



ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

This Page Intentionally Left Blank

JUDSON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS

	<u>PAGE</u>	<u>EXHIBIT</u>
INTRODUCTORY SECTION		
Certificate of Board	i	
FINANCIAL SECTION		
Independent Auditor's Report	1	
Management's Discussion and Analysis (Required Supplementary Information)	4	
<u>Basic Financial Statements</u>		
Government- Wide Financial Statements		
Statement of Net Position	5	A- 1
Statement of Activities	6	B- 1
Fund Financial Statements		
Balance Sheet – Governmental Funds	7	C- 1
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	8	C- 1R
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	9	C- 2
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	10	C- 3
Statement of Fiduciary Net Position – Fiduciary Funds	11	E- 1
Notes to Basic Financial Statements	12	
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule General Fund	47	G- 1
Schedule of the District's Proportionate Share of the Net Pension Liability	49	G- 2
Schedule of District Contributions – Teacher Retirement System of Texas	50	G- 3
OTHER SUPPLEMENTARY INFORMATION SECTION		
<u>Required Texas Education Agency Schedules</u>		
Schedule of Delinquent Taxes Receivable	53	J- 1
Other Budgetary Comparison Schedules:		
National School Breakfast and Lunch Program	55	J- 4
Debt Service Fund	56	J- 5
Judson ISD Public Facility Corporation	57	J- 6
<u>Compliance Section</u>		
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	58	

JUDSON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>	<u>EXHIBIT</u>
<u>Compliance Section (continued)</u>		
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	60	
Schedule of Findings and Questioned Costs	62	
Summary Schedule of Prior Audit Findings	63	
Schedule of Expenditures of Federal Awards	64	K- 1
Notes to the Schedule of Expenditures of Federal Awards	66	
Combining Balance Sheet – Nonmajor Governmental Funds	69	O- 1
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	73	O- 2
 OTHER SCHEDULES PRESENTED BY THE DISTRICT		
Statement of School Tax Assessor- Collector Account (Unaudited)	80	S- 1
Athletic Fund Statement of Revenues and Expenditures (Unaudited)	81	S- 2
Child Nutrition and Summer Feeding Program Balance Sheet (Unaudited)	82	S- 3
Child Nutrition and Summer Feeding Program Statement of Revenues and Expenditures (Unaudited)	83	S- 4
Child Nutrition and Summer Feeding Program Statement of Changes in Fund Balance (Unaudited)	84	S- 5
Student/Campus Activity Funds Combined Balance Sheet (Unaudited)	85	S- 6
Student/Campus Activity Funds Combined Statement of Revenues, Expenditures, and Changes in Fund Balance (Unaudited)	86	S- 7

INTRODUCTORY SECTION

This Page Intentionally Left Blank

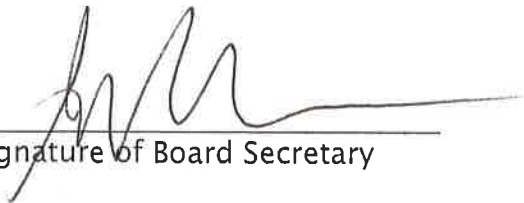
CERTIFICATE OF BOARD

Judson Independent School District
Name of School District

Bexar
County

015-916
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial report of the above named School District were reviewed and approved for the year ended June 30, 2017, at a meeting of the Board of Trustees of such School District on the 16th day of November, 2017.



Signature of Board Secretary



Signature of Board President

This Page Intentionally Left Blank

FINANCIAL SECTION

This Page Intentionally Left Blank

Independent Auditor's Report

Board of Trustees
Judson Independent School District
Live Oak, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Judson Independent School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Judson Independent School District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of the District's Proportionate Share of the Net Pension Liability Teacher Retirement System of Texas; and Schedule of District Contributions Teacher Retirement System of Texas as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other schedules presented by the District, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2017, on our consideration of Judson Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

November 16, 2017

This Page Intentionally Left Blank

Judson Independent School District

Management's Discussion and Analysis

Year Ended June 30, 2017

This section of the annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

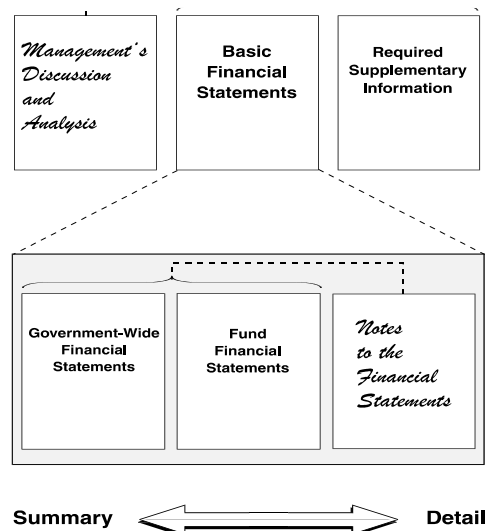
- The District's total combined net position was \$45 million at June 30, 2017. This was a decrease of \$10.6 million from the previous year, reflective of an increase from operations.
- During the year, the District's expenses were \$258,802,247, and the amount generated in taxes and other revenues for governmental activities were \$248,353,933.
- The total cost of the District's programs increased by \$6.1 million. The increase was primarily the result of expenditures for capital outlay related to new bonds that were sold as well as associated issuance costs and fees. Additional positions required to increase services provided to students and the purchase of school buses also contributed to the increase.
- The general fund reported a total fund balance this year of \$59,097,991 at June 30, 2017. Of this fund balance, \$11,534,703 is non-spendable, assigned or restricted for other purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.

Figure A-1, Required Components of the District's Annual Financial Report



- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A- 1 shows how the required parts of this annual report are arranged and relate to one another.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private- sector companies. The statement of net position includes all of the government’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government- wide statements report the District’s net position and how they have changed. Net position—the difference between the District’s assets and liabilities—is one way to measure the District’s financial health or *position*.

- Over time, increases or decreases in the District’s net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District’s tax base.

The government- wide financial statements of the District include the *Governmental Activities*. Most of the District’s basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District’s most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District’s basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District’s programs.

Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District’s fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District’s government-wide financial statements because the District cannot use these assets to finance its operations.

The District formed the Judson Independent School District Public Facility Corporation (“the PFC”), which was incorporated on June 7, 2013, as a non-profit corporation formed under the Texas Public Facility Corporation Act. The PFC was formed for the purpose of assisting the District in financing, refinancing, providing, or otherwise assisting in the acquisition of District facilities. The PFC is reported as a blended component unit in the financial statements of the School District; therefore, its activities are blended with the activities of the District. The Board of Directors authorized the voluntary termination of the PFC during the 2017 fiscal year. Refer to Note 1 in the Notes to the Basic Financial Statements for more detail on the Judson ISD PFC.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position: The District’s combined net position was \$45 million at June 30, 2017. (See Table A- 1).

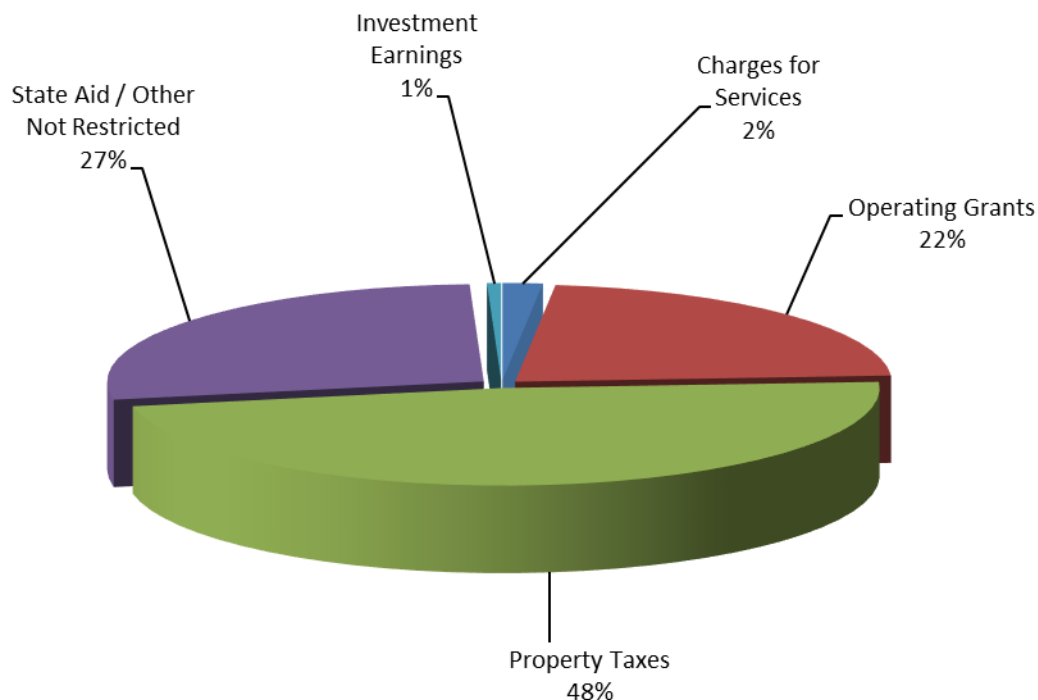
Table A-1
Judson Independent School District's Net Position
(In millions)

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2017	2016	2017-2016
Current Assets:			
Cash and Cash Equivalents	\$ 302.2	\$ 89.4	238.0%
Property Taxes, Receivable	3.8	3.7	2.7%
Due from Other Governments	23.0	28.8	(20.1%)
Inventories – Supplies and Materials	0.7	0.7	0.0%
Deferred Expenditures	0.6	0.9	(33.3%)
Total Current Assets	<u>330.3</u>	<u>123.5</u>	167.4%
Noncurrent Assets:			
Capital Assets	666.9	658.3	1.3%
Less Accumulated Depreciation	(235.1)	(216.3)	8.7%
Total Noncurrent Assets	<u>431.8</u>	<u>442.0</u>	(2.3%)
Total Assets	<u>762.1</u>	<u>565.5</u>	34.8%
Deferred Outflows of Resources:			
Unamortized Loss on Refunded Bonds	9.0	4.9	83.7%
Deferred Outflow Related to TRS	19.7	21.9	(10.0%)
Total Deferred Outflows of Resources	<u>28.7</u>	<u>26.8</u>	7.1%
Current Liabilities:			
Accounts Payable and Interest Payable	12.8	11.1	15.3%
Payroll Deductions/Withholdings	10	9.3	7.5%
Accrued Wages	21.8	21.1	3.3%
Deferred Revenue	0.7	0.6	16.7%
Bond Premium	59.6	19.2	210.4%
Total Current Liabilities	<u>104.9</u>	<u>61.3</u>	71.1%
Long- Term Liabilities:			
Bonds and Lease Payable	586.3	422.2	38.9%
Net Pension Liability (District's Share)	51.6	49.5	4.2%
Net Pension Liability (District's Share)	<u>637.9</u>	<u>471.7</u>	35.2%
Net Pension Liability (District's Share)	<u>742.8</u>	<u>533.0</u>	39.4%
Deferred Inflows of Resources:			
Deferred Inflow Related to TRS	3.0	3.7	(18.9%)
Total Deferred Inflows of Resources	<u>3.0</u>	<u>3.7</u>	0.0%
Net Position:			
Net Investment in Capital Assets	3.8	4.1	(7.3%)
Restricted for:			
State and Federal	7.6	13.7	(44.5%)
Debt	24.0	19.2	25.0%
Unrestricted	9.6	18.6	(48.4%)
Total Net Position	<u>\$ 45.0</u>	<u>\$ 55.6</u>	(19.1%)

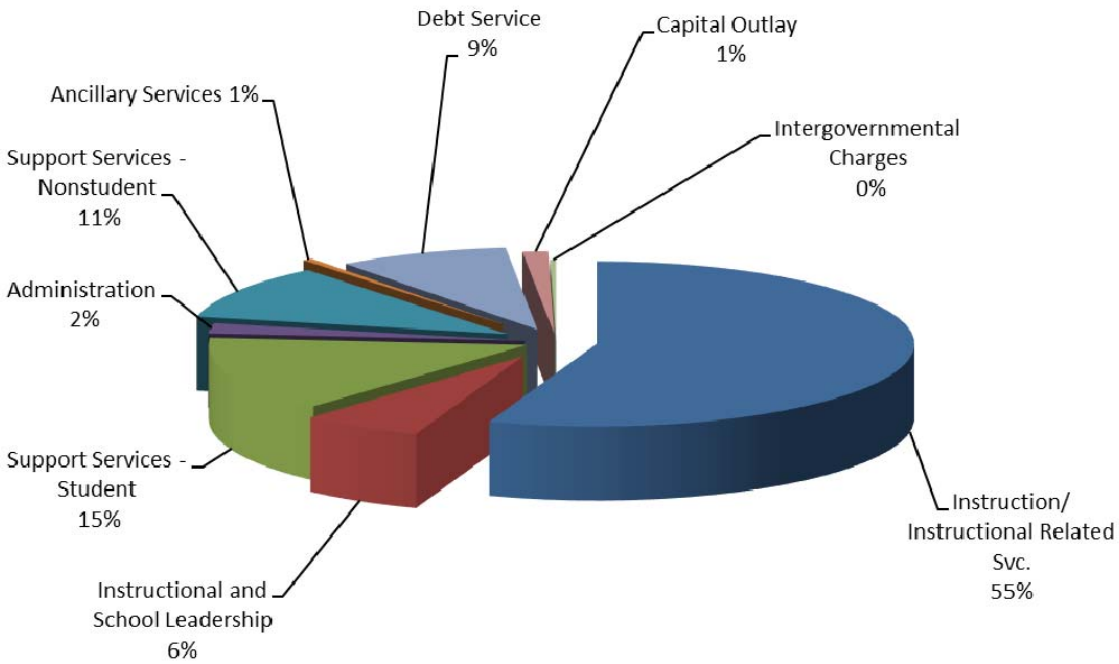
Approximately \$24 million of the District's restricted net position represent revenue from local taxes. These revenues are restricted for expenditures related to debt service payments. Approximately another \$7.6 million of the District's restricted net position represent funds provided by state or federal grants. These funds are restricted for expenditures of specific programs for which the grants are targeting. The \$9.6 million of unrestricted net position represents resources available to fund the programs of the District next year.

Changes in net position: The District's total revenues were \$248.4 million. A significant portion, 48 percent, of the District's revenue comes from taxes. (See Figure A- 2). 27 percent comes from state aid and other non restricted contributions, 22 percent comes from restricted operating grants and contributions, 2 percent relates to charges for services and the remaining 1 percent was from investment earnings. The total cost of all programs and services was \$258.8 million; 76 percent of these costs are for instructional, instructional leadership and student services. (See Figure A- 3).

**Figure A-2 District
Sources of Revenue for Fiscal Year 2017**



**Figure A-3 District
Expenses for Fiscal Year 2017**



Governmental Activities

- Changes in Governmental Activities Net Position are presented in Table A-2. The District’s Governmental Activities revenues were \$248.4 million; a decrease of 2.4% as compared to the prior year. The District’s two main sources of revenue are from local property taxes and State funding. The expenses for governmental activities totaled \$258.8 million which represents an increase of 2.4% or \$6.1 million from the prior fiscal year.
- Property tax rates increased from the previous year. The tax rate was \$1.47 per \$100 of taxable assessed valuation in the current fiscal year and \$1.42 per \$100 of taxable assessed valuation in the prior fiscal year. The taxable assessed values were \$8.5 billion during the current fiscal year and \$7.5 billion in the previous fiscal year. The change in taxable assessed values resulted in the combined tax levy increasing to \$120.4 million from \$106.5 million in the previous fiscal year.
- On May 11, 2013, the voters of the District approved an election to sell bonds in the amount of \$83 million. The bonds were approved as a single proposition with the proceeds being used for the construction of a new elementary and high school. The high school project is planned to be completed in two phases. The first phase will be constructed with the funds allocated for the high school from this election. The first phase will consist of constructing a core facility to accommodate 2,400 students, with classrooms being built for only 1,600 students. A future election will be held to ask for authorization from voters to sell bonds to complete the additional classrooms. The two phase approach was developed because the District wanted to present a proposition to the voters that, if authorized, would result in no increase to the tax rate to repay the new debt.

- During FY17 the new High School, Veterans Memorial High School, was completed and opened in time to begin the FY17 school year.
- On May 7, 2016, the voters of the District approved an election to sell bonds in the amount of \$214.18 million. The bonds were approved as three separate propositions. The first proposition was for \$135.9 million with the proceeds being used to renovate numerous of the existing school facilities. The second proposition was for \$73.08 million with the proceeds being used for the construction of two new elementary schools. The third proposition was for \$5.2 million with the proceeds being used to refund the bonds that were issued by the Judson Independent School District Public Facility Corporation.
- During FY17 design work had begun on several of the renovation projects authorized in the first proposition. The estimated completion date for all renovation projects is June 2020. Design work had been completed for both of the new elementary schools. The first elementary school is scheduled to open for the beginning of the FY18 school year. The second elementary school is scheduled to open in January 2019. The bonds to refund the Judson Independent School District Public Facility Corporation bonds were sold and the Board of Directors has authorized the voluntary termination of the PFC. Refer to Note 1 in the Notes to the Basic Financial Statements for more detail on the Judson ISD PFC.
- On May 6, 2017, the voters of the District approved an election to sell bonds in the amount of \$60 million. The bonds were approved as a single proposition, with the proceeds being used for the purpose of completing the final phase of Veterans Memorial High school. During the first construction phase of Veterans Memorial High School, the Board authorized transferring \$4.4 million from the General Operating Fund to the Capital Projects fund to complete specific items that were not initially included in that phase of construction. At that time, the Board also approved a reimbursing resolution which would authorize the reimbursement of these funds from a future bonds election to the General Operating Fund. Once these bonds are sold, the \$4.4 million will be transferred from the Capital Projects Fund to the General Operating Fund. The bonds are planned to be sold during FY18. The debt service tax rate is estimated to increase by 2 cents per \$100 valuation once these bonds are sold.

Table A-2
Judson Independent School District's Net Position
(In millions)

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2017	2016	2017- 2016
Program Revenues:			
Charges for Services	\$ 4.3	\$ 4.4	(2.3%)
Operating Grants and Contributions	55.3	44.1	25.4%
General Revenues:			
Property Taxes	119.2	105.6	12.9%
State Aid / Other Contributions Not Restricted	66.9	98.4	(32.0%)
Investment earnings	1.5	0.2	650.0%
Other	1.2	1.9	(36.8%)
Total Revenues	<u>248.4</u>	<u>254.6</u>	(2.4%)
Expenses:			
Instruction	133.5	137.3	(2.8%)
Instructional Resources & Media Services	2.5	2.5	0.0%
Curriculum Dev and Instructional Staff Dev.	7.6	6.9	10.1%
Instructional Leadership	4.0	3.8	5.3%
School Leadership	12.0	11.8	1.7%
Guidance, Counseling, & Evaluation Services	8.1	8.0	1.3%
Social Work Services	1.0	1.2	(16.7%)
Health Services	2.4	2.4	0.0%
Student (Pupil) Transportation	8.3	8.0	3.8%
Food Services	13.8	13.6	1.5%
Curricular/Extracurricular Activities	4.5	3.8	18.4%
General Administrative	5.2	5.1	2.0%
Plant Maintenance and Operations	21.4	20	7.0%
Security and Monitoring Services	2.4	2.2	9.1%
Data Processing Services	4.1	4.1	0.0%
Community Services	1.30	1.30	0.0%
Interest on Long- Term Debt	19.7	18.8	4.8%
Bond Issuance Costs and Fees	2.9	0.6	383.3%
Facilities Acquisition and Construction	3.4	0.6	466.7%
Payments Related to Shared Services Arrangements	0.2	0.2	0.0%
Other Intergovernmental Charges	0.5	0.5	0.0%
	<u>258.8</u>	<u>252.7</u>	2.4%
Increase in Net Position	<u>\$ (10.40)</u>	<u>\$ 1.90</u>	(647.4%)

Table A-3 presents the cost of each of the District’s largest functions as well as each function’s net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects the expenditures less the amount funded by state revenues as well as other grants/contributions.

- The cost of all *governmental* activities this year was \$258.8 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$119.2 million.
- Some of the cost was paid by those who directly benefited from the programs \$4.3 million, or by grants and contributions \$55.3 million.

TABLE A-3
Net Cost of Selected District Functions
(In Millions)

	TOTAL COST OF SERVICES			% OF CHANGE	NET COST OF SERVICES		
	2017	2016			2017	2016	% OF CHANGE
Instruction	\$ 133.5	\$ 137.3	(2.8%)	\$ 105.1	\$ 115.4	(8.9%)	
School Leadership	12.0	11.8	1.7%	10.0	10.7	(6.5%)	
Plant Maintenance & Operations	21.4	20.0	7.0%	17.5	17.9	(2.2%)	
Debt Service - Interest and Fiscal Charges	19.7	18.8	4.8%	18.6	14.5	28.3%	
Food Services	13.8	13.6	1.5%	1.8	2.4	(25.0%)	

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$248.5 million, a decrease of .6% or \$1.6 million, over the preceding year. The net decrease was the result of several factors. The first was additional local revenue of \$14 million, which is primarily attributable to an increase in property tax revenue driven by growth in the taxable values of the properties within the school district. The second factor was the reduction in state revenue of \$16.3 million. This was the result of a reduction in enrollment and the growth in local taxable values of the properties within the school district.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget to provide for changes in operations.

- Actual revenues for the general fund exceeded the final budget by approximately \$2.9 million. Of this positive variance, approximately, \$1.6 million, was primarily the result of an increase in state funding for adjustments made to taxable values assigned to properties within the school district boundaries in a previous fiscal year. Another factor was an increase in students participating in specific educational settings and other state funded programs. Property tax revenue contributed another, approximately, \$1 million.

- Actual expenditures for the general fund were \$14.3 million below final budget amounts. The most significant difference, \$6.2 million, occurred in Instruction and Instructional Related Services. This positive variance was the result of budgeting for full employment of staff throughout the full year, not adjusting for vacant positions, and reclassifying the cost for eligible staff to other funding sources that became available throughout the fiscal year. Another significant difference, \$3.6 million, occurred in Capital Outlay. This positive variance was the result of budgeting for small renovation projects, primarily to replace roofs at several campuses that sustained hail damage and will be replaced or repaired with funds from property insurance claims that were not completed by the end of the fiscal year. Another significant difference of \$3 million occurred in Support Services – Student (Pupil), specifically in Student (Pupil) Transportation. This positive variance was primarily a result of budgeting for the purchase of school buses that were not received until the next fiscal year.
- Actual fund balance for the general fund increased by \$.6 million from the preceding fiscal year. Total fund balance for the general fund was \$59.1 million at June 30, 2017 and it was \$58.5 million at June 30, 2016.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the District had invested \$666.9 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A- 4). This amount represents a net increase (including additions and deductions) of \$8.6 million or an increase of 1.3%, in net additions and deductions, as compared to the previous year.

TABLE A-4
District's Capital Assets
(In Millions)

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2017	2016	2017- 2016
Land	\$ 23.6	\$ 23.4	0.9%
Construction in Progress	2.6	59.6	(95.6%)
Building and Improvements	594.3	533.5	11.4%
Furniture/Equipment/Vehicles	43.7	39.1	11.8%
Capital Lease - Equipment	2.7	2.7	0.0%
Totals	666.9	658.3	1.3%
Total Accumulated Depreciation	235.1	\$ 216.3	8.7%
NET CAPITAL ASSETS	\$ 431.8	\$ 442.0	(2.3%)

The District’s fiscal year 2018 capital budget projects spending, approximately, another \$125 million for capital assets. These expenditures will be principally to begin the design work and construction on several projects that were planned as part of a bond election that was approved by the voters on May 7, 2016. The total amount authorized by the voters is \$208,980,000. This includes funding the construction of two new elementary schools and numerous renovation projects. On May 6, 2017, the voters approved a bond election for \$60 million. These proceeds are to be used for the construction of the final phase of Veterans Memorial High School. The design phase and ground breaking is planned during FY18. Several other smaller renovation projects are also planned. The District will primarily fund these projects with general fund and property insurance claim monies. Other items that are included in the capital projects budget are equipment and vehicles. More detailed information about the District’s capital assets is presented in the notes to the financial statements.

Bond Ratings

The District’s bonds presently carry “AAA” ratings with underlying ratings as follows: Moody’s Investor Services “Aa2” and Fitch “AA-”.

Long Term Debt

At year- end, the District had \$586.3 million in bonds, tax notes, and accrued compensated absences outstanding as shown in Table A- 5. This represents an increase of \$164.1million from the \$422.2 outstanding in the prior year. More detailed information about the District’s debt is presented in the notes to the financial statements.

TABLE A-5
District's Long- Term Debt
(In millions)

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2017	2016	2017- 2016
Tax Notes	\$ 1.4	\$ -	-
Accrued Compensated Absences	1.9	1.2	58.3%
Bonds Payable	583.0	421.0	38.5%
TOTALS	\$ 586.3	\$ 422.2	38.9%

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Appraised taxable value used for the FY18 budget preparation increased to \$8.9 billion from \$7.9 billion in the previous fiscal year. This represents an increase of \$1 billion or 12.7%. The tax rate decreased to \$1.425 from \$1.47 per \$100 dollar of taxable property value in the previous fiscal year. The decrease in the tax rate only affected the debt service portion of the rate. The decrease in the tax rate was the net result of a significant increase in the taxable property value within the District boundary, refunding existing debt and issuing new debt to construct new schools and renovate existing facilities.

- As compared to the original expenditure budget adopted for FY17, the budget for FY18 increased by \$1.8 million from \$237.9 million to \$239.7 million. This increase was the net result of several factors.
- The most significant was a net reduction of approximately \$2.2 million, which was attributable to an increase in the student to teacher ratios and an increase in staff that occurred during FY17 and was carried forward to the FY18 payroll and benefits budget. Also an increase of \$1.8 million was included in the FY18 budget to fund a one-time employee retention incentive that was approved by the Board during FY17 and will be paid in December 2017. The employee retention incentive was approved by the Board because salary increases were not provided in FY17. The original budget adopted for FY18 did not include salary increases either; however, in August 2017, the Board amended the budget to provide a 2 percent general pay increase as well as other equity adjustments that were proposed. The budget was amended for approximately \$4 million.
- The operating budget for the General Fund resulted in a net increase of \$1.7 million dollars. The primary driver of this increase was budgeting for start-up funds for a Science, Technology, Engineering and Math (S.T.E.M) program at Karen Wagner High School and new college tuition costs for students enrolling in classes offered at the community college through the District's early college or dual credit programs. There were increases in other budgets which are attributable to higher utility consumption, new instructional programs, and instructional materials to meet state mandates.
- The final amended budget for the 2017 fiscal year was \$250.2 million. Also, the other uses budget in the debt service fund was amended by an additional \$211 million to provide for the issuing of new debt and refunding existing debt. The significant amendments to the FY17 expenditure budget include funds to replace or repair roofs that were damaged by hail, replace school buses, and funds for new teaching positions and support staff added to accommodate changes in programs offered to students. The funds to replace or repair roofs that were damaged by hail will be provided through property insurance claims.
- The District's FY18 projected refined average daily attendance for budget purposes was 21,305. The final refined average daily attendance for the FY17 was 21,315. The District does not expect the enrollment to decline for the 2018 fiscal year.

These indicators were taken into account when adopting the budget for FY18. Total projected revenue available for appropriation in the budget was \$239.8 million, an increase of 2.6 percent over the original FY17 budget of \$233.8 million. Total revenue from property taxes increased by 8.3 percent from \$115.6 million in FY17 to \$125.2 million in FY18. State revenue estimates indicate a decrease of \$8.2 million in the general operating fund, which is the result of an increase in taxable property value, anticipated increased participation in specific programs, increased local tax collections and other changes in the funding formulas authorized by the legislature. The FY18 projected revenue stated above includes a one-time reimbursement from the capital projects fund of \$4.4 million that is expected to be paid from bond proceeds that will be received during the fiscal year.

If these estimates are realized, the District's budgetary unassigned general fund balance is expected to decrease by \$3.8 million, when considering the budget amendment that was approved by the Board for the general pay increase in August 2017. This will result in an estimated unassigned fund balance of \$43.8 million, based on the ending fund balance at June 30, 2017. The district believes that this remains a safe level of fund balance for the general operating fund.

On May 7, 2016, the voters of the District authorized \$214,180,000 in bonds to be sold for the purpose of building two new elementary schools, complete renovations to numerous existing facilities and to exercise an option to purchase a facility under a lease agreement from the Judson Independent School District Public Facility Corporation. These bonds were sold during FY17. Several of these projects were started during FY17. All of the projects included in this bond package are scheduled to be completed within the next three fiscal years.

On May 6, 2017, the voters of the District authorized \$60,000,000 in bonds to be sold for the purpose of constructing the final phase of Veterans Memorial High School. These bonds will be sold during FY18. The project design phase and groundbreaking is expected to occur during FY18. Completion of this project is expected within the next two fiscal years.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, address requests to the Office of the Chief Financial Officer, Judson Independent School District, 8012 Shin Oak, Live Oak, Texas 78233.

This Page Intentionally Left Blank

BASIC FINANCIAL STATEMENTS

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2017

EXHIBIT A- 1

<u>DATA CONTROL CODES</u>		<u>GOVERNMENTAL ACTIVITIES</u>
	<u>ASSETS</u>	
1110	Cash and Cash Equivalents	\$ 12,806,573
1120	Current Investments	289,379,583
1225	Property Taxes Receivable (Net)	3,783,038
1240	Due from Other Governments	23,059,783
1290	Other Receivables (Net)	25,620
1300	Inventories	716,812
1410	Deferred Expenses	580,391
	Capital Assets	
1510	Land	\$ 23,585,166
1520	Buildings and Improvements (Net)	397,273,445
1530	Furniture and Equipment (Net)	8,330,470
1580	Construction in Progress	<u>2,574,741</u>
	Total Capital Assets (Net)	<u>431,763,822</u>
1000	TOTAL ASSETS	<u>762,115,622</u>
	<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
1701	Unamortized Loss on Refunded Bonds	8,955,304
1705	Deferred Outflow Related to TRS	<u>19,682,919</u>
1700	TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>28,638,223</u>
	<u>LIABILITIES</u>	
2110	Accounts Payable	3,045,411
2140	Interest Payable	9,761,498
2165	Accrued Liabilities	31,784,104
2300	Deferred Revenue	692,874
2400	Unamortized Premium on Issuance of Bonds	59,599,327
	<u>NONCURRENT LIABILITIES</u>	
2501	Due Within One Year	\$ 11,091,354
2502	Due in More than One Year	575,232,552
2540	Net Pension Liability (District's Share)	<u>51,621,002</u>
	Total Noncurrent Liabilities	<u>637,944,908</u>
2000	TOTAL LIABILITIES	<u>742,828,122</u>
	<u>DEFERRED INFLOWS OF RESOURCES</u>	
2605	Deferred Inflow Related to TRS	2,976,662
	<u>NET POSITION</u>	
3200	Net Investment in Capital Assets	3,666,506
3820	Restricted for State and Federal Programs	7,635,458
3850	Restricted for Debt Service	24,003,975
3900	Unrestricted	<u>9,643,122</u>
3000	TOTAL NET POSITION	<u>\$ 44,949,061</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

EXHIBIT B- 1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	PROGRAM REVENUES		4 GOVERNMENTAL ACTIVITIES	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
			3 CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS		
	Governmental Activities					
11	Instruction	\$ 133,489,217	\$ 1,598,219	\$ 26,739,009		\$ (105,151,989)
12	Instructional Resources and Media Services	2,465,719	-	395,282		(2,070,437)
13	Curriculum and Staff Development	7,625,813	-	3,324,741		(4,301,072)
21	Instructional Leadership	4,022,850	-	1,088,336		(2,934,514)
23	School Leadership	11,988,184	-	1,969,053		(10,019,131)
31	Guidance, Counseling, and Evaluation Services	8,110,137	-	1,483,571		(6,626,566)
32	Social Work Services	972,680	-	231,641		(741,039)
33	Health Services	2,451,721	-	480,744		(1,970,977)
34	Student Transportation	8,279,261	-	1,654,471		(6,624,790)
35	Food Service	13,803,457	2,089,965	9,956,336		(1,757,156)
36	Extracurricular Activities	4,494,948	394,243	749,233		(3,351,472)
41	General Administration	5,181,898	-	834,925		(4,346,973)
51	Plant Maintenance and Operations	21,397,161	175,044	3,683,098		(17,539,019)
52	Security and Monitoring Services	2,373,839	-	404,863		(1,968,976)
53	Data Processing Services	4,112,689	-	697,410		(3,415,279)
61	Community Services	1,309,162	-	245,095		(1,064,067)
72	Interest on Long- Term Debt	19,676,938	-	1,027,071		(18,649,867)
73	Bond Issuance Costs and Fees	2,902,106	-	-		(2,902,106)
81	Capital Outlay	3,360,345	-	32,364		(3,327,981)
93	Payments Related to Shared Service Arrangements	249,045	-	249,045		-
95	Payments to Juvenile Justice Alternative Education Program	408	-	72		(336)
99	Other Intergovernmental Charges	534,669	-	95,026		(439,643)
TG	Total Governmental Activities	<u>258,802,247</u>	<u>4,257,471</u>	<u>55,341,386</u>		<u>(199,203,390)</u>
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 258,802,247</u>	<u>\$ 4,257,471</u>	<u>\$ 55,341,386</u>		<u>(199,203,390)</u>
	General Revenues					
MT	Property Taxes, Levied for General Purposes					84,362,236
DT	Property Taxes, Levied for Debt Service					34,846,485
IE	Investment Earnings					1,500,869
GC	Grants and Contributions not Restricted to Specific Programs					66,855,223
MI	Miscellaneous					<u>1,190,263</u>
TR	Total General Revenues					<u>188,755,076</u>
CN	Change in Net Position					(10,448,314)
NB	NET POSITION - BEGINNING					55,554,777
PA	PRIOR PERIOD ADJUSTMENT					<u>(157,402)</u>
NE	NET POSITION - ENDING					<u>\$ 44,949,061</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

**JUDSON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2017**

EXHIBIT C- 1

DATA CONTROL CODES	10 GENERAL FUND	50 DEBT SERVICE FUND	60 CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS	
ASSETS						
1110	Cash and Cash Equivalents	\$ 12,330,335	\$ 199,900	\$ -	\$ 276,338	\$ 12,806,573
1120	Current Investments	55,357,775	23,975,100	207,295,353	2,751,355	289,379,583
1225	Taxes Receivable, Net	2,807,814	975,224	-	-	3,783,038
1240	Due from Other Governments	21,063,303	-	-	1,996,480	23,059,783
1260	Due from Other Funds	1,063,527	-	-	-	1,063,527
1290	Other Receivables	23,832	-	-	1,788	25,620
1300	Inventories	546,732	-	-	170,080	716,812
1410	Prepaid Items	579,294	-	-	1,097	580,391
1000	TOTAL ASSETS	<u>\$ 93,772,612</u>	<u>\$ 25,150,224</u>	<u>\$ 207,295,353</u>	<u>\$ 5,197,138</u>	<u>\$ 331,415,327</u>
LIABILITIES						
2110	Accounts Payable	\$ 1,957,954	\$ -	\$ 888,431	\$ 199,026	\$ 3,045,411
2150	Payroll Deductions and Withholdings	9,895,854	-	261	112,272	10,008,387
2160	Accrued Wages Payable	20,564,556	-	15,596	1,195,565	21,775,717
2170	Due to Other Funds	-	-	357,231	706,296	1,063,527
2300	Unearned Revenue	-	394,365	-	298,509	692,874
2000	Total Liabilities	<u>32,418,364</u>	<u>394,365</u>	<u>1,261,519</u>	<u>2,511,668</u>	<u>36,585,916</u>
Deferred Inflows of Resources						
2600	Unearned Revenue - Property Taxes	2,256,257	751,884	-	-	3,008,141
FUND BALANCES						
3410	Non- Spendable - Inventories	546,732	-	-	170,080	716,812
3430	Non- Spendable - Prepaid Items	579,294	-	-	1,097	580,391
3450	Restricted - Grant Funds	-	-	-	2,431,851	2,431,851
3470	Restricted - Capital Acquisitions and Contractual Obligations	-	-	194,096,438	-	194,096,438
3480	Restricted - Debt Service	-	24,003,975	-	-	24,003,975
3490	Restricted - Other	4,949,988	-	-	-	4,949,988
3590	Assigned - Encumbrances	5,458,689	-	11,937,396	82,442	17,478,527
3600	Unassigned	47,563,288	-	-	-	47,563,288
3000	Total Fund Balances	<u>59,097,991</u>	<u>24,003,975</u>	<u>206,033,834</u>	<u>2,685,470</u>	<u>291,821,270</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 93,772,612</u>	<u>\$ 25,150,224</u>	<u>\$ 207,295,353</u>	<u>\$ 5,197,138</u>	<u>\$ 331,415,327</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

JUDSON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2017

EXHIBIT C- 1R

Total Fund Balances - Governmental Funds Balance Sheet		\$ 291,821,270
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets expensed in the governmental activities are not reported in the funds.		666,886,672
Accumulated depreciation used in governmental activities is not reported in the funds.		(235,122,850)
Property tax receivable unavailable to pay for current period expenditures is deferred in the funds.		3,008,141
Payables for bond principal which are not due in the current period are not reported in the funds.		(574,454,205)
Payables for loan proceeds which are not due in the current period are not reported in the funds.		(1,370,000)
Payables for accrued bond interest which are not due in the current period are not reported in the funds.		(9,761,498)
Bond premiums used in governmental activities are not reported in the funds.		(59,599,327)
Recognition of the District's proportionate share of net pension liability required by GASB 68 and the changes in deferred outflows and inflows of resources related to the TRS pension liability:		
Net Pension Liability	\$ (51,621,002)	
Deferred Inflow of Resources - TRS	(2,976,662)	
Deferred Outflows of Resources - TRS	<u>19,682,919</u>	(34,914,745)
Capital appreciation bond accreted interest not due in the current year is not reported in the funds.		(8,551,353)
Bond refunding losses are amortized over the life of the bonds and are not reported in the funds.		8,955,304
Payables for compensated absences which are not due in the current period are not reported in the funds.		<u>(1,948,348)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION		<u>\$ 44,949,061</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT C- 2

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND	60 CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
REVENUES						
5700	Local and Intermediate Sources	\$ 88,128,474	\$ 34,932,724	\$ 954,723	\$ 2,195,126	\$ 126,211,047
5800	State Program Revenues	96,698,924	965,951	-	608,106	98,272,981
5900	Federal Program Revenues	<u>3,649,906</u>	-	-	<u>20,353,602</u>	<u>24,003,508</u>
5020	Total Revenues	<u>188,477,304</u>	<u>35,898,675</u>	<u>954,723</u>	<u>23,156,834</u>	<u>248,487,536</u>
EXPENDITURES						
Current						
0011	Instruction	113,064,928	-	-	6,903,203	119,968,131
0012	Instructional Resources and Media Service	2,237,538	-	-	25	2,237,563
0013	Curriculum and Staff Development	4,236,980	-	-	2,589,207	6,826,187
0021	Instructional Leadership	3,067,390	-	-	550,159	3,617,549
0023	School Leadership	10,719,912	-	-	82,360	10,802,272
0031	Guidance, Counseling, and Evaluation Services	7,081,650	-	-	236,583	7,318,233
0032	Social Work Services	781,331	-	-	94,350	875,681
0033	Health Services	2,116,396	-	-	107,123	2,223,519
0034	Student Transportation	9,343,217	-	-	-	9,343,217
0035	Food Service	-	-	-	12,524,078	12,524,078
0036	Cocurricular/Extracurricular Activities	4,182,755	-	-	11,059	4,193,814
0041	General Administration	4,720,687	-	21,768	-	4,742,455
0051	Plant Maintenance and Operations	19,568,563	-	1,365,540	268,680	21,202,783
0052	Security and Monitoring Services	2,286,709	-	7,007	-	2,293,716
0053	Data Processing Services	3,934,196	-	30,190	-	3,964,386
0061	Community Services	1,159,847	-	-	39,259	1,199,106
0071	Principal on Long- Term Debt	330,000	12,690,000	-	-	13,020,000
0072	Interest on Long- Term Debt	4,193	18,374,991	-	88,924	18,468,108
0073	Bond Issuance Costs and Fees	9,700	1,573,537	1,317,369	1,500	2,902,106
0081	Capital Outlay	182,098	-	7,481,386	-	7,663,484
0093	Payments Related to Shared Service Arrangements	-	-	-	249,045	249,045
0095	Payments to Juvenile Justice Alternative Education Programs	408	-	-	-	408
0099	Other Intergovernmental Charges	<u>534,669</u>	-	-	-	<u>534,669</u>
6030	Total Expenditures	<u>189,563,167</u>	<u>32,638,528</u>	<u>10,223,260</u>	<u>23,745,555</u>	<u>256,170,510</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,085,863)</u>	<u>3,260,147</u>	<u>(9,268,537)</u>	<u>(588,721)</u>	<u>(7,682,974)</u>
Other Financing Sources and (Uses)						
7901	Refunding Bonds Issued	-	191,805,000	-	-	191,805,000
7911	Proceeds from Bonds	-	-	188,040,000	-	188,040,000
7912	Sale of Real or Personal Property	21,765	-	-	3,120	24,885
7914	Proceeds from Tax Notes	1,700,000	-	-	-	1,700,000
7916	Premium or Discount on Issuance of Bonds	-	20,769,682	22,257,369	-	43,027,051
8940	Payment to Bond Refunding Escrow Agent	-	<u>(210,992,205)</u>	-	-	<u>(210,992,205)</u>
7080	Total Other Financing Sources and (Uses)	<u>1,721,765</u>	<u>1,582,477</u>	<u>210,297,369</u>	<u>3,120</u>	<u>213,604,731</u>
1200	Net Change in Fund Balances	635,902	4,842,624	201,028,832	(585,601)	205,921,757
0100	Fund Balances - Beginning	58,462,089	19,161,351	5,005,002	3,428,473	86,056,915
1300	Prior Period Adjustment	-	-	-	(157,402)	(157,402)
3000	FUND BALANCES - ENDING	<u>\$ 59,097,991</u>	<u>\$ 24,003,975</u>	<u>\$ 206,033,834</u>	<u>\$ 2,685,470</u>	<u>\$ 291,821,270</u>

(The Accompanying Notes are an Integral Part of these Financial Statements)

JUDSON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

EXHIBIT C-3

Net Change in Fund Balances - Total Governmental Funds \$ 205,921,757

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are not reported as expenses in the statement of activities.	8,646,778
The depreciation of capital assets used in governmental activities is not reported in the funds.	(18,915,896)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	117,896
Repayment of bond principal is an expenditure in the funds but is not an expense in the statement of activities.	12,690,000
Repayment of tax notes is an expenditure in the funds but is not an expense in the statement of activities.	330,000
Issuance of refunding bonds and tax notes are other sources in the funds but are not revenue in the statement of activities. This amount is the net effect of these differences.	
Refunding Bond Issuance	\$ (191,805,000)
Bond Issuance	(188,040,000)
Tax Notes	(1,700,000)
Payment to Escrow Agent	210,992,205
Bond Premium	<u>(43,027,051)</u>
Net change in principal of capital appreciation bonds is an expense in the statement of activities but not in the funds.	(1,224,150)
Unamortized loss on refunding bonds are amortized over the life of the bonds in the statement of activities and not in the funds.	(502,060)
The change in net pension liability and deferred inflows and outflows related to the District's proportionate share of the TRS pension liability.	(3,674,883)
Amortization of bond premium is an expense in the statement of activities and not in the funds.	2,657,909
Compensated absences are reported as amounts expensed in the statement of activities but not in the funds.	(775,289)
Change in accrued interest payable for bonds.	<u>(2,140,530)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ (10,448,314)</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

EXHIBIT E- 1

DATA CONTROL CODES		AGENCY FUNDS
	<u>ASSETS</u>	
1110	Cash and Cash Equivalents	\$ 1,668,905
1000	TOTAL ASSETS	\$ 1,668,905
	<u>LIABILITIES</u>	
2110	Due to Others	\$ 284,995
2190	Due to Student Groups	1,383,910
2000	TOTAL LIABILITIES	\$ 1,668,905

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Judson Independent School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Board of School Trustees, a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board of Trustees, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity.

Blended Component Unit

Using the criteria established by GASB Statement No. 14, *The Financial Reporting Entity*, GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, the District's management has determined that the Judson Independent School District Public Facilities Corporation ("Judson ISD PFC") should be blended with the activities of the District because its sole purpose is to assist the District in financing or otherwise assisting in the acquisition of public facilities because the District's management has operational responsibility for Judson ISD PFC.

The Judson ISD PFC was incorporated on June 7, 2013, as a non-profit corporation under the Texas Public Facility Corporation Act. Judson ISD PFC was formed for the purpose of assisting the District in financing, refinancing, providing, or otherwise assisting in the acquisition of public facilities. Judson ISD PFC is governed by a seven-member Board of Directors that is the same seven-member Board of Trustees of the District. Judson ISD PFC does not have the authority to levy taxes. Although Judson ISD PFC is legally separate from the District, Judson ISD PFC is reported as if it were part of the District because its sole purpose is to assist the District in the acquisition of public facilities. That is, Judson ISD PFC is reported as a blended component unit in the basic financial statements of the District. Financial information for Judson ISD PFC may be obtained from the District's business office. On November 17, 2016, the Board of the Directors of the Judson ISD PFC authorized the redemption of the Judson ISD PFC Lease Revenue Bonds, Series 2013 and conveyance of the school facilities to the Judson Independent School District. Further, upon completion of the redemption and transfer of school facilities, the Board of Directors authorized the voluntary termination of the Judson ISD PFC.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

In addition, the District reports the following non-major governmental funds:

The *special revenue funds* account for the District's federal, state and locally funded grants or contributions. These grants are awarded to the District with the purpose of accomplishing specific educational tasks as defined in the grant awards.

The *capital projects funds* accounts for bond proceeds and expenditures for the construction of school facilities as approved by the District's voters.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation, Basis of Accounting (Continued)

Basis of Presentation (Continued)

The *agency funds* (a fiduciary fund type) are used to report student activity funds, District's Tax Assessor-Collector funds, and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Measurement Focus, Basis of Accounting

Government-wide and fiduciary fund financial statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty (60) days after year end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Budgetary Information

The board adopts an appropriated budget on a basis consistent with GAAP for the general fund, debt service fund, Judson Independent School District Public Facility Corporation, and food service fund (which is included in special revenue funds).

At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these four (4) funds.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

Prior to June 19, the District prepares a budget based on the modified zero-based budgeting concept for departmental budgets, and the programmatic budgeting concept for campuses, for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

After one (1) or more budget workshops with the board, a meeting is called for the purpose of adopting the proposed budget. At least ten (10) days but not more than thirty (30) days public notice of the meeting is required.

Prior to June 30, the board of trustees legally adopts the budget for the general fund, debt service fund, Judson Independent School District Public Facility Corporation, and food service fund (which is included in special revenue funds).

After the budget for the above listed funds is approved, any amendment that causes an increase or decrease in a fund or functional spending category or total revenue or other resources object category requires board approval prior to the fact. These amendments are presented to the board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year.

Expenditure budgets are controlled at the functional and object level by the appropriate budget manager (principal or department director). Budget managers may authorize transfers within functional and organizational categories that do not affect the total functional and organizational appropriation. All budget appropriations lapse at year end.

	<u>ORIGINAL BUDGET</u>	<u>NET CHANGE DURING YEAR</u>	<u>AMENDED BUDGET</u>
General Fund	\$ 190,463,798	\$ 13,426,437	\$ 203,890,235
Special Revenue Funds - Food Service	12,940,884	654,984	13,595,868
Debt Service	34,509,400	(1,870,865)	32,638,535
Judson ISD Public Facility Corporation	90,425	-	90,425

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial Statement Amounts

Cash and Cash Equivalents

Cash in bank, money market accounts, external investment pools, and securities with maturities of less than three (3) months from the date of purchase are reported as cash and cash equivalents in the financial statements.

Investments

Investments for the District are stated at fair value. The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable values or reflective of future fair values. Furthermore, while the District believes its valuation methods are appropriate and consistent with those of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial Statement Amounts (Continued)

Deposit Accounting Policy

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one (1) year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

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 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. 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 sixty day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the general fund are \$244,158 and \$84,802 for the debt service fund and are based upon 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.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial Statement Amounts (Continued)

Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. 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 received, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, 2017, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$ 5,458,689
National School Breakfast and Lunch Program	82,442
Other Special Revenue Funds	209,373
Capital Projects Fund	<u>11,937,396</u>
TOTAL	<u>\$ 17,687,900</u>

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used and land and construction in progress is not depreciated.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial Statement Amounts (Continued)

Capital Assets (Continued)

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

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES (YEARS)</u>
Buildings and Improvements	35
Portable Buildings	25
Buses and Heavy Equipment	7
Office and Computer Equipment	5
Vehicles and Other	5- 10

Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

Compensated Absences

On retirement, termination of employment, or death of employees, the District pays any accrued sick leave in a lump-sum payment to such employee or his/her beneficiary or estate – See Note 9: Accumulated Unpaid Sick Leave Benefit.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. The District has two items that qualifies for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial Statement Amounts (Continued)

Deferred Inflows/Outflows of Resources (Continued)

Pensions

Pensions. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single transfer line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single internal balances line on the government-wide statement of net position.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Financial Statement Amounts (Continued)

Data Control Codes

Data control codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

E. Fund Balance

The District has implemented GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is delegated by the Trustees to the superintendent or chief financial officer of the District.

In the general fund, the District strives to maintain an unassigned fund balance to be used for local and regional emergencies without borrowing.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 2: COMPLIANCE AND ACCOUNTABILITY

A. Finance- Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>VIOLATION</u>	<u>ACTION TAKEN</u>
None Reported	Not Applicable

NOTE 3: DEPOSITS AND INVESTMENTS

A. Cash Deposits

At June 30, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$14,475,478 and the bank balance was \$17,137,509. Of the bank balance, \$250,000 was covered by federal depository insurance, and the remainder was covered by collateral held in the pledging bank's trust department in the District's name. The District's cash deposits are held in JP Morgan Chase Bank, which is qualified as a public depository under Texas law, and is deemed to be insured and not subject to classification by credit risk. At June 30, 2017, the market value of pledged collateral was \$20,076,963.

B. Investments

The District is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (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, and (10) common trust funds.

C. Public Funds Investment Pools

Public funds investment pools in Texas are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

C. Public Funds Investment Pools (Continued)

In addition to other provisions of the act designed to promote liquidity and safety of principal, the act requires pools to (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, (2) maintain a continuous rating of no lower than AAA or AAA- m or an equivalent rating by at least one nationally recognized rating service, and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is reported at share value.

D. Credit Risk

State Law limits investments in money market mutual funds to not less than AAA rating or its equivalent by nationally recognized statistical rating organizations (NRSROs). It is the District's policy to limit its investments in these investment types to the AAA rating issued by NRSROs.

E. Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer. However, the District's investment policy calls for portfolio diversification by avoiding over-concentration in a specific maturity sector or specific instruments.

TexPool and Lone Star Pool Investment Funds uses amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. Those investments do not place any limitations or restrictions such as notice periods or maximum transaction amounts, on withdrawals.

TexPool and Lone Star Pool Investment Funds are rated AAAM and AAA, respectively by Standard and Poors. Investments in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. TexPool and Lone Star Investment Funds invests in a high quality portfolio of debt securities investments that are legally permissible for local governments in the state.

F. Interest Rate Risks

In accordance with its investment policy, the District manages its exposure to declines in fair values by investing in investments that match anticipated cash flow requirements, such as weighted average maturity limits and diversification benchmarks. Investments are limited to final stated maturities of not more than five years from the date of purchase. Money market funds and pools have a maturity of less than one year.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 3: DEPOSITS AND INVESTMENTS (CONTINUED)

G. Valuation

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of assets. The District's investments for all funds at fiscal year-end are listed below at fair value, net of accruals. The District has the following recurring fair value measurements as of June 30, 2017:

DESCRIPTION*	MINIMUM LEGAL RATING	INVESTMENT RATING	RATING ORGANIZATION	CARRYING VALUE	WEIGHTED AVERAGE	PERCENTAGE INVESTED
TexPool Investment Fund	AAA	AAAm	Standard & Poors	\$ 269,264,283	0.10	93%
Lone Star Pool Investment Fund	AAA	AAA	Standard & Poors	<u>20,115,300</u>	0.10	<u>7%</u>
TOTAL INVESTMENTS				<u>\$ 289,379,583</u>	<u>0.10</u>	<u>100%</u>

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	BEGINNING BALANCE JUNE 30, 2016	ADDITIONS	DELETIONS	TRANSFERS	ENDING BALANCE JUNE 30, 2017
<u>Governmental Activities</u>					
Capital Assets Not Being Depreciated:					
Land	\$ 23,455,633	\$ 129,533	\$ -	\$ -	\$ 23,585,166
Construction in Progress	<u>59,588,071</u>	<u>2,471,273</u>	<u>-</u>	<u>(59,484,603)</u>	<u>2,574,741</u>
Total Capital Assets not being Depreciated	<u>83,043,704</u>	<u>2,600,806</u>	<u>-</u>	<u>(59,484,603)</u>	<u>26,159,907</u>
Capital Assets being Depreciated:					
Buildings and Improvements	533,504,584	1,444,824	-	59,329,900	594,279,308
Furniture, Equipment, and Vehicles	39,071,641	4,601,148	(89,103)	154,703	43,738,389
Capital Lease	<u>2,709,068</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,709,068</u>
Total Capital Assets, being Depreciated	<u>575,285,293</u>	<u>6,045,972</u>	<u>(89,103)</u>	<u>59,484,603</u>	<u>640,726,765</u>
Less Accumulated Depreciation for					
Buildings and Improvements	(180,445,189)	(16,560,674)	-	-	(197,005,863)
Furniture, Equipment, and Vehicles	(33,141,800)	(2,355,222)	89,103	-	(35,407,919)
Capital Lease	<u>(2,709,068)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,709,068)</u>
Total Accumulated Depreciation	<u>(216,296,057)</u>	<u>(18,915,896)</u>	<u>89,103</u>	<u>-</u>	<u>(235,122,850)</u>
Total Capital Assets being Depreciated, Net	<u>358,989,236</u>	<u>(12,869,924)</u>	<u>-</u>	<u>59,484,603</u>	<u>405,603,915</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 442,032,940</u>	<u>\$(10,269,118)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 431,763,822</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 4: CAPITAL ASSETS (CONTINUED)

Depreciation was charged to functions as follows: (Depreciation was distributed as a percentage of aggregate expenditures.)

	AMOUNT
Instruction	\$ 10,637,399
Instruction Resources and Media Services	198,401
Curriculum and Staff Development	605,268
Instructional Leadership	320,763
School Leadership	957,821
Guidance, Counseling, and Evaluation Services	648,897
Social Work Services	77,645
Health Services	197,156
Student Transportation	828,449
Food Services	1,110,492
Extracurricular Activities	371,859
General Administration	420,507
Plant Maintenance and Operations	1,880,020
Security and Monitoring Services	203,380
Data Processing Services	351,516
Community Services	106,323
TOTAL DEPRECIATION EXPENSE	\$ 18,915,896

NOTE 5: LONG- TERM OBLIGATIONS

The District has entered into a continuing disclosure undertaking to provide annual reports and material event notices to the Municipal Securities Rule Making Board through the electronic municipal market access website. This information is required under SEC Rule 15c2- 12 to enable investors to analyze the financial condition and operations of the District.

A. Long- Term Obligation Activity - Bonds

Bonded indebtedness of the District is reflected as governmental activities in the statement of net position. Effective interest rates range from 2.00% to 5.63%.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: LONG- TERM OBLIGATIONS (CONTINUED)

A. Long-Term Obligation Activity – Bonds (Continued)

A summary of changes in long- term debt for the year ended June 30, 2017 is as follows:

DESCRIPTION	INTEREST RATE PAYABLE	AMOUNT ORIGINAL ISSUE	AMOUNT OUTSTANDING JULY 1, 2016	ISSUED	RETIRED	AMOUNT OUTSTANDING JUNE 30, 2017
School Building Bonds:						
School Building Bonds	4.00% to					
Series 2007 (2), (12), (13)	5.63%	\$ 240,779,223	\$ 214,939,223	\$ -	\$ 209,250,000	\$ 5,689,223
School Building Bonds	2.65% to					
Series 2008 (3)	5.00%	71,319,971	1,105,001	-	1,105,001	-
School Building Bonds	3.00% to					
Series 2010 (4)	5.00%	24,404,982	15,344,982	-	100,000	15,244,982
School Building Bonds	2.00% to					
Series 2012 (5)	3.50%	9,370,000	6,900,000	-	1,180,000	5,720,000
Refunding						
Bonds	2.00% to					
Series 2013 (6)	4.00%	17,700,000	16,415,000	-	-	16,415,000
Refunding						
Bonds	4.00% to					
Series 2013 A (7)	5.00%	11,760,000	11,370,000	-	400,000	10,970,000
School Building Bonds	2.00% to					
Series 2013 (8)	5.00%	78,245,000	77,810,000	-	450,000	77,360,000
Refunding						
Bonds	2.00% to					
Series 2014 (9)	3.00%	5,595,000	3,585,000	-	105,000	3,480,000
Refunding						
Bonds	3.00% to					
Series 2015 (10)	5.00%	61,270,000	61,270,000	-	-	61,270,000
School Building and Refunding Bonds	3.00% to					
Series 2016 (12)	5.00%	310,915,000	-	310,915,000	-	310,915,000
Refunding						
Bonds	1.00% to					
Series 2016 A (13)	5.00%	63,985,000	-	63,985,000	1,540,000	62,445,000
School Building Bonds	3.25% to					
Series 2016 B (14)	5.00%	4,945,000	-	4,945,000	-	4,945,000
			<u>408,739,206</u>	<u>379,845,000</u>	<u>214,130,001</u>	<u>574,454,205</u>
Public Facilities Corp. Lease Revenue Bonds:						
Lease Revenue Bonds	3.59% to					
Series 2013 (11), (14)	3.72%	6,200,000	4,954,000	-	4,954,000	-
Totals			<u>413,693,206</u>	<u>379,845,000</u>	<u>219,084,001</u>	<u>574,454,205</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: LONG- TERM OBLIGATIONS (CONTINUED)

A. Long- Term Obligation Activity - Bonds (Continued)

DESCRIPTION	AMOUNT ORIGINAL ISSUE	AMOUNT OUTSTANDING JULY 1, 2016	ISSUED	RETIRED	AMOUNT OUTSTANDING JUNE 30, 2017
C.A.B.'s - Accreted Interest					
Series 2007 (1), (2)	\$ 5,689,223	\$ 6,056,943	\$ 957,461	\$ -	\$ 7,014,404
C.A.B.'s - Accreted Interest					
Series 2010 (1), (4)	2,169,982	<u>1,270,260</u>	<u>266,689</u>	<u>-</u>	<u>1,536,949</u>
Total C.A.B.'s		<u>7,327,203</u>	<u>1,224,150</u>	<u>-</u>	<u>8,551,353</u>
TOTAL ALL BONDS		<u>\$ 421,020,409</u>	<u>\$ 381,069,150</u>	<u>\$ 219,084,001</u>	<u>\$ 583,005,558</u>

- (1) Additions are made up of interest accreted on capital appreciation bonds for the year ended June 30, 2017. The capital appreciation bonds were originally recorded at their face value and have only been reduced as principal payments were made. Since these bonds mature at different dates the bonds are now included in bonds payable at their accreted value, for principal amounts due as of June 30, 2017.
- (2) During the fiscal year ended June 30, 2007, the District issued bonds that were delivered on May 10, 2007. The District issued and received \$240,779,223 in bond proceeds including refunding \$9,400,000 of Unlimited Tax School Building Bonds Series 1999, \$28,950,000 of Unlimited Tax School Building Bonds Series 2002, and \$41,445,000 of Unlimited Tax School Building Bonds Series 2003. The bond issue consisted of \$95,330,000 current interest bonds and \$5,689,223 capital appreciation bonds. The purpose of the bonds are for the construction, renovation, and equipping of District facilities and to pay the costs associated with the issuance of the bonds. As a result, the refunded portions of the bonds are considered defeased. The purpose of the refunding was to restructure the overall debt service of the District to allow for additional debt to be issued and maintain a level debt service tax rate. The refunding resulted in a present value savings of \$3,249,804.
- (3) During the fiscal year ended June 30, 2008, the District issued bonds that were delivered on April 30, 2008. The District issued and received \$71,319,971 in bond proceeds. The bond issue consisted of \$70,185,000 current interest bonds and \$504,971 capital appreciation bonds. The capital appreciation bonds have subsequently matured. The bonds are for the construction and equipping of District Schools and purchasing the necessary sites and to pay the costs associated with the issuance of the bonds.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: LONG- TERM OBLIGATIONS (CONTINUED)

A. Long- Term Obligation Activity - Bonds (Continued)

- (4) During the fiscal year ended June 30, 2010, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2010 for \$24,404,982 to refund a portion of the Unlimited Tax School Building Bonds, Series 1999, Series 2002, and Series 2003 in the amount of \$4,800,000, \$4,980,000, and \$14,625,000, respectively, by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The bond issue consisted of \$2,169,982 of capital appreciation bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As a result of the advanced refunding, the District reduced its total debt service requirements by \$2,276,150 and resulted in an economic gain of \$1,419,768. Bonds outstanding that are considered defeased as a result of the refunding total \$0 at June 30, 2017.
- (5) During the fiscal year ended June 30, 2012, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2012 for \$9,370,000 to refund the Unlimited Tax School Building Series 2002 and to refund a portion of the Unlimited Tax School Building and Refunding Bonds Series 2003 in the amount of \$3,170,000 and \$6,355,000, respectively, by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As a result of the advanced refunding, the District reduced its total debt service requirements by \$2,218,728 and resulted in an economic gain of \$1,824,235. Bonds outstanding that are considered defeased as a result of the refunding total \$0 at June 30, 2017.
- (6) During the fiscal year ended June 30, 2013, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2013 for \$17,700,000 to refund the Unlimited Tax School Building Bonds, Series 2004 in the amount of \$18,875,000 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As a result of the advanced refunding, the District reduced its total debt service requirements by \$4,347,913 which resulted in an economic gain of \$3,601,024. Bonds outstanding that are considered defeased as a result of the current year refunding total \$0 at June 30, 2017.
- (7) During the fiscal year ended June 30, 2014, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2013A for \$11,760,000 to refund the Unlimited Tax School Building Series 2005B in the amount of \$12,925,000 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As a result of the advanced refunding, the District reduced its total debt service requirements by \$1,331,788 and resulted in an economic gain of \$1,190,980. Bonds outstanding that are considered defeased as a result of the refunding total \$0 at June 30, 2017.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: LONG- TERM OBLIGATIONS (CONTINUED)

A. Long- Term Obligation Activity – Bonds (Continued)

- (8) During the fiscal year ended June 30, 2014, the District issued bonds that were delivered on August 20, 2013. The District issued and received \$78,245,000 in bonds proceeds and \$5,540,763 in bond premiums. The bonds are for the construction and equipping of District Schools, purchasing the necessary sites and to pay the costs associated with the issuance of the bonds.
- (9) During the fiscal year ended June 30, 2014, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2013 for \$5,595,000 to refund the Unlimited Tax School Building Series 2005B in the amount of \$5,770,000 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As a result of the advanced refunding, the District reduced its total debt service requirements by \$1,262,325 and resulted in an economic gain of \$964,148. Bonds outstanding that are considered defeased as a result of the refunding total \$0 at June 30, 2017.
- (10) During the fiscal year ended June 30, 2016, the District issued Judson Independent School District Unlimited Tax Refunding Bonds, Series 2015 for \$61,270,000 to refund a portion of the Unlimited Tax School Building Bonds, Series 2008 in the amount of \$63,095,000 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As a result of the advanced refunding, the District reduced its total debt service requirements by \$6,221,755 and resulted in an economic gain of \$4,506,397. Bonds outstanding that are considered defeased as a result of the refunding total \$0 at June 30, 2017.
- (11) On July 23, 2013 the Judson Independent School District Public Facility Corporation issued \$6,200,000 Public Facility Corporation School Facility Lease Revenue Bonds, Series 2013 to finance the costs of the construction, expansion, and equipping of school facilities for the benefit of the District. The District, pursuant to a lease agreement, will make lease payments to the Corporation payable from (1) any lawfully available funds appropriated by the Texas legislature, which under current law is limited to the basic allotment portion of tier one funds and chapter 46 funds (instructional facility allotment only), and (2) any unintended surplus maintenance tax revenues.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: LONG- TERM OBLIGATIONS (CONTINUED)

A. Long- Term Obligation Activity – Bonds (Continued)

- (12) During the fiscal year ended June 30, 2017, the District issued the Judson Independent School District Unlimited Tax Building and Refunding Bonds, Series 2016 for \$310,915,000 with bond premiums of \$38,227,844. The bonds were delivered on September 20, 2016. In the issuance, the District issued and received \$188,040,000 in bond proceeds and \$22,257,369 in bond premiums for the construction and equipping of District Schools, purchasing the necessary sites and to pay the costs associated with the issuance of the bonds. The remaining of the bond proceeds of \$122,875,000 and bond premium of \$15,970,475 were used to partially refund \$135,035,000 of the current interest bonds Unlimited Tax School Building Bonds, Series 2007 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. As a result of the advanced refunding, the District reduced its total debt service requirements by \$30,316,263 and resulted in an economic gain of \$24,764,902. Bonds outstanding that are considered defeased as a result of the refunding total \$0 at June 30, 2017.
- (13) During the fiscal year ended June 30, 2017, the District issued the Judson Independent School District Unlimited Tax Building and Refunding Bonds, Series 2016A for \$63,985,000 with bond premiums of \$4,566,210. The issuance partially refunded \$66,405,000 of the Unlimited Tax School Building Bonds, Series 2007 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As a result of the refunding, the District reduced its total debt service requirements by \$9,241,225 and resulted in an economic gain of \$6,408,673. Bonds outstanding that are considered defeased as a result of the refunding total \$0 at June 30, 2017.
- (14) During the fiscal year ended June 30, 2017, the District issued Judson Independent School District Unlimited Tax Building Bonds, Series 2016B for \$4,945,000 to payoff of the Judson Independent School District Public Facility Corporation School Facility Lease Revenue Bonds, Series 2013 in the amount of \$4,954,000 by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the District's financial statements. As a result of the issuance and retirement, the District increased its total debt service requirements by \$2,336,672 and resulted in an economic loss of \$156,529. Bonds outstanding that are considered defeased as a result of the refunding total \$0 at June 30, 2017.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: LONG- TERM OBLIGATIONS (CONTINUED)

A. Long-Term Obligation Activity - Bonds (Continued)

Summary information on the capital appreciation bonds is as follows:

<u>SERIES</u>	<u>MATURITY DATE 2/1</u>	<u>ORIGINAL AMOUNT</u>	<u>ACCREDITED VALUE JUNE 30, 2017</u>	<u>VALUE AT MATURITY</u>
2007	2026- 2027	\$ 5,689,223	\$ 7,014,404	\$ 26,400,000
2010	2018- 2019	2,169,982	1,536,949	4,015,000

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2017 are as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>	<u>AMOUNTS DUE WITHIN ONE YEAR</u>
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 408,739,206	\$ 379,845,000	\$ 214,130,001	\$ 574,454,205	\$ 10,366,684
C.A.B.'s - Accreted Interest	7,327,203	1,224,150	-	8,551,353	-
Lease Revenue Bonds - PFC	4,954,000	-	4,954,000	-	-
Tax Notes	-	1,700,000	330,000	1,370,000	335,000
Compensated Absences	1,173,059	1,019,021	243,732	1,948,348	389,670
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 422,193,468</u>	<u>\$ 383,788,171</u>	<u>\$ 219,657,733</u>	<u>\$ 586,323,906</u>	<u>\$ 11,091,354</u>

The general fund, the primary governmental activity fund type, is typically used to liquidate compensated absences.

B. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2017, are as follows:

<u>YEAR ENDING JUNE 30,</u>	<u>BONDS PAYABLE</u>		
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2018	\$ 10,366,684	\$ 24,574,779	\$ 34,941,463
2019	11,133,298	24,307,414	35,440,712
2020	12,830,000	22,977,063	35,807,063
2021	13,560,000	22,493,613	36,053,613
2022	14,445,000	21,869,963	36,314,963
2023- 2027	71,364,223	119,356,790	190,721,013
2028- 2032	109,995,000	83,217,375	193,212,375
2033- 2037	129,860,000	59,605,888	189,465,888
2038- 2042	129,430,000	30,223,750	159,653,750
2043- 2045	<u>71,470,000</u>	<u>5,356,000</u>	<u>76,826,000</u>
TOTALS	<u>\$ 574,454,205</u>	<u>\$ 413,982,635</u>	<u>\$ 988,436,840</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 5: LONG- TERM OBLIGATIONS (CONTINUED)

C. Tax Notes - Loan

The District has entered into limited maintenance tax notes to finance the acquisition of school buses.

The assets acquired with the tax notes are:

School Buses \$9,177,541

Debt service requirements on tax notes at June 30, 2017, are as follows:

YEAR ENDING JUNE 30,	TAX NOTES PAYABLE		
	PRINCIPAL	INTEREST	TOTAL
2018	\$ 335,000	\$ 16,440	\$ 351,440
2019	340,000	12,420	352,420
2020	345,000	8,340	353,340
2021	<u>350,000</u>	<u>4,200</u>	<u>354,200</u>
TOTALS	<u>\$ 1,370,000</u>	<u>\$ 41,400</u>	<u>\$ 1,411,400</u>

The effective interest rate on the outstanding tax note is 1.20%

NOTE 6: COMMITMENTS UNDER NONCAPITALIZED LEASES

There are no significant commitments under operating (noncapitalized) lease agreements for facilities and equipment. Rental expense for the fiscal year ended June 30, 2017 was \$1,092,211. Of this amount, the District paid \$87,638 to the Judson ISD PFC for the fiscal year ended June 30, 2017.

NOTE 7: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters for which the District carries commercial insurance. During fiscal year 2017, the District purchased replacement value commercial property insurance with a \$100,000 deductible. There were no significant reductions in coverage in the past fiscal year.

NOTE 8: WORKER'S COMPENSATION SELF- INSURANCE

Judson Independent School District established a limited risk management program for worker's compensation effective September 1, 1991. During the year ended June 30, 2017, a total of \$761,034 was paid in benefits and \$185,475 in administrative costs.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 8: WORKER'S COMPENSATION SELF- INSURANCE (CONTINUED)

An excess coverage insurance policy covers individual claims in excess of \$400,000 for any one event up to a maximum limit of \$1,000,000. Accrued liabilities of \$390,047 represents the administrator's estimate of the aggregate liability for claims made.

	<u>BEGINNING OF FISCAL YEAR LIABILITY</u>	<u>CURRENT YEAR CLAIMS AND CHANGES IN ESTIMATES</u>	<u>CLAIM PAYMENTS</u>	<u>BALANCE AT FISCAL YEAR- END</u>
2015- 2016	\$ 510,544	\$ 687,494	\$ (648,013)	\$ 550,025
2016- 2017	550,025	601,056	(761,034)	390,047

NOTE 9: ACCUMULATED UNPAID SICK LEAVE BENEFIT

Upon resignation from the District, employees with at least ten consecutive years of service are entitled to reimbursement for any unused local sick leave earned at the District. Employees retiring from the District are entitled to reimbursement for unused state, personal, and sick leave.

At June 30, 2017, the District's liability for accrued sick leave is as follows:

	<u>SICK LEAVE</u>
Balance, July 1, 2016	\$ 1,173,059
Additions	1,019,021
Deletions	<u>(243,732)</u>
 BALANCE AT JUNE 30, 2017	 <u>\$ 1,948,348</u>

NOTE 10: HEALTH CARE COVERAGE

During the year ended June 30, 2017, employees of the District were covered by a health insurance plan. The District paid premiums of \$355 per month per employee to the plan during 2017. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The plan was authorized by Article 3.51- 2, Texas Insurance Code and was documented by a contractual agreement. The contract between the District and the licensed insurer is renewable January 1st of each calendar year, and terms of coverage and premium costs are included in the contractual provisions. The District contracted Blue Cross Blue Shield through December 31, 2016 and switched to Aetna on January 1, 2017 through June 30, 2017. Latest financial statements for Blue Cross Blue Shield of Texas and Aetna have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: PENSION PLAN

A. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

D. Contributions

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code Section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates		
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non- Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%

Plan Year Contributions		
	<u>2015</u>	<u>2016</u>
Judson ISD - Employer Contributions	\$ 4,145,207	\$ 4,340,287
Judson ISD - Member Contributions	\$ 8,776,113	\$ 9,910,770
Judson ISD - NECE On- behalf Contributions	\$ 6,353,159	\$ 6,770,384

Contributions shown above are for the plan year which runs from September 1st through August 31st and are shown for the year of the measurement date.

Contributors to the plan include members, employers and the State of Texas as the only non- employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non- employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

D. Contributions (Continued)

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non- educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

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

E. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	8.00%
Long- term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post- Employment Benefit Changes	None

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

F. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns*</u>
<u>Global Equity</u>			
U.S.	18.0 %	4.6 %	1.0 %
Non-U.S. Developed	13.0	5.1	0.8
Emerging Markets	9.0	5.9	0.7
Directional Hedge Funds	4.0	3.2	0.1
Private Equity	13.0	7.0	1.1
<u>Stable Value</u>			0.1
U.S. Treaties	11.0	0.7	-
Absolute Return	-	1.8	0.1
Stable Value Hedge Funds	4.0	3.0	-
Cash	1.0	(0.2)	-
<u>Real Return</u>			
Global Inflation Linked Bonds	3.0	0.9	-
Real Assets	16.0	5.1	1.1
Energy and Natural Resources	3.0	6.6	0.2
Commodities	-	1.2	-
<u>Risk Parity</u>			
Risk Parity	5.0	6.7	0.3
Inflation Expectation			2.2
Alpha	-	-	1.0
TOTAL	<u>100.0 %</u>	<u>51.6 %</u>	<u>8.7 %</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's Proportionate Share of the Net Pension Liability	\$ 79,891,922	\$51,621,002	\$ 27,641,547

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, the District reported a liability of \$51,621,002 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$51,621,002
State's proportionate share that is associated with the District	<u>80,363,413</u>
Total	<u>\$131,984,415</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.001366050095%, which was a decrease of (0.000033863905%) from its proportion as of August 31, 2015. The change in proportion was immaterial and therefore disregarded this year.

- Changes Since the Prior Actuarial Valuation

There are no changes to actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 11: PENSION PLAN (CONTINUED)

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2017, the District recognized pension expense of \$8,616,189 and revenue of \$8,616,189 for support provided by the State.

At June 30, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 809,407	\$ 1,541,373
Changes in actuarial assumptions	1,573,316	1,430,866
Difference between projected and actual investment earnings	4,371,160	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	9,199,533	4,423
Contributions paid to TRS subsequent to the measurement date	<u>3,729,503</u>	-
Total	<u>\$ 19,682,919</u>	<u>\$ 2,976,662</u>

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2017	\$ 2,258,724
2018	2,258,724
2019	5,046,863
2020	2,044,505
2021	1,214,388
Thereafter	<u>153,550</u>
Total	<u>\$ 12,976,754</u>

NOTE 12: RETIREE HEALTH PLAN

A. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS- Care), a cost-sharing multiple-District defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS- Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 12: RETIREE HEALTH PLAN (CONTINUED)

A. Plan Description (Continued)

The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS- Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, by calling 1- 800- 223- 8778, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701.

B. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and 2015.

For the years ended June 30, 2017, 2016, and 2015, the State's contribution TRS- Care were \$1,414,136, \$1,376,496, and \$1,309,868, respectively, the active member contributions were \$919,188, \$894,722, and \$851,414, respectively, and the school district's contributions were \$777,775, \$757,073, and \$720,427, respectively, which equal the required contributions each year.

C. Medicare Part D

Federal Legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS- Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. These payments totaled \$423,873, \$530,254, and \$559,781 for fiscal years 2017, 2016, and 2015, respectively. Revenue and expenditures equal to the amount paid by the federal government were recognized during the 2017 fiscal year.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 13: COMMITMENTS AND CONTINGENCIES

A. Contingencies

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

B. Litigation

The District is a defendant in several lawsuits related to educating a diverse population. While the result of any litigation contains an element of uncertainty, the District's management believes that the amount of any liability and costs which might result would not have a material adverse effect on its operations or financial statements.

C. Construction Commitments

As of June 30, 2017, the District was obligated under the terms of agreements for the construction of the following projects:

<u>PROJECT NAME</u>	<u>CONTRACT AMOUNT</u>	<u>PAID TO DATE</u>	<u>COMMITMENT BALANCE REMAINING</u>	<u>RETAINAGE PAYABLE AMOUNT *</u>
General Construction -				
Woodlake Hills Middle School	\$ 5,474,656	\$ 513,018	\$ 4,961,638	\$ 25,673
Kitty Hawk Middle School	1,976,052	-	1,976,052	-
Kirby Middle School	1,817,484	19,328	1,798,156	-
Rutledge Stadium	1,570,438	368,394	1,202,044	14,321
Wortham Oaks Elementary School	1,411,600	820,619	590,981	-
Performing Arts Center	509,226	-	509,226	-
Paschall Elementary School	410,081	-	410,081	-
Wagner High School	398,580	-	398,580	-
Hopkins Elementary School	375,314	-	375,314	-
Escondido Elementary School	1,284,000	1,013,965	270,035	-
Other various locations	<u>4,656,869</u>	<u>3,823,413</u>	<u>833,456</u>	<u>5,000</u>
TOTAL CONSTRUCTION COMMITMENTS	<u>\$ 19,884,300</u>	<u>\$ 6,558,737</u>	<u>\$ 13,325,563</u>	<u>\$ 44,994</u>

* Amount has been accrued and is included in accounts payable.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 14: INTERFUND BALANCES AND ACTIVITIES

Due to and from Other Funds

Balances due to and due from other funds at June 30, 2017, consisted of the following:

<u>DUE TO FUND</u>	<u>DUE FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Non- Major Funds	\$ 706,296	Short- Term Loans
General Fund	Capital Projects Fund	<u>357,231</u>	
TOTAL		<u>\$ 1,063,527</u>	

All amounts due are scheduled to be repaid within one year.

NOTE 15: DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources at year end consisted of the following:

<u>REVENUE DESCRIPTION</u>	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
Deferred Inflow of Resources - Taxes Receivable	<u>\$ 2,256,257</u>	<u>\$ 751,884</u>	<u>\$ 3,008,141</u>

NOTE 16: DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and per capita programs. Amounts due from federal and state governments as of June 30, 2017, are reported on the combined financial statements as due from other governments and are summarized below:

<u>FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>TOTAL</u>
General Fund:			
School Foundation/Available	\$ 21,059,428	\$ -	\$ 21,059,428
JROTC	<u>3,875</u>	-	<u>3,875</u>
Total General Fund	<u>21,063,303</u>	-	<u>21,063,303</u>
Other Governmental Funds:			
ESEA Title III, Homeless Education	-	29,026	29,026
ESEA Title I, Part A Basic	-	1,075,380	1,075,380
IDEA, Part B - Preschool Grant	-	11,074	11,074
Child Nutrition Program	-	93,537	93,537
Title V - Vocational Education Basic Grant	-	37,589	37,589
Title II, Part A - Teacher and Principal Training	-	22,948	22,948
English Language Acquisition and Enhancement	-	21,209	21,209
IDEA, Part B - Formula	-	600,130	600,130
IDEA, Part B - Discretionary High Risk	-	<u>105,587</u>	<u>105,587</u>
Total Other Governmental Funds	<u>-</u>	<u>1,996,480</u>	<u>1,996,480</u>
TOTALS	<u>\$ 21,063,303</u>	<u>\$ 1,996,480</u>	<u>\$ 23,059,783</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 17: LOCAL AND INTERMEDIATE REVENUES

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

<u>REVENUE DESCRIPTION</u>	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL REVENUE AMOUNT</u>
Property Taxes:					
Current Year	\$ 83,360,429	\$ 34,446,914	\$ -	\$ -	\$ 117,807,343
Prior Years	510,532	181,952	-	-	692,484
Penalty and Interest	424,490	166,510	-	-	591,000
Total Property Taxes	<u>84,295,451</u>	<u>34,795,376</u>	-	-	<u>119,090,827</u>
Investment Interest Revenue	393,275	137,348	954,723	15,522	1,500,868
Food Service Revenue	-	-	-	2,089,966	2,089,966
Athletic Revenue	394,243	-	-	-	394,243
Tuition Revenue	1,461,782	-	-	-	1,461,782
Rental Income	175,044	-	-	87,638	262,682
Gifts and Bequests	126,853	-	-	2,000	128,853
Other Revenue	<u>1,281,826</u>	-	-	-	<u>1,281,826</u>
TOTALS	<u>\$ 88,128,474</u>	<u>\$ 34,932,724</u>	<u>\$ 954,723</u>	<u>\$ 2,195,126</u>	<u>\$ 126,211,047</u>

NOTE 18: GENERAL FUND FEDERAL REVENUE SOURCES

During the year, federal revenue recorded in the general fund consisted of the following:

<u>PROGRAM OR SOURCE</u>	<u>REVENUE AMOUNT</u>
Impact Aid (PL 81- 874)	\$ 99,036
Air Force Junior Reserve Officer Training Corp (AFJROTC)	199,162
School Health and Related Services (SHARS)	3,218,381
Indirect Cost from Federal Programs	
ESEA Title I, Part A, Improving Basic Programs	67,976
IDEA- B, Formula	56,519
IDEA- B, Preschool	884
ESEA Title X, Part C, Education for Homeless Children & Youth	588
Title III, Part A - Limited English Proficiency	2,541
Title II, Part A - Training and Recruiting	<u>4,819</u>
TOTAL FEDERAL REVENUE IN GENERAL FUND	<u>\$ 3,649,906</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2017

NOTE 19: SHARED SERVICES ARRANGEMENTS

The District participates in a shared services arrangement (SSA) for a federal program with the following school districts:

Fort Sam Houston Independent School District
East Central Independent School District
Randolph Field Independent School District
North East Independent School District
San Antonio Independent School District

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District does not have joint ownership interest in capital assets purchased by the fiscal agent, Judson Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent does not accumulate significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

NOTE 20: PRIOR PERIOD ADJUSTMENT

As of June 30, 2016, the District had inventory in the Child Nutrition Fund related to donated commodities of \$157,402 that were recognized as revenue upon receipt. Donated commodities should have been deferred until the inventory is used (consumed) by the campuses, thus matching the revenues with the expenditures. The beginning fund balance for the child nutrition fund has been restated to \$2,966,818.

NOTE 21: SUBSEQUENT EVENT

On May 18, 2017, the District entered into an interlocal agreement with Bexar County to bill, collect, and remit ad valorem taxes for the District. Such interlocal agreement is effective July 1, 2017 and will automatically renew annually, unless written notice of termination is provided in accordance with the interlocal agreement terms.

This Page Intentionally Left Blank

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**JUDSON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2017**

EXHIBIT G- 1

DATA CONTROL CODES		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS		ACTUAL	
		ORIGINAL	FINAL		
REVENUES					
5700	Local and Intermediate Sources	\$ 84,522,371	\$ 86,943,923	\$ 88,128,474	\$ 1,184,551
5800	State Program Revenues	98,324,288	95,098,989	96,698,924	1,599,935
5900	Federal Program Revenues	3,550,000	3,535,000	3,649,906	114,906
5020	Total Revenues	<u>186,396,659</u>	<u>185,577,912</u>	<u>188,477,304</u>	<u>2,899,392</u>
EXPENDITURES					
Current					
Instruction and Instructional Related Services					
0011	Instruction	117,363,930	118,761,551	113,064,928	5,696,623
0012	Instructional Resources and Media Services	2,228,749	2,325,500	2,237,538	87,962
0013	Curriculum and Staff Development	4,449,655	4,636,235	4,236,980	399,255
	Total Instruction and Instructional Related Services	<u>124,042,334</u>	<u>125,723,286</u>	<u>119,539,446</u>	<u>6,183,840</u>
Instructional and School Leadership					
0021	Instructional Leadership	3,080,695	3,151,017	3,067,390	83,627
0023	School Leadership	10,481,878	10,812,672	10,719,912	92,760
	Total Instructional and School Leadership	<u>13,562,573</u>	<u>13,963,689</u>	<u>13,787,302</u>	<u>176,387</u>
Support Services - Student (Pupil)					
0031	Guidance, Counseling, and Evaluation Services	7,252,722	7,320,905	7,081,650	239,255
0032	Social Work Services	827,733	874,525	781,331	93,194
0033	Health Services	2,025,306	2,286,571	2,116,396	170,175
0034	Student (Pupil) Transportation	8,157,523	11,711,853	9,343,217	2,368,636
0036	Cocurricular/Extracurricular Activities	3,997,954	4,308,108	4,182,755	125,353
	Total Support Services - Student (Pupil)	<u>22,261,238</u>	<u>26,501,962</u>	<u>23,505,349</u>	<u>2,996,613</u>
Administrative Support Services					
0041	General Administrative	4,518,965	5,087,921	4,720,687	367,234
	Total Administrative Support Services	<u>4,518,965</u>	<u>5,087,921</u>	<u>4,720,687</u>	<u>367,234</u>
Support Services - Nonstudent Based					
0051	Plant Maintenance and Operations	18,937,458	19,819,645	19,568,563	251,082
0052	Security and Monitoring Services	2,236,961	2,830,085	2,286,709	543,376
0053	Data Processing Services	3,328,670	4,068,664	3,934,196	134,468
	Total Support Services - Nonstudent Based	<u>24,503,089</u>	<u>26,718,394</u>	<u>25,789,468</u>	<u>928,926</u>
Ancillary Services					
0061	Community Services	1,005,599	1,191,052	1,159,847	31,205
	Total Ancillary Services	<u>1,005,599</u>	<u>1,191,052</u>	<u>1,159,847</u>	<u>31,205</u>
Debt Service					
0071	Principal on Long- Term Debt	-	330,000	330,000	-
0072	Interest on Long- Term Debt	-	4,194	4,193	1
0073	Bond Issuance Costs and Fees	-	9,700	9,700	-
	Total Debt Service	<u>-</u>	<u>343,894</u>	<u>343,893</u>	<u>1</u>

**JUDSON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
YEAR ENDED JUNE 30, 2017**

EXHIBIT G- 1

DATA CONTROL CODES		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS		ACTUAL	
		ORIGINAL	FINAL		
	EXPENDITURES (CONTINUED)				
	Capital Outlay				
0081	Capital Outlay	\$ -	\$ 3,790,037	\$ 182,098	\$ 3,607,939
	Total Capital Outlay	<u>-</u>	<u>3,790,037</u>	<u>182,098</u>	<u>3,607,939</u>
	Intergovernmental Charges				
0093	Payments Related to Shared Service Arrangements	-	-	-	-
0095	Payments to Juvenile Justice Alternative Education Programs	25,000	25,000	408	24,592
0099	Other Intergovernmental Charges	545,000	545,000	534,669	10,331
	Total Intergovernmental Charges	<u>570,000</u>	<u>570,000</u>	<u>535,077</u>	<u>34,923</u>
6030	Total Expenditures	<u>190,463,798</u>	<u>203,890,235</u>	<u>189,563,167</u>	<u>14,327,068</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,067,139)</u>	<u>(18,312,323)</u>	<u>(1,085,863)</u>	<u>17,226,460</u>
	Other Financing Sources (Uses)				
7912	Sale of Real or Personal Property	-	20,000	21,765	1,765
7914	Proceeds from Tax Notes	-	1,700,000	1,700,000	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>1,720,000</u>	<u>1,721,765</u>	<u>1,765</u>
1200	Net Change in Fund Balance	(4,067,139)	(16,592,323)	635,902	17,228,225
0100	FUND BALANCE - BEGINNING	<u>58,462,089</u>	<u>58,462,089</u>	<u>58,462,089</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 54,394,950</u>	<u>\$ 41,869,766</u>	<u>\$ 59,097,991</u>	<u>\$ 17,228,225</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2017

EXHIBIT G- 2

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.001366050%	0.001399914%	0.000952417%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 51,621,002	\$ 49,485,097	\$ 25,440,377
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District.	<u>80,363,413</u>	<u>75,820,959</u>	<u>64,388,160</u>
Total	<u>\$ 131,984,415</u>	<u>\$ 125,306,056</u>	<u>\$ 89,828,537</u>
District's Covered- Employee Payroll	\$ 137,649,587	\$ 130,986,768	\$ 123,817,521
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	37.50%	37.78%	20.55%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information in this schedule be data from the period corresponding with the period covered as of the measurement dates ending August 31, 2014 for 2015, August 31, 2015 for 2016 and August 31, 2016 for 2017.

Note: Only three years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

JUDSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED JUNE 30, 2017

EXHIBIT G- 3

	2017	2016	2015
Contractually Required Contribution	\$ 4,425,879	\$ 4,293,995	\$ 3,860,651
Contribution in Relation to the Contractually Required Contribution	(4,425,879)	(4,293,995)	(3,860,651)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered- Employee Payroll	\$ 140,918,025	\$ 136,489,376	\$ 129,590,774
Contribution as a Percentage of Covered- Employee Payroll	3.14%	3.15%	2.98%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement dates ending August 31, 2014 for fiscal year 2015, August 31, 2015 for 2016 and August 31, 2016 for fiscal year 2017.

Note: Only three years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10- year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

This Page Intentionally Left Blank

OTHER SUPPLEMENTARY INFORMATION

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

JUDSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2017

<u>YEAR ENDED</u> <u>JUNE 30,</u>	TAX RATES		3 ASSESSED/APPRaised VALUE FOR SCHOOL TAX PURPOSES
	1 <u>MAINTENANCE</u>	2 <u>DEBT SERVICE</u>	
2008 and Prior Years	\$ Various	\$ Various	\$ Various
2009	1.04	.4250	5,915,790,255
2010	1.04	.4230	5,949,171,839
2011	1.04	.4230	5,874,251,128
2012	1.04	.3900	6,021,977,133
2013	1.04	.3850	6,156,414,807
2014	1.04	.3850	6,398,463,860
2015	1.04	.3850	6,833,285,053
2016	1.04	.3800	7,496,258,662
2017 (School Year Under Audit)	1.04	.4300	8,192,510,476

1000 TOTALS

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

Note 1 - The Bexar County Appraisal District has established a levy for late rendition penalty for business personal property. The levy for this year was \$53,119 and collections during this year of \$45,668 are included in the amounts above.

EXHIBIT J- 1

10 BEGINNING BALANCE JULY 1, 2016	20 CURRENT YEAR'S TOTAL LEVY	31 MAINTENANCE COLLECTIONS	32 DEBT SERVICE COLLECTIONS	40 ENTIRE YEAR'S ADJUSTMENTS	50 ENDING BALANCE JUNE 30, 2017
\$ 865,021	\$ -	\$ 15,766	\$ 4,272	\$ (14,132)	\$ 830,851
125,887	-	6,792	2,776	(3,513)	112,806
171,970	-	9,040	3,673	(3,508)	155,749
155,643	-	10,124	4,113	605	142,011
178,173	-	35,500	13,305	31,903	161,271
182,844	-	43,397	16,049	32,197	155,595
264,094	-	71,850	26,570	39,705	205,379
418,599	-	119,530	43,766	17,192	272,495
1,642,133	-	549,311	200,686	(441,512)	450,624
-	<u>120,429,904</u>	<u>83,013,560</u>	<u>34,304,048</u>	<u>(1,487,079)</u>	<u>1,625,217</u>
<u>\$ 4,004,364</u>	<u>\$ 120,429,904</u>	<u>\$ 83,874,870</u>	<u>\$ 34,619,258</u>	<u>\$ (1,828,142)</u>	<u>\$ 4,111,998</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

JUDSON INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2017

EXHIBIT J- 4

DATA CONTROL CODES		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS		ACTUAL	
		ORIGINAL	FINAL		
	REVENUES				
5700	Local and Intermediate Sources	\$ 2,155,000	\$ 2,192,000	\$ 2,104,048	\$ (87,952)
5800	State Program Revenues	75,000	75,000	73,821	(1,179)
5900	Federal Program Revenues	<u>10,400,000</u>	<u>9,900,000</u>	<u>10,061,378</u>	<u>161,378</u>
5020	Total Revenues	<u>12,630,000</u>	<u>12,167,000</u>	<u>12,239,247</u>	<u>72,247</u>
	EXPENDITURES				
	Current				
	Support Services - Student (Pupil)				
0035	Food Services	<u>12,646,343</u>	<u>13,291,327</u>	<u>12,479,140</u>	<u>812,187</u>
	Support Services - Nonstudent Based				
0051	Plant Maintenance and Operations	<u>294,541</u>	<u>304,541</u>	<u>270,537</u>	<u>34,004</u>
	Total Support Services - Nonstudent Based	<u>294,541</u>	<u>304,541</u>	<u>270,537</u>	<u>34,004</u>
6030	Total Expenditures	<u>12,940,884</u>	<u>13,595,868</u>	<u>12,749,677</u>	<u>846,191</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(310,884)</u>	<u>(1,428,868)</u>	<u>(510,430)</u>	<u>918,438</u>
	OTHER FINANCING SOURCES (USES)				
7912	Sale of Real or Personal Property	<u>10,000</u>	<u>10,000</u>	<u>3,120</u>	<u>(6,880)</u>
7080	Total Other Financing Sources (Uses)	<u>10,000</u>	<u>10,000</u>	<u>3,120</u>	<u>(6,880)</u>
1200	Net Change in Fund Balance	(300,884)	(1,418,868)	(507,310)	911,558
0100	FUND BALANCE - BEGINNING	3,124,220	3,124,220	3,124,220	-
1300	PRIOR PERIOD ADJUSTMENT	-	-	(157,402)	(157,402)
3000	FUND BALANCE - ENDING	<u>\$ 2,823,336</u>	<u>\$ 1,705,352</u>	<u>\$ 2,459,508</u>	<u>\$ 754,156</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2017

EXHIBIT J- 5

DATA CONTROL CODES	1		2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	BUDGETED AMOUNTS			ACTUAL	
	ORIGINAL	FINAL			
REVENUES					
5700	Local and Intermediate Sources	\$ 33,665,403	\$ 34,540,403	\$ 34,932,724	\$ 392,321
5800	State Program Revenues	995,320	845,320	965,951	120,631
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>34,660,723</u>	<u>35,385,723</u>	<u>35,898,675</u>	<u>512,952</u>
EXPENDITURES					
Debt Service					
0071	Principal on Long- Term Debt	12,650,000	12,690,000	12,690,000	-
0072	Interest on Long- Term Debt	21,849,400	18,374,991	18,374,991	-
0073	Bond Issuance Costs and Fees	<u>10,000</u>	<u>1,573,544</u>	<u>1,573,537</u>	<u>7</u>
	Total Debt Service	<u>34,509,400</u>	<u>32,638,535</u>	<u>32,638,528</u>	<u>7</u>
6030	Total Expenditures	<u>34,509,400</u>	<u>32,638,535</u>	<u>32,638,528</u>	<u>7</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>151,323</u>	<u>2,747,188</u>	<u>3,260,147</u>	<u>512,959</u>
OTHER FINANCING SOURCES (USES)					
7911	Refunding Bonds Issued	-	191,805,000	191,805,000	-
7916	Premium or Discount on Issuance of Bonds	-	20,769,682	20,769,682	-
8940	Payment to Bond Refunding Escrow Agent	-	(210,992,205)	(210,992,205)	-
7080	Total Other Financing Sources and (Uses)	<u>-</u>	<u>1,582,477</u>	<u>1,582,477</u>	<u>-</u>
1200	Net Change in Fund Balance	151,323	4,329,665	4,842,624	512,959
0100	FUND BALANCE - BEGINNING	<u>19,161,351</u>	<u>19,161,351</u>	<u>19,161,351</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 19,312,674</u>	<u>\$ 23,491,016</u>	<u>\$ 24,003,975</u>	<u>\$ 512,959</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
JUDSON INDEPENDENT SCHOOL DISTRICT PUBLIC FACILITY CORPORATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2017

EXHIBIT J- 6

DATA CONTROL CODES		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS		ACTUAL	
		ORIGINAL	FINAL		
	REVENUES				
5700	Local and Intermediate Sources	\$ 90,425	\$ 90,425	\$ 90,423	\$ (2)
5020	Total Revenues	<u>90,425</u>	<u>90,425</u>	<u>90,423</u>	<u>(2)</u>
	EXPENDITURES				
	Debt Service				
0071	Principal on Long- Term Debt	-	-	-	-
0072	Interest on Long- Term Debt	88,925	88,925	88,924	1
0073	Bond Issuance Costs and Fees	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	-
	Total Debt Service	<u>90,425</u>	<u>90,425</u>	<u>90,424</u>	<u>1</u>
6030	Total Expenditures	<u>90,425</u>	<u>90,425</u>	<u>90,424</u>	<u>1</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
1200	Net Change in Fund Balance	-	-	(1)	(1)
0100	FUND BALANCE - BEGINNING	<u>1</u>	<u>1</u>	<u>1</u>	-
3000	FUND BALANCE - ENDING	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ (1)</u>

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

Board of Trustees
Judson Independent School District
Live Oak, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Judson Independent School District (the District) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 16, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

November 16, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Judson Independent School District
Live Oak, Texas

Report on Compliance for Each Major Federal Program

We have audited Judson Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ABIP, PC

Certified Public Accountants
San Antonio, Texas

November 16, 2017

JUDSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weakness(es) Identified? _____ Yes X No

Significant Deficiency(ies) Identified that are not Considered to be Material Weaknesses? _____ Yes X None Reported

Noncompliance Material to Financial Statements Noted? _____ Yes X No

2. Federal Awards

Internal Control Over Major Programs:

Material Weakness(es) Identified? _____ Yes X No

Significant Deficiency(ies) Identified that are not Considered to be Material Weaknesses? _____ Yes X None Reported

Type of Auditor's Report Issued on Compliance for Major Programs: Unmodified

Any Audit Findings Disclosed that are Required to be Reported in Accordance with the Uniform Guidance 2 CFR Section 200.516(a)? _____ Yes X No

Identification of Major Programs:

<u>CFDA NUMBER(S)</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
10.553/10.555/10.559	Child Nutrition Cluster

Dollar Threshold used to Distinguish between Type A and Type B Programs: \$ 750,000

Auditee Qualified as Low- Risk Auditee? X Yes _____ No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

JUDSON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2017

None

**JUDSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017**

EXHIBIT K- 1

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS- THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH ENTITY IDENTIFYING NUMBER	EXPENDITURES INDIRECT COSTS OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Health and Human Services Commission:			
Medicaid Administration Claim Program (MAC)	93.778	015- 916	\$ <u>83,837</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs	84.010A	16610101015916	85,410
ESEA Title I Part A - Improving Basic Programs	84.010A	17610101015916	<u>4,883,428</u>
Total CFDA Number 84.010A			<u>4,968,838</u>
Special Education Cluster (IDEA- B)			
IDEA- B Formula *	84.027	166600010159166600	80,371
IDEA- B Formula *	84.027	176600010159166600	4,127,712
IDEA- B Discretionary High Risk*	84.027	16660006015916	14,205
IDEA- B Discretionary High Risk*	84.027	176600060159166680	<u>105,587</u>
Total CFDA Number 84.027			<u>4,327,875</u>
IDEA- B Preschool *	84.173	176610010159166610	<u>64,608</u>
Total Special Education Cluster (IDEA- B)			<u>4,392,483</u>
Carl D Perkins, Basic Grant	84.048A	16420006015916	3,013
Carl D Perkins, Basic Grant	84.048A	17420006015916	<u>283,439</u>
Total CFDA Number 84.048			<u>286,452</u>
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	16671001015916	13,330
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	17671001015916	<u>172,398</u>
Total CFDA Number 84.365A			<u>185,728</u>
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	16694501015916	39,458
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	17694501015916	<u>314,811</u>
Total CFDA Number 84.367A			<u>354,269</u>
Summer School, LEP, Rider 16	84.369A	69551402	<u>5,825</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT K- 1

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS- THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH ENTITY IDENTIFYING NUMBER	EXPENDITURES INDIRECT COSTS OR AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION (CONTINUED)</u>			
Passed Through Texas Education Agency (Continued):			
Total Passed Through Texas Education Agency			<u>\$ 10,193,595</u>
Passed Through Education Service Center Region X:			
SSA ESEA Title III Part B - Ed for the Homeless Children and Youth	84.196	16- 047	7,274
SSA ESEA Title III Part B - Ed for the Homeless Children and Youth	84.196	17- 046	<u>35,668</u>
			<u>42,942</u>
Total CFDA Number 84.196			<u>42,942</u>
Passed Through Direct Program:			
Impact Aid - P.L. 81- 874	84.041	015- 916	<u>99,036</u>
Total U.S. Department of Education			<u>10,335,573</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>			
Direct Program:			
Air Force Junior Reserve Officers Training Corp (AFJROTC)	12.000	015- 916	199,162
Department of Defense Education STEM Grant	12.556	HE1254- 13- 1- 0031	<u>52,525</u>
Total U.S. Department of Defense			<u>251,687</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Texas Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program *	10.553	015- 916	2,263,236
National School Lunch Program *	10.555	015- 916	7,083,849
Non- Cash USDA Donated Commodities*	10.555	015- 916	714,293
Summer Feeding*	10.559	015- 916	<u>52,652</u>
Total Child Nutrition Cluster			<u>10,114,030</u>
Total Passed Through Texas Department of Agriculture			<u>10,114,030</u>
Total U.S. Department of Agriculture			<u>10,114,030</u>
Total Expenditures of Federal Awards			20,785,127
School Health and Related Services (SHARS)			<u>3,218,381</u>
TOTAL FEDERAL REVENUE PER EXHIBIT C- 2			<u>\$ 24,003,508</u>

* Indicates Clustered Program under OMB Compliance Supplement

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Judson Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 1

A total of \$3,649,906 is included in the schedule of expenditures of federal awards and is recorded in the general fund. See Note 18 in the notes to the financial statements section.

The District utilizes the fund types specified in the Texas Education Agency 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. Generally, unused balances are returned to the grantor at the close of specified project periods.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types and agency funds are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the special revenue funds, a component of the governmental fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balances.

The modified accrual basis of accounting is used for the governmental fund types. 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 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.

JUDSON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1 (CONTINUED)

Non- Cash USDA Donated Commodities received like-kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of these goods was \$714,293 for the year ended June 30, 2017.

The District participates in numerous state and federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds or any money received may be required and the collectability of any related receivable at June 30, 2017, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been recorded in the accompanying combined financial statements for such contingencies.

The United States Department of Education has given the Texas Education Agency (TEA) authority to issue indirect cost rates for Texas School Districts and Charter Schools. To recover any indirect costs, the District must request and receive new indirect cost rates for every school year allowed by the Uniform Guidance Part 200.57. The District has not elected to use the 10% de minimis indirect cost rate.

This Page Intentionally Left Blank

JUDSON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2017

DATA CONTROL CODES		SPECIAL			
		206 ESEA TITLE X, Part C HOMELESS EDUCATION	211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA- B FORMULA	225 IDEA- B PRESCHOOL GRANT
	ASSETS				
1110	Cash and Temporary Investments	\$ -	\$ -	\$ 73,590	\$ -
1240	Due from Other Governments	29,026	1,075,380	600,130	11,074
1290	Other Receivables	-	-	-	-
1310	Inventories, at Cost	-	-	-	-
1410	Prepaid Items	-	-	-	-
1000	TOTAL ASSETS	<u>\$ 29,026</u>	<u>\$ 1,075,380</u>	<u>\$ 673,720</u>	<u>\$ 11,074</u>
	LIABILITIES				
	Current Liabilities				
2110	Accounts Payable	\$ -	\$ 41,786	\$ 91,340	\$ -
2150	Payroll Deduction and Withholdings	-	-	-	-
2160	Accrued Wages Payable	6,283	541,386	573,037	10,531
2170	Due to Other Funds	22,743	492,208	9,343	543
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>29,026</u>	<u>1,075,380</u>	<u>673,720</u>	<u>11,074</u>
	FUND BALANCES				
3410	Non- Spendable - Inventories	-	-	-	-
3430	Non- Spendable - Prepaid Items	-	-	-	-
3450	Restricted - Grant Funds	-	-	-	-
3470	Restricted - Capital Acquisitions and Contract Obligations	-	-	-	-
3590	Assigned - Encumbrances	-	-	-	-
3600	Unassigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 29,026</u>	<u>\$ 1,075,380</u>	<u>\$ 673,720</u>	<u>\$ 11,074</u>

REVENUE FUNDS					
226	240	242	244	255	263
IDEA- B DISCRETIONARY HIGH RISK	NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM	SUMMER FEEDING PROGRAM	VOC ED BASIC GRANT	ESEA TITLE II TRAINING AND RECRUITING	ENGLISH LANGUAGE ACQUISITION AND ENHANCEMENT
\$ -	\$ 2,697,972	\$ 187,337	\$ -	\$ -	\$ -
105,587	93,537	-	37,589	22,948	21,209
-	1,245	-	543	-	-
-	169,424	656	-	-	-
-	1,097	-	-	-	-
<u>\$ 105,587</u>	<u>\$ 2,963,275</u>	<u>\$ 187,993</u>	<u>\$ 38,132</u>	<u>\$ 22,948</u>	<u>\$ 21,209</u>
\$ -	\$ 56,660	\$ -	\$ 5,437	\$ 3,192	\$ 611
-	112,272	-	-	-	-
-	21,983	-	8,089	15,661	12,770
105,587	39,343	-	24,606	4,095	7,828
-	273,509	-	-	-	-
<u>105,587</u>	<u>503,767</u>	<u>-</u>	<u>38,132</u>	<u>22,948</u>	<u>21,209</u>
-	169,424	656	-	-	-
-	1,097	-	-	-	-
-	2,206,545	187,337	-	-	-
-	-	-	-	-	-
-	82,442	-	-	-	-
-	-	-	-	-	-
-	2,459,508	187,993	-	-	-
<u>\$ 105,587</u>	<u>\$ 2,963,275</u>	<u>\$ 187,993</u>	<u>\$ 38,132</u>	<u>\$ 22,948</u>	<u>\$ 21,209</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2017

DATA CONTROL CODES		SPECIAL			
		272	281	282	385
		MEDICAID ADMIN CLAIMING PROGRAM	DEPARTMENT OF DEFENSE EDUCATION ACTIVITY	SUMMER SCHOOL LEP	STATE SUPPLEMENT VISUALLY IMPAIRED
	ASSETS				
1110	Cash and Temporary Investments	\$ -	\$ -	\$ 5,825	\$ -
1240	Due from Other Governments	-	-	-	-
1290	Other Receivables	-	-	-	-
1310	Inventories, at Cost	-	-	-	-
1410	Prepaid Items	-	-	-	-
1000	TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,825</u>	<u>\$ -</u>
	LIABILITIES				
	Current Liabilities				
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2150	Payroll Deduction and Withholdings	-	-	-	-
2160	Accrued Wages Payable	-	-	5,825	-
2170	Due to Other Funds	-	-	-	-
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>5,825</u>	<u>-</u>
	FUND BALANCES				
3410	Non- Spendable - Inventories	-	-	-	-
3430	Non- Spendable - Prepaid Items	-	-	-	-
3450	Restricted - Grant Funds	-	-	-	-
3470	Restricted - Capital Acquisitions and Contract Obligations	-	-	-	-
3590	Assigned - Encumbrances	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,825</u>	<u>\$ -</u>

EXHIBIT O- 1

REVENUE FUNDS					TOTAL	TOTAL
397	410	429	485	490	NONMAJOR	NONMAJOR
ADVANCED PLACEMENT INCENTIVES	INSTRUCTIONAL MATERIALS ALLOTMENT	READING TO SUCCEED LICENSE PLATE	JUDSON ISD PUBLIC FACILITY CORPORATION	PROJECT LEAD THE WAY GRANT	GOVERNMENTAL FUNDS JUNE 30, 2017	GOVERNMENTAL FUNDS JUNE 30, 2016
\$ 33,500	\$ 4,005	\$ 464	\$ -	\$ 25,000	\$ 3,027,693	\$ 10,984,891
-	-	-	-	-	1,996,480	2,100,485
-	-	-	-	-	1,788	2,298
-	-	-	-	-	170,080	158,058
-	-	-	-	-	1,097	859
<u>\$ 33,500</u>	<u>\$ 4,005</u>	<u>\$ 464</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 5,197,138</u>	<u>\$ 13,246,591</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 199,026	\$ 1,999,142
-	-	-	-	-	112,272	350,394
-	-	-	-	-	1,195,565	1,189,548
-	-	-	-	-	706,296	1,274,032
-	-	-	-	25,000	298,509	-
-	-	-	-	25,000	2,511,668	4,813,116
-	-	-	-	-	170,080	158,058
-	-	-	-	-	1,097	859
33,500	4,005	464	-	-	2,431,851	2,972,249
-	-	-	-	-	-	1,066,490
-	-	-	-	-	82,442	4,235,819
<u>33,500</u>	<u>4,005</u>	<u>464</u>	<u>-</u>	<u>-</u>	<u>2,685,470</u>	<u>8,433,475</u>
<u>\$ 33,500</u>	<u>\$ 4,005</u>	<u>\$ 464</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 5,197,138</u>	<u>\$ 13,246,591</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

DATA CONTROL CODES		SPECIAL			
		206	211	224	225
		ESEA TITLE X, PART C HOMELESS EDUCATION	ESEA TITLE I IMPROVING BASIC PROGRAMS	IDEA- B FORMULA	IDEA- B PRESCHOOL GRANT
	REVENUES				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	<u>42,353</u>	<u>4,900,863</u>	<u>4,151,563</u>	<u>63,724</u>
5020	Total Revenues	<u>42,353</u>	<u>4,900,863</u>	<u>4,151,563</u>	<u>63,724</u>
	EXPENDITURES				
0011	Instruction	26,607	2,810,640	3,050,801	63,724
0012	Instructional Resources & Media Services	-	-	-	-
0013	Curriculum Development and Instructional Staff Development	12,866	1,805,708	285,518	-
0021	Instructional Leadership	-	121,870	392,060	-
0023	School Leadership	1,763	38,095	-	-
0031	Guidance, Counseling, & Evaluation Services	-	-	138,412	-
0032	Social Work Services	1,117	92,707	526	-
0033	Health Services	-	-	23,286	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Curricular/Extracurricular Activities	-	-	10,564	-
0041	General Administrative	-	-	-	-
0051	Plant Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	31,843	1,351	-
0071	Principal on Long- Term Debt	-	-	-	-
0072	Interest on Long- Term Debt	-	-	-	-
0073	Bond Issuance Costs and Fees	-	-	-	-
0081	Capital Outlay	-	-	-	-
0093	Payments Related to Shared Service Arrangements	-	-	<u>249,045</u>	-
6030	Total Expenditures	<u>42,353</u>	<u>4,900,863</u>	<u>4,151,563</u>	<u>63,724</u>
1100	Excess (Deficiency) Revenues Over (Under) Expenditures	-	-	-	-
	Other Financing Sources				
7912	Proceeds from Sale of Fixed Assets	-	-	-	-
7915	Transfers In	-	-	-	-
7020	Total Other Financing Sources	-	-	-	-
7080	Total Other Financing Sources and (Uses)	-	-	-	-
1200	Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
0100	Fund Balances - Beginning	-	-	-	-
1300	PRIOR PERIOD ADJUSTMENT	-	-	-	-
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT O- 2

REVENUE FUNDS					
226	240	242	244	255	263
IDEA- B DISCRETIONARY HIGH RISK	NATIONAL SCHOOL BREAKFAST/LUNCH PROGRAM	SUMMER FEEDING PROGRAM	VOC ED BASIC GRANT	ESEA TITLE II TRAINING AND RECRUITING	ENGLISH LANGUAGE ACQUISITION AND ENHANCEMENT
\$ -	\$ 2,104,048	\$ 655	\$ -	\$ -	\$ -
-	73,821	-	-	-	-
<u>119,792</u>	<u>10,061,378</u>	<u>52,652</u>	<u>286,452</u>	<u>349,450</u>	<u>183,188</u>
<u>119,792</u>	<u>12,239,247</u>	<u>53,307</u>	<u>286,452</u>	<u>349,450</u>	<u>183,188</u>
119,792	-	-	157,394	875	62,450
-	-	-	-	-	-
-	-	-	14,443	306,589	113,714
-	-	-	15,949	-	-
-	-	-	-	41,986	516
-	-	-	98,171	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	12,479,140	44,938	-	-	-
-	-	-	495	-	-
-	-	-	-	-	-
-	270,537	-	-	-	443
-	-	-	-	-	-
-	-	-	-	-	6,065
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>119,792</u>	<u>12,749,677</u>	<u>44,938</u>	<u>286,452</u>	<u>349,450</u>	<u>183,188</u>
-	(510,430)	8,369	-	-	-
-	3,120	-	-	-	-
-	-	-	-	-	-
-	3,120	-	-	-	-
-	3,120	-	-	-	-
-	(507,310)	8,369	-	-	-
-	3,124,220	179,624	-	-	-
-	(157,402)	-	-	-	-
<u>\$ -</u>	<u>\$ 2,459,508</u>	<u>\$ 187,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

JUDSON INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED JUNE 30, 2017

DATA CONTROL CODES		SPECIAL			
		272 MEDICAID ADMIN CLAIMING PROGRAM	281 DEPT OF DEFENSE EDUCATION ACTIVITY	282 SUMMER SCHOOL LEP	385 STATE SUPPLEMENT VISUALLY IMPAIRED
	REVENUES				
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	22,995
5900	Federal Program Revenues	83,837	52,525	5,825	-
5020	Total Revenues	83,837	52,525	5,825	22,995
	EXPENDITURES				
0011	Instruction	-	32,995	5,825	22,995
0012	Instructional Resources & Media Services	-	-	-	-
0013	Curriculum Development and Instructional Staff Development	-	-	-	-
0021	Instructional Leadership	-	19,530	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, & Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0033	Health Services	83,837	-	-	-
0034	Student (Pupil) Transportation	-	-	-	-
0035	Food Services	-	-	-	-
0036	Curricular/Extracurricular Activities	-	-	-	-
0041	General Administrative	-	-	-	-
0051	Plant Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
0071	Principal on Long- Term Debt	-	-	-	-
0072	Interest on Long- Term Debt	-	-	-	-
0073	Bond Issuance Costs and Fees	-	-	-	-
0081	Capital Outlay	-	-	-	-
0093	Payments Related to Shared Service Arrangements	-	-	-	-
6030	Total Expenditures	83,837	52,525	5,825	22,995
1100	Excess (Deficiency) Revenues Over (Under) Expenditures	-	-	-	-
	Other Financing Sources				
7911	Capital Related Debt Issued	-	-	-	-
7912	Proceeds from Sale of Fixed Assets	-	-	-	-
7915	Transfers In	-	-	-	-
7020	Total Other Financing Sources	-	-	-	-
7080	Total Other Financing Sources and (Uses)	-	-	-	-
1200	Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-	-
0100	Fund Balances - Beginning	-	-	-	-
1300	Prior Period Adjustment	-	-	-	-
3000	FUND BALANCES - ENDING	\$ -	\$ -	\$ -	\$ -

EXHIBIT O- 2

REVENUE FUNDS						
397	410	429	485	490	TOTAL NONMAJOR GOVERNMENTAL FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ADVANCED PLACEMENT INCENTIVES	INSTRUCTIONAL MATERIALS ALLOTMENT	READING TO SUCCEED LICENSE PLATE	JUDSON ISD PUBLIC FACILITY CORPORATION	PROJECT LEAD THE WAY GRANT	JUNE 30, 2017	JUNE 30, 2016
\$ -	\$ -	\$ -	\$ 90,423	\$ -	\$ 2,195,126	\$ 2,612,633
4,275	463,240	43,775	-	-	608,106	3,533,116
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,353,602</u>	<u>18,644,046</u>
<u>4,275</u>	<u>463,240</u>	<u>43,775</u>	<u>90,423</u>	<u>-</u>	<u>23,156,834</u>	<u>24,789,795</u>
4,775	544,330	-	-	-	6,903,203	9,521,338
-	-	25	-	-	25	-
3,179	3,790	43,400	-	-	2,589,207	1,892,558
-	750	-	-	-	550,159	684,317
-	-	-	-	-	82,360	63,031
-	-	-	-	-	236,583	119,873
-	-	-	-	-	94,350	98,003
-	-	-	-	-	107,123	127,781
-	-	-	-	-	-	-
-	-	-	-	-	12,524,078	12,425,868
-	-	-	-	-	11,059	8,628
-	-	-	-	-	-	-
-	(2,300)	-	-	-	268,680	306,388
-	-	-	-	-	-	440
-	-	-	-	-	-	-
-	-	-	-	-	39,259	46,413
-	-	-	-	-	-	1,146,000
-	-	-	88,924	-	88,924	202,225
-	-	-	1,500	-	1,500	1,500
-	-	-	-	-	-	18,445,673
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,045</u>	<u>239,875</u>
<u>7,954</u>	<u>546,570</u>	<u>43,425</u>	<u>90,424</u>	<u>-</u>	<u>23,745,555</u>	<u>45,329,911</u>
<u>(3,679)</u>	<u>(83,330)</u>	<u>350</u>	<u>(1)</u>	<u>-</u>	<u>(588,721)</u>	<u>(20,540,116)</u>
-	-	-	-	-	-	-
-	-	-	-	-	3,120	11,967
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,120</u>	<u>11,967</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,120</u>	<u>11,967</u>
(3,679)	(83,330)	350	(1)	-	(585,601)	(20,528,149)
37,179	87,335	114	1	-	3,428,473	28,961,624
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(157,402)</u>	<u>-</u>
<u>\$ 33,500</u>	<u>\$ 4,005</u>	<u>\$ 464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,685,470</u>	<u>\$ 8,433,475</u>

This Page Intentionally Left Blank

OTHER SCHEDULES PRESENTED BY THE DISTRICT

This Page Intentionally Left Blank

JUDSON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF SCHOOL TAX ASSESSOR- COLLECTOR ACCOUNT (UNAUDITED)
YEAR ENDED JUNE 30, 2017

EXHIBIT S- 1

CHARGES

Original Roll as Approved (Certified by BCAD)	\$ 120,429,904	
Add: Supplemental Roll	839,175	
Add: Certificate of Error Roll	<u>(2,326,251)</u>	
Total Taxes to Account For		\$ 118,942,828

CREDITS

Cash Collections		<u>117,317,608</u>
------------------	--	--------------------

BALANCE CURRENT ROLL, JUNE 30, 2016		<u>\$ 1,625,220</u>
-------------------------------------	--	---------------------

CASH ACCOUNT (Tax Year)

Current Roll Collections	\$ 117,317,608	
Delinquent Taxes- 2016	749,997	
Delinquent Taxes- 2015	163,296	
Delinquent Taxes- 2014	98,420	
Delinquent Taxes- 2013	59,446	
Delinquent Taxes- 2012	48,805	
Delinquent Taxes- 2011	14,237	
Delinquent Taxes- 2010	12,712	
Delinquent Taxes- 2009	9,568	
Delinquent Taxes- 2008 and Prior	<u>20,038</u>	\$ 118,494,127

Penalty and Interest		<u>617,152</u>
----------------------	--	----------------

TOTAL CASH COLLECTED		<u>\$ 119,111,279</u>
----------------------	--	-----------------------

TOTAL CASH REMITTED TO DISTRICT		<u>\$ 119,111,279</u>
---------------------------------	--	-----------------------

NOTE: The delinquent tax collections above are net of tax refunds.

JUDSON INDEPENDENT SCHOOL DISTRICT
ATHLETIC FUND
STATEMENT OF REVENUES AND EXPENDITURES (UNAUDITED)
YEAR ENDED JUNE 30, 2017

EXHIBIT S- 2

<u>REVENUES</u>		<u>\$ 465,754</u>
<u>EXPENDITURES</u>		
Payroll Costs:		
Salaries	\$ 182,784	
Group Health and Life Insurance	11,659	
Teacher's Retirement	3,759	
Worker's Compensation	5,440	
Payroll Taxes (FICA)	<u>2,812</u>	206,454
Purchased and Contracted Services:		
Professional Services	4,000	
Equipment Maintenance and Repairs	48,300	
Continuing Education	2,070	
Game Officials and Security	212,286	
Electricity	3,343	
Rents	<u>19,989</u>	289,988
Supplies and Materials:		
Athletic Supplies	<u>466,142</u>	466,142
Other Operating Expenses:		
Travel and Subsistence	103,294	
Insurance and Bonding Expense	109,823	
Dues	6,350	
Miscellaneous Operating Fees	20,760	
Reclassified Transportation Expense	<u>130,648</u>	370,875
Capital Outlay:		
Furniture and Equipment	<u>30,065</u>	30,065
Total Expenditures		<u>1,363,524</u>
EXPENDITURES IN EXCESS OF REVENUES		<u>\$ (897,770)</u>

NOTE: This statement of revenues and expenditures is included in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds, General Fund, Exhibit C- 2.

JUDSON INDEPENDENT SCHOOL DISTRICT
CHILD NUTRITION AND SUMMER FEEDING PROGRAM
BALANCE SHEET (UNAUDITED)
JUNE 30, 2017

EXHIBIT S- 3

ASSETS

Cash and Cash Equivalents	\$ 133,953
Temporary Investments	2,751,356
Accounts Receivable	94,782
Inventory	170,080
Deferred Expenses	<u>1,097</u>
 TOTAL ASSETS	 <u>\$ 3,151,268</u>

LIABILITIES

Accounts Payable	\$ 56,660
Accrued Wages	21,983
Workmen's Compensation- Future Pay	112,272
Due to General Fund	39,343
Unearned Revenues	<u>273,509</u>
Total Liabilities	<u>503,767</u>

FUND BALANCE

2,647,501

TOTAL LIABILITIES AND FUND BALANCE

\$ 3,151,268

NOTE: This balance sheet is included in the Balance Sheet - Governmental Fund, Other Governmental Funds, Exhibit C- 1, as funds 240 and 242.

JUDSON INDEPENDENT SCHOOL DISTRICT
CHILD NUTRITION AND SUMMER FEEDING PROGRAM
STATEMENT OF REVENUES AND EXPENDITURES (UNAUDITED)
YEAR ENDED JUNE 30, 2017

EXHIBIT S- 4

REVENUES

Food Service Revenues	\$ 2,089,966	
State Matching Funds	73,821	
Child Nutrition Programs*	9,347,085	
Commodities Receipts	714,293	
Other Resources	57,773	
Interest	<u>12,736</u>	
Total Revenues		\$ 12,295,674

EXPENDITURES

<u>Payroll Costs</u>		
Salaries - Food Service	3,952,983	
Uniform Allowance	1,341	
Group Health and Life Insurance	638,149	
Teacher's Retirement	316,254	
Employee Benefits	9,350	
Worker's Compensation	133,557	
Payroll Taxes (FICA)	<u>63,236</u>	5,114,870
<u>Purchased and Contracted Services:</u>		
Equipment Repair	94,680	
Water	17,722	
Electricity	54,604	
Gas	8,823	
Other Professional Services	<u>137,151</u>	312,980
<u>Supplies and Materials:</u>		
Vehicle - Supplies/Repairs and Gasoline	96,622	
Food and Milk	5,692,375	
Commodities	714,293	
Nonfood Consumed	546,942	
General Supplies	<u>260,453</u>	7,310,685
<u>Other Operating Expenses</u>		
Travel	8,074	
Dues	546	
Other	7,859	
Insurance and Bonding Expenses	<u>6,125</u>	22,604
<u>Capital Outlay</u>		
Equipment	<u>33,476</u>	<u>33,476</u>
Total Expenditures		<u>12,794,615</u>

EXPENDITURES IN EXCESS OF REVENUES \$ (498,941)

NOTE: This statement of revenues and expenditures is included in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Other Governmental Funds, Exhibit C- 2, as funds 240 and 242.

JUDSON INDEPENDENT SCHOOL DISTRICT
CHILD NUTRITION AND SUMMER FEEDING PROGRAM
STATEMENT OF CHANGES IN FUND BALANCE (UNAUDITED)
YEAR ENDED JUNE 30, 2017

EXHIBIT S- 5

Fund Balance at July 1, 2016	\$ 3,303,844
Prior Period Adjustment	(157,402)
Expenditures in Excess of Revenues - Year Ended June 30, 2017	<u>(498,941)</u>
 FUND BALANCE AT JUNE 30, 2017	 <u>\$ 2,647,501</u>

NOTE: Judson Independent School District maintains a separate group of accounts for control purposes for recording transactions in the Food Service Fund. At June 30, 2017 the accounts of this fund are reflected with the current fund accounts and this statement of changes in fund equity is included in the Statement of Revenues, Expenditures, and Changes in Fund Balances, Other Governmental Funds, Exhibit C- 2, as funds 240 and 242.

JUDSON INDEPENDENT SCHOOL DISTRICT
STUDENT/CAMPUS ACTIVITY FUNDS
COMBINED BALANCE SHEET (UNAUDITED)
JUNE 30, 2017

EXHIBIT S- 6

ASSETS

Cash in Bank, Twenty- Eight Accounts \$ 1,383,910

TOTAL ASSETS \$ 1,383,910

FUND BALANCE

Fund Balance at July 1, 2016 \$ 1,257,110

Revenues in Excess of Expenditures for
the Fiscal Year Ending June 30, 2017 126,800

TOTAL FUND BALANCE \$ 1,383,910

NOTE: This balance sheet is included in the statement of fiduciary net position on Exhibit E- 1.

JUDSON INDEPENDENT SCHOOL DISTRICT
STUDENT/CAMPUS ACTIVITY FUNDS
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE (UNAUDITED)
YEAR ENDED JUNE 30, 2017

EXHIBIT S- 7

	FUND BALANCE JULY 1, 2016	REVENUES	EXPENDITURES	NET INCREASE (DECREASE)	FUND BALANCE JUNE 30, 2017
Judson High School	\$ 303,442	\$826,945	\$832,579	\$ (5,634)	\$ 297,808
Wagner High School	148,124	323,082	340,445	(17,363)	130,761
Judson Early College Academy	57,031	88,427	72,397	16,030	73,061
Veterans Memorial High School	5,625	149,349	84,906	64,443	70,068
Kirby Middle School	59,620	86,826	85,618	1,208	60,828
Kitty Hawk Middle School	138,758	213,690	205,103	8,587	147,345
Woodlake Hills Middle School	32,814	120,942	113,350	7,592	40,406
Metzger Middle School	27,669	87,053	87,660	(607)	27,062
Judson Middle School	66,819	155,696	152,996	2,700	69,519
Converse Elementary	22,048	49,871	37,673	12,198	34,246
Hopkins Elementary	27,175	19,094	25,803	(6,709)	20,466
Franz Elementary	18,858	19,262	22,214	(2,952)	15,906
Coronado Village Elementary	28,258	28,652	29,954	(1,302)	26,956
Park Village Elementary	4,741	15,820	15,637	183	4,924
Crestview Elementary	35,523	47,985	50,009	(2,024)	33,499
Woodlake Elementary	6,812	37,648	32,882	4,766	11,578
Olympia Elementary	20,722	41,380	31,810	9,570	30,292
Spring Meadows Elementary	34,550	21,849	20,681	1,168	35,718
Miller's Point Elementary	14,064	40,373	36,536	3,837	17,901
Candlewood Elementary	11,694	23,986	25,404	(1,418)	10,276
Elof Elementary	40,803	15,466	19,899	(4,433)	36,370
Paschall Elementary	20,282	10,788	6,677	4,111	24,393
Hartman Elementary	14,452	19,095	18,416	679	15,131
Salinas Elementary	29,405	14,467	11,143	3,324	32,729
Masters Elementary	16,575	20,857	16,630	4,227	20,802
Rolling Meadows Elementary	39,605	79,748	71,257	8,491	48,096
Copperfield Elementary	22,585	41,652	27,740	13,912	36,497
JISD Activity Fund	9,056	8,630	6,414	2,216	11,272
	<u>\$ 1,257,110</u>	<u>\$ 2,608,633</u>	<u>\$ 2,481,833</u>	<u>\$ 126,800</u>	<u>\$ 1,383,910</u>
FUND TOTALS	<u>\$ 1,257,110</u>	<u>\$ 2,608,633</u>	<u>\$ 2,481,833</u>	<u>\$ 126,800</u>	<u>\$ 1,383,910</u>