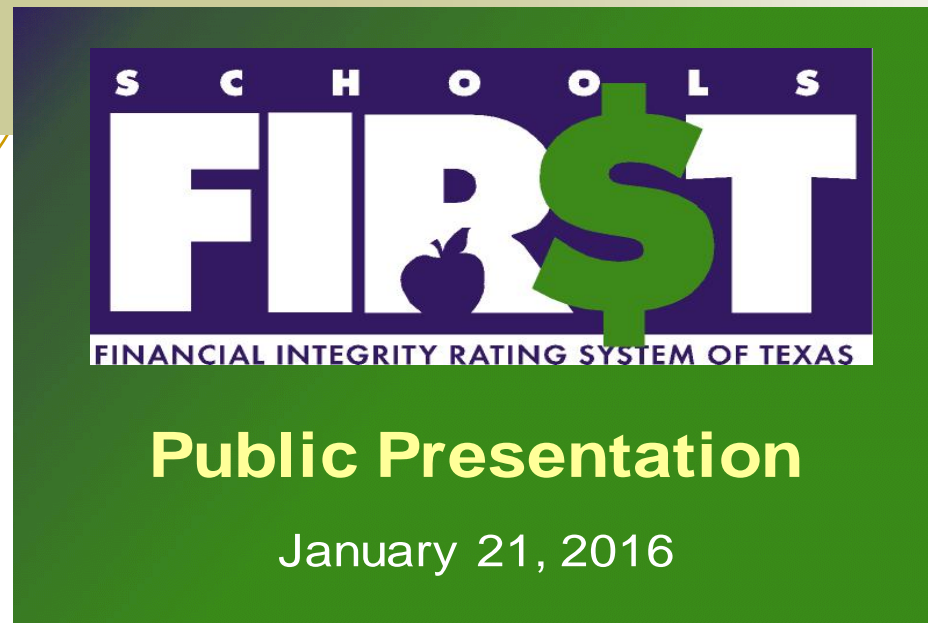


*Judson Independent School District
Live Oak, Texas*



Annual Financial Management and Accountability Report
For the Fiscal Year Ending June 30, 2014

What is Schools FIRST:

- ❑ Schools FIRST is the Financial Integrity Rating System of Texas.
 - ❑ Senate Bill 218 of the 77th Legislature (2001) implemented FIRST. This law requires the financial health of every school district in Texas to be evaluated.
 - ❑ The primary goal of Schools FIRST is to achieve quality performance in the management of school district's financial resources, a goal made more significant due to the complexity of accounting associated with Texas School Finance Systems.
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- ❑ School districts are required to hold a public meeting to publicize the district's financial report and rating.
 - ❑ Schools FIRST accountability rating assigns one of two financial accountability ratings to Texas school districts
 - ❑ Pass
 - ❑ Substandard Achievement
 - ❑ Districts with a Substandard Achievement rating must file a corrective plan with TEA.
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Judson Independent School District Earns


PASS

Judson Independent School District

Responses to Base Indicators

The following 7 criteria were used by TEA to rate the school districts. The following are the responses to the questions used to assess the District's financial management condition.

The data used to determine this rating is from the 2013-2014 fiscal year.

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- 1) Was the Annual Financial Report and data submitted to the TEA within 30 days of the November 27 or January 28 deadline depending upon the district's Fiscal Year end date (June 30 or August 31)?**


YES (Same score in previous fiscal year)

The report was approved by the Board of Trustees on November 20th and received by the Texas Education Agency (TEA) on 11/25/2014.

- 2) Was there an unmodified opinion of the Annual Financial Report on the financial statements as a whole? (The American Institute of Certified Public Accountants (AICPA) defines unmodified opinion. The external independent auditor determines if there as an unmodified opinion.)**

YES (Same score in previous fiscal year)


When the Annual Financial Report is audited by independent auditors, they issue an opinion stating that the financial statements are fairly presented and free of material misstatements. The affirmation of this process is indicated by issuance of an unmodified opinion by the auditors. A modified opinion from the independent auditors generally means that we need to take some type of corrective action on reporting of the District assets or its internal controls. The District has enjoyed Unmodified Opinions from its independent auditors for the past 20 years.



3) Was the school district in compliance with the payment terms of all debt agreements at fiscal year end? (If the school district was in default in a prior fiscal year, an exemption applies in following years if the school district is current on its forbearance or payment plan with the lender and the payments are made on schedule for the fiscal year being rated. Also exempted are technical defaults that are not related to monetary defaults. A technical default is a failure to uphold the terms of a debt covenant, contract, or master promissory note even though payments to the lender, trust, or sinking fund are current. A debt agreement is a legal agreement between a debtor (person, company, etc. that owes money) and their creditors, which includes a plan for paying back the debt.)

YES (Same score in previous fiscal year)

The District has no disclosures in the Annual Financial Report concerning default on bonded indebtedness. At June 30, 2014 total bonded indebtedness was \$444,949,765. Bonded debt service requirements for this fiscal year was \$28,478,670. The District has a long standing commitment to maintain its credit worthiness and has never defaulted on any debt.

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- 4) Was the Total Unrestricted Net Asset Balance (Net of Accretion of Interest on Capital Appreciation Bonds) In the Governmental Activities Column in the Statement of Net Assets Greater than Zero? (If the District's 5 Year % Change in Students was 10% more)**


YES (Same score in previous fiscal year)

The Total Unrestricted Net Asset Balance in the Governmental Activities Column at 6/30/2014 was \$38,276,044 (net of accretion of interest for Capital Appreciation Bonds). The District's five year change in students was an increase of 1,233 or 6 % from the 2009-2010 fiscal year to the 2013-2014 fiscal year.

- 5) Was the Administrative Cost Ratio less than the standard in State Law?**

YES (Same score in previous fiscal year)

The Texas Education Agency and state law sets a range of 8.55% to 18.55% on the percentage of budget Texas School Districts can spend on administrative costs for a district our size. The District's administrative cost ratio was 5.76%.



6) Did the comparison of PEIMS data to like information in the Annual Financial Report result in an aggregate variance of less than 3 percent of expenditures per fund type (Data Quality Measure)?

YES (Same score in previous fiscal year)

The comparison of data submitted to the Texas Education Agency through its Public Education Information Management System (PEIMS) resulted in a 0% variance from the annual financial report.

7) Did the Annual Financial Report NOT disclose any instance(s) of material weakness in internal controls?

YES (Same score in previous fiscal year)

Material weaknesses in internal controls are conditions in which the design or operation of the internal control system does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements may occur and not be detected in a timely period by employers in the normal course of performing their duties. We are happy to report no such instances in our annual financial report.

Other Information Relating to Base Indicators

The following information expands on the base indicators by providing current financial management practices and a historical view of some of the quantifiable indicators. Although our current rating reflects Pass, it is not an indication that monitoring or a need for improvement should be relaxed. It is our goal to monitor and improve all aspects of the District's business and financial services to maximize and protect available resources so that our main educational objectives are achieved. The District has earned the rating of Pass or Superior Achievement for the past twelve of thirteen years, which was the inception of this rating system. For the fiscal year 2009 the district was assigned the F.I.R.S.T. rating of Above-Standard Achievement due to the student completion rate (this indicator is no longer one of the criteria measured for this rating).

Financial Strength

The District has enjoyed a very strong financial position over the past years. A primary indicator of this strength is our liquidity and available resources going into the next fiscal year. Over the last five years, fund balance of the General Fund has averaged 27.77% of the total expenditures. In addition, cash flows have been adequate so that borrowing funds to meet our daily obligations has not been necessary.

Tax Collections

The District continues to experience very positive tax collection rates. Historically, budgeted tax collections are based on a 98% collection rate. The following table reflects a history of our tax collection rates for current and total taxes as a percentage of the current year's levy:

<u>Fiscal Year</u>	<u>Current Collections</u>	<u>Total Tax Collections</u>
06/30/14	98.43%	100.33%
06/30/13	98.51%	100.47%
06/30/12	98.25%	100.11%
06/30/11	98.12%	100.69%
06/30/10	97.56%	100.95%

Note: Total tax includes delinquent taxes.

Operating Cost Management

General Fund expenditures include the major portion of the District's costs for salaries and benefits. Although the increase in overall expenditures is attributed to the continual growth of the District, there are other costs that contribute to the increase in cost per student such as compensation, benefits and the cost of utilities. On the revenue side, increase in state funding, as a result of more students, and the tax base have been able to cover the increases in expenditures. Changes in General Fund fund balances over the last five years were as follows:

<u>Fiscal Year</u>	<u>Change in Fund Balance</u>	<u>Fund Balance % of Expenditures</u>
06/30/14	13.41%	31.88%
06/30/13	11.93%	30.27%
06/30/12	10.04%	27.56%
06/30/11	1.21%	24.43%
06/30/10	10.81%	24.73%

Administrative Cost Management

Overall administrative costs are expected to grow as the District continues to grow. However, an indication of how effective a district manages its administrative cost is to measure whether or not administrative costs increase disproportionate to the overall growth of the District. The Texas Education Agency has established a formula that measures the administrative cost ratio by comparing total administrative costs and total instructional costs. Applicable standard ratios depend on the size of the district. The standard for ours is 8.55% - 18.55%. Administrative cost ratios for the last five years were as follows:

<u>Fiscal Year</u>	<u>Ratio</u>	<u>State Standard</u>
06/30/14	5.76%	8.55% - 18.55%
06/30/13	5.61%	11.05%
06/30/12	5.53%	11.05%
06/30/11	5.46%	11.05%
06/30/10	5.49%	11.05%



DISCLOSURES

- **Beginning with calendar year 2007, new reporting requirements are effective for the financial management report that will be available at the Schools FIRST public hearing. Per Title 19 Texas Administrative Code Chapter 109, Budgeting, Accounting, and Auditing, Subchapter AA, Commissioner's Rules**
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Superintendent's Employment Contract

- Copy of contract will be provided upon request



Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2015

Description of Reimbursements	Superintendent Dr. Mackey / Dr. Montoya	District 1 Mr. Salyer	District 2 Mr. Lafoille	District 3 Mr. Flores
Meals	\$ 370.80	\$ 0	\$ 31.25	\$ 95.27
Lodging	2,396.47	685.48	722.98	764.82
Transportation	2,784.80	224.25	183.43	660.30
Motor Fuel	-0-	-0-	-0-	-0-
Other (Registration & Memberships)	4,989.45	350.00	1,245.00	1,000.00
Total	\$10,541.52	\$1,259.73	\$2,182.66	\$2,520.39

Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2015

Description of Reimbursements	District 4 Mr. Macias	District 5 Mr. Salinas	District 6 Ms. Adair / Ms. Paschall	District 7 Ms. Williams/ Mr. Merrell/ Dr. Salinas
Meals	\$ 218.84	\$ 67.11	\$ 45.60	\$ 86.03
Lodging	2,185.10	775.23	936.21	1,904.13
Transportation	652.10	293.44	536.08	1,032.86
Motor Fuel	-0-	-0-	-0-	-0-
Other (Registration & Memberships)	2,113.00	1,145.00	1,585.00	2,165.00
Total	\$5,169.04	\$2,280.78	\$3,102.89	\$5,188.02

Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2014

- \$2,600- Professor at Texas Lutheran University
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Gifts Received by the Executive Officer and Board Members (and First Degree Relatives, if any) in Fiscal Year 2014

- Definition
 - \$250 or More in aggregate in Fiscal Year
 - Do not include travel related expenses paid by outside entity if for seminars, conferences, carrying out district business
 - None Reported
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Business Transactions Between School District and Board Members for Fiscal Year 2014

- None
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Summary Schedule of Data Submitted under the Financial Solvency Provisions of TEC section 39.0822

General Fund – First Quarter Expenditures by Object Code

Major Object Code	July-September 2014 Expenditures
Payroll – 61XX	\$15,287,734
Contracted Services – 62XX	\$ 2,770,262
Supplies and Materials – 63XX	\$ 1,724,778
Other Operating Costs – 64XX	\$ 958,306
Debt Service – 65XX	\$ 14,645
Capital Outlay – 66XX	\$ 314,843
TOTAL	\$21,070,568

Financial Solvency Questions

- Within the last two years, did the school district:
 - 1) Draw funds from a short-term financing note (term less than 12 months) between the months of September and December? **No**
 - 2) For the prior year, have a total General Fund balance of less than 2 percent of total expenditures for General Fund function codes 11-61? **No**
-

Financial Solvency Questions – Cont.

- Has the district declared financial exigency within the past two years? **No**
 - How many superintendents has your school district had in the last five years? **2**
 - How many business managers has your school district had in the last five years? **1**
-

Financial Solvency Questions – Cont.

- Provide comments or explanations for student-to-teacher ratios significantly (more than 15%) below the norm, rapid depletion of General Fund balances, or any significant discrepancies between actual budget figures and projected revenues and expenditures, or any other information that may be helpful in evaluating the school district's financial solvency.

No response required. The district is solvent, student-to-teacher ratios are within required range.



- Questions/Answers

