

*Judson Independent School District  
Live Oak, Texas*



Annual Financial Management and Accountability Report  
For the Fiscal Year Ending June 30, 2016

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# What is Schools FIRST:

- ❑ Schools FIRST is the Financial Integrity Rating System of Texas.
  - ❑ Senate Bill 218 of the 77<sup>th</sup> 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 four financial accountability ratings to Texas school districts
    - ❑ Superior
    - ❑ Above Standard
    - ❑ Meets Standard
    - ❑ Substandard Achievement
  
  - ❑ Districts with a Substandard Achievement rating must file a corrective plan with TEA.
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# Judson Independent School District Earns

## Superior

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*Judson Independent School District*

*Responses to Base Indicators*

The following 15 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 2015-2016 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 17th and received by the Texas Education Agency (TEA) on 11/23/2016.

- 2) A. 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.

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**2) B. Did the external independent auditor report that the Annual Financial Report was free of any instance(s) of material weakness in internal controls over financial reporting and compliance for local, state, or federal funds? (The AICPA defines material weakness)**

**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 employees in the normal course of performing their duties. We are happy to report no such instances in our annual financial report.

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**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, 2016 total bonded indebtedness was \$421,020,409. Bonded debt service requirements for this fiscal year was \$30,770,419. The District has a long standing commitment to maintain its credit worthiness and has never defaulted on any debt.

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- 4) Did the school district make timely payment to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?**

**YES (Same score in previous fiscal year)**

All payments made to the Teachers Retirement System, Texas Workforce Commission, Internal Revenue Service, and other governmental agencies during the fiscal year ending June 30, 2016 were timely.

- 5) 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% or more, the school district passes this indicator)**

**YES (Same score in previous fiscal year)**

The Total Unrestricted Net Asset Balance in the Governmental Activities Column at 6/30/2016 was \$18,545,673 (net of accretion of interest for Capital Appreciation Bonds). The District's five year change in students was an increase of 791 or 4 % from the 2011-2012 fiscal year to the 2015-2016 fiscal year.

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- 6) Was the number of days of cash on hand and current investments in the general fund for the school district sufficient to cover operating expenditures (excluding facilities acquisition and construction)?**

**YES (Same score in previous fiscal year)**

The District's cash and current investments in the general fund were sufficient to cover operating expenditures for approximately 3 months.

- 7) Was the measure of current assets to current liabilities ratio for the school district sufficient to cover short-term debt?**

**YES (Same score in previous fiscal year)**

The District's current assets to current liabilities ratio was sufficient to cover short-term debt. Current assets were 1.7 times greater than current liabilities as of June 30, 2016.

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**8) Was the ratio of long-term liabilities to total assets for the school district sufficient to support long-term solvency? (If the District's 5 Year % Change in Students was 10% or more, the school district passes this indicator)**

**YES (Same score in previous fiscal year)**

The District received 8 out of a possible 10 points based on a ratio calculation of .6385. Based on the growth in student population the district is confident that the ratio is sufficient to support long term solvency.

**9) Did the school district's general fund revenues equal or exceed expenditures (excluding facilities acquisition and construction)? If not, was the school district's number of days of cash on hand great than or equal to 60 days?**

**YES (Same score in previous fiscal year)**

The District's cash on hand exceeds 116 days.

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**10) Was the debt service coverage ratio sufficient to meet the required debt service?**

**YES (Same score in previous fiscal year)**

The District's ratio of 1.9 is sufficient to meet the required debt service

**11) Was the school district's Administrative Cost Ratio less than the threshold ratio?**

**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 5.82%.

**12) Did the school district not have a 15% decline in the student to staff ratio over 3 years (total enrollment to total staff)? (If the student enrollment did not decrease, the school district will automatically pass the indicator.)**

**YES (Same score in previous fiscal year)**

The district only had a 2.76% decline in the ratio while experiencing an increase of 314 students.

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**13) Did the comparison of PEIMS data to like information in the Annual Financial Report (AFR) result in an aggregate variance of less than 3 percent of expenditures by function?**

**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.

**14) Did the external independent auditor indicate the AFR was free of any instance(s) of material noncompliance for grants, contracts, and laws related to local, state, or federal funds? (The AICPA defines material compliance)**

**YES (Same score in previous fiscal year)**

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. There were no such instances in the District's annual financial report.

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**15) Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?**

**YES (Same score in previous fiscal year)**

The district had no need for an adjusted repayment schedule as a result of financial hardship.

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## *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 Superior, 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 fourteen of fifteen 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).

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## **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 29.97% 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> |
|--------------------|----------------------------|------------------------------|
| 06/30/16           | 98.44%                     | 100.44%                      |
| 06/30/15           | 98.53%                     | 100.19%                      |
| 06/30/14           | 98.43%                     | 100.33%                      |
| 06/30/13           | 98.51%                     | 100.47%                      |
| 06/30/12           | 98.25%                     | 100.11%                      |

*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<br/>Fund Balance</u> | <u>Fund Balance<br/>% of Expenditures</u> |
|--------------------|-----------------------------------|---|
| 06/30/16           | 12.5%                             | 31.39%                                    |
| 06/30/15           | -.97%                             | 28.74%                                    |
| 06/30/14           | 13.41%                            | 31.88%                                    |
| 06/30/13           | 11.93%                            | 30.27%                                    |
| 06/30/12           | 10.04%                            | 27.56%                                    |

## 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> |
|--------------------|--------------|-----------------------|
| 06/30/16           | 5.82%        | 8.55% - 18.55%        |
| 06/30/15           | 6.27%        | 8.55% - 18.55%        |
| 06/30/14           | 5.76%        | 8.55% - 18.55%        |
| 06/30/13           | 5.61%        | 11.05%                |
| 06/30/12           | 5.53%        | 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 is available at this meeting. Please request one if interested.
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# Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2017

| Description of Reimbursements         | Superintendent<br>Dr. Montoya | District 1<br>Mr. Salyer/<br>Ms. Kenoyer | District 2<br>Mr. Lafoille | District 3<br>Mr. Flores/<br>Ms. Eaton |
|---------------------------------------|-------------------------------|--|----------------------------|--|
| Meals                                 | \$122.56                      | \$0                                      | \$38.04                    | \$64.90                                |
| Lodging                               | 1,577.75                      | 0  | 346.62                     | 2,252.95                               |
| Transportation                        | 1,327.72                      | 58.52                                    | 175.66                     | 418.20                                 |
| Motor Fuel                            | 0                             | 0  | 0                          | 0                                      |
| Other (Registration<br>& Memberships) | 3,602.00                      | 2,8270.15                                | 2,547.15                   | 2,567.14                               |
| Total                                 | \$6,630.03                    | \$2,885.67                               | \$3,107.47                 | \$5,303.19                             |

# Reimbursements Received by the Superintendent and Board Members for Fiscal Year 2017

| Description of Reimbursements      | District 4<br>Mr. Macias | District 5<br>Mr. Salinas/<br>Ms. Rodriguez | District 6<br>Ms. Paschall | District 7<br>Dr. Salinas |
|------------------------------------|--------------------------|---|----------------------------|---------------------------|
| Meals                              | \$127.01                 | \$51.40                                     | \$130.53                   | \$111.51                  |
| Lodging                            | 847.21                   | 764.67                                      | 869.88                     | 730.67                    |
| Transportation                     | 1,345.88                 | 207.90                                      | 285.90                     | 437.20                    |
| Motor Fuel                         | 0                        | 0   | 0                          | 0                         |
| Other (Registration & Memberships) | 4,497.14                 | 3,497.14                                    | 2,367.14                   | 3,632.14                  |
| <b>Total</b>                       | <b>\$6,817.24</b>        | <b>\$4,521.11</b>                           | <b>\$3,653.45</b>          | <b>\$4,911.52</b>         |

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# **Outside Compensation and/or Fees Received by the Superintendent for Professional Consulting and/or Other Personal Services in Fiscal Year 2016**

- None
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# Gifts Received by the Executive Officer and Board Members (and First Degree Relatives, if any) in Fiscal Year 2016

- 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 2016

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

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# General Fund – First Quarter Expenditures by Object Code

| Major Object Code             | July-September 2016 Expenditures |
|-------------------------------|----------------------------------|
| Payroll – 61XX                | \$17,045,300                     |
| Contracted Services – 62XX    | \$ 2,677,393                     |
| Supplies and Materials – 63XX | \$ 1,754,131                     |
| Other Operating Costs – 64XX  | \$ 841,872                       |
| Debt Service – 65XX           | \$ 0                             |
| Capital Outlay – 66XX         | \$ 314,908                       |
| <b>TOTAL</b>                  | <b>\$22,633,604</b>              |

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# 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**
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# 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**
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# 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.

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- Questions/Answers

