099,852
Stipends (6413)	(14)	86,204
Column 4 (above) - Total Indirect Cost		2,778,972

SubTotal:

28,045,444

Net Allowed Direct Cost

\$ 146,483,668

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 200,528,676
Historical Cost of Building over 50 years old	(16)	\$ -
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 20,090,570
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: Function 53 expenditures are included in this report on administrative costs.

LA JOYA INDEPENDENT SCHOOL DISTRICT
 FUNDBALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2005

UNAUDITED

1	Total General Fund Balance as of 8/31/05 (Exhibit C-1 object 3000 for the General Fund Only)	\$	53,141,639
2	Total Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund Only)	\$	6,922,206
3	Total Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund Only)		20,000,000
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 (9/1/05-5/31/06).		13,500,000
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 (Lines 2+3+4+5+6+7+8+9)		<u>40,422,206</u>
11	Excess (Deficit) Undesignated Unreserved General Fund Balance (Line 1 minus Line 10)	\$	<u><u>12,719,433</u></u>

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

The District is experiencing student growth at tremendous rates. The fund balance will be used to equip new buildings that will be constructed.

LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
AUGUST 31, 2005

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 375,000	\$ 480,000	\$ 524,605	\$ 44,605
5800	State Program Revenues	100,000	100,000	102,653	2,653
5900	Federal Program Revenues	11,415,000	11,615,000	11,711,266	96,266
5020	Total Revenues	11,890,000	12,195,000	12,338,524	143,524
EXPENDITURES:					
0035	Food Services	11,571,500	11,666,500	10,573,274	1,093,226
0051	Plant Maintenance and Operations	318,500	528,500	441,976	86,524
6030	Total Expenditures	11,890,000	12,195,000	11,015,250	1,179,750
1200	Net Change in Fund Balances	-	-	1,323,274	1,323,274
0100	Fund Balance - September 1 (Beginning)	3,904,270	3,904,270	3,904,270	-
3000	Fund Balance - August 31 (Ending)	\$ 3,904,270	\$ 3,904,270	\$ 5,227,544	\$ 1,323,274

LA JOYA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
AUGUST 31, 2005

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,037,857	\$ 2,037,857	\$ 4,527,776	\$ 2,489,919
5800	State Program Revenues	11,593,394	11,593,394	11,457,254	(136,140)
5020	Total Revenues	13,631,251	13,631,251	15,985,030	2,353,779
EXPENDITURES:					
0071	Debt Service - Principal on long-term debt	14,005,086	8,508,480	4,315,680	4,192,800
0072	Debt Service - Interest on long-term debt	-	5,473,606	9,396,781	(3,923,175)
0073	Debt Service - Bond Issuance Cost and Fees	-	23,000	1,222,496	(1,199,496)
6030	Total Expenditures	14,005,086	14,005,086	14,934,957	(929,871)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(373,835)	(373,835)	1,050,073	1,423,908
OTHER FINANCING SOURCES (USES):					
7911	Capital-related Debt Issued (Regular Bonds)	-	-	63,175,000	63,175,000
8949	Other (Uses)	-	-	(63,740,000)	(63,740,000)
7080	Total Other Financing Sources (Uses)	-	-	(565,000)	(565,000)
1200	Net Change in Fund Balances	(373,835)	(373,835)	485,073	858,908
0100	Fund Balance - September 1 (Beginning)	3,523,214	3,523,215	3,523,215	-
1300	Increase (Decrease) in Fund Balance	-	-	257,100	257,100
3000	Fund Balance - August 31 (Ending)	\$ 3,149,379	\$ 3,149,380	\$ 4,265,388	\$ 1,116,008

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FEDERAL AWARDS SECTION

Reyna & Garza, PLLC

Certified Public Accountants

4416 S. McColl Road

Edinburg, TX 78539

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

Independent Auditor's Report

Board of Trustees
La Joya Independent School District
201 E. Expressway 83
La Joya, Texas Tx 78560

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Joya Independent School District (the District) as of and for the year ended August 31, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 2, 2005.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether La Joya 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered La Joya Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control s does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the district's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

(Signature on File)
Reyna & Garza, PLLC
Certified Public Accountants
December 2, 2005

Reyna & Garza, PLLC

Certified Public Accountants

4416 S. McColl Road

Edinburg, TX 78539

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

Independent Auditor's Report

Board of Trustees
La Joya Independent School District
201 E. Expressway 83
La Joya, Texas Tx 78560

Members of the Board:

Compliance

We have audited the compliance of La Joya Independent School District with the types of compliance requirements described in the U S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of La Joya Independent School District's administrators. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about La Joya 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 of La Joya Independent School District's compliance with those requirements.

In our opinion, La Joya Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2005.

Internal Control Over Compliance

The administration of La Joya Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 reportable condition in which the design or operation of one or more of the internal control s does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants 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.

Schedule of Expenditures of Federal Awards

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of La Joya Independent School District as of and for the year ended August 31, 2005 and have issued our report thereon dated December 2, 2005. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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.

This report is intended for the information of the District's Trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

(Signature on File)

Reyna & Garza, PLLC
Certified Public Accountants

December 2, 2005

LA JOYA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2005

I. Summary of the Auditor's Results:

A.	The type of report issued:	Unqualified opinion.
B.	Internal control over financial statements: Material Weakness(es) identified?	No
	Reportable Condition(s) identified which were not considered material weaknesses?	No
C.	Noncompliance material to the financial statements noted?	No
D.	Federal Awards: Type of Report on Compliance with major programs.	Unqualified opinion.
E.	Findings & Questioned Costs for Federal Awards as defined under Section __.510(a). OMB Circular 133	No
F.	Dollar threshold used to distinguish between Type A and Type B programs.	\$1,030,284
G.	Auditee qualified as a low-risk auditee?	Yes
H.	Major Federal Program(s)	ESEA Title I, Part A ESEA Title II, Part A

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

None

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

None

LA JOYA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2005

There were no prior year findings to report.

LA JOYA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2005

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Direct Programs</u>			
GEAR UP	84.334A	P334A010001A	\$ 282,325
Teaching American History	84.215A	U215X030111	318,725
Total Direct Programs			\$ 601,050
<u>Passed Through State Department of Education</u>			
ESEA Title I Part A - Improving Basic Programs	84.010A	5610101108912	\$ 11,709,563
ESEA Title I Part A - Improving Basic Programs	84.010A	6610101108912	373,326
Total CFDA Number 84.010A			12,082,889
ESEA Title I Comprehensive School Reform	84.010B	5616002710047	106,033
ESEA Title I Comprehensive School Reform	84.010B	5616001711058	131,472
ESEA Title I Comprehensive School Reform	84.010B	4616001108912040	32,992
ESEA Title I Comprehensive School Reform	84.010B	4616001108912100	68,772
ESEA Title I Comprehensive School Reform	84.010B	4616001108912110	64,889
Total CFDA Number 84.010B			404,158
ESEA Title I Part C - Migratory Children	84.011	5615001108912	2,283,019
ESEA Title I Part C - Migratory Children	84.011	6615001108912	189,556
Total CFDA Number 84.011			2,472,575
IDEA - Part B, Formula	84.027	56600011089126600	3,210,726
IDEA - Part B, Formula	84.027	66600011089126600	273,529
IDEA B-Capacity Building	84.027	56600041089126604	18,221
IDEA B-Capacity Building	84.027	66600041089126600	1,369
Total CFDA Number 84.027			3,503,845
IDEA - Part B, Preschool	84.173	56610011089126610	19,416
IDEA - Part B, Preschool	84.173	66610011089126600	913
Total CFDA Number 84.173			20,329
Vocational Education - Basic Grant	84.048	542000610891201	400,036
Vocational Education - Basic Grant	84.048	642000610891201	3,292
Total CFDA Number 84.048			403,328
ESEA Title IV - Safe and Drug-Free Schools	84.186A	5691001108912	176,142
ESEA Title IV - Safe and Drug-Free Schools	84.186A	6691001108912	9,141
Total CFDA Number 84.186A			185,283
Title V, Part A - Innovative Programs	84.298	5691001108912	138,155
Title V, Part A - Innovative Programs	84.298	6685001108912	100
Total CFDA Number 84.298			138,255
Title II, Part D -Enhancing Ed. Through Technology	84.318X	5630001108912	201,391
Title II, Part D -Enhancing Ed. Through Technology	84.318X	6630001108912	11,684
Total CFDA Number 84.318X			213,075
Title III, Part A - English Lang. Acquisition	84.365A	5671001108912	1,174,432
Title III, Part A - English Lang. Acquisition	84.365A	6671001108912	42,574
Total CFDA Number 84.365A			1,217,006
ESEA Title II,Part A, Teacher & Principal Training	84.367A	5694501108912	1,477,835
ESEA Title II,Part A, Teacher & Principal Training	84.367B	6694501108912	45,334
Target 2	84.318X	463000221401344	274,563
ESEA Title I, Part A, School Imporvement Fund	84.010A	5610104108912000	207,314
AP Spanish Language Middle School Grant	84.330C	551030271213	5,799
Total Passed Through State Department of Education			\$ 22,651,588

LA JOYA INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2005

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
TOTAL DEPARTMENT OF EDUCATION			\$ 23,252,638
U.S. DEPARTMENT OF JUSTICE			
<u>Direct Programs</u>			
COPS in Schools Award	16.71	2001SHWX0615	\$ 41,992
COPS in Schools Award	16.71	2002SHWX0470	32,932
Total CFDA Number 16.71			<u>74,924</u>
Total Direct Programs			\$ 74,924
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>\$ 74,924</u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
National School Breakfast & Lunch Program*	10.555		\$ 3,760,767
Food Distribution	10.550		7,229,326
Summer Feeding Program	10.559		721,173
Total Passed Through the State Department of Agriculture			<u>\$ 11,711,266</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$ 11,711,266</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 35,038,828</u>

*Clustered Programs as required by Compliance Supplement March, 2004

LA JOYA INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2005

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Expendable Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.
3. The modified accrual basis of accounting is used for the Governmental Fund types, the Expendable Trust Funds, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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