

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017

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CERTIFICATE OF BOARD

Scurry-Rosser Independent School District  
Name of School District

Kaufman  
County

129-910  
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and \_\_\_\_ approved \_\_\_\_ disapproved for the year ended June 30, 2017 at a meeting of the board of school trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, 2017.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is(are):

(attach list as necessary)

**SMITH, LAMBRIGHT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

Marlin R. Smith, CPA  
J. W. Lambright, CPA

Cheri E. Kirkland, CPA  
David N. Hopkins, CPA

P. O. Box 912  
505 E. Tyler  
Athens, Texas 75751  
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**Unmodified Opinions on Basic Financial Statements  
Accompanied by Required Supplementary Information and Other Information**

**Independent Auditor's Report**

Board of School Trustees  
Scurry-Rosser Independent School District  
10705 South State Highway 34  
Scurry, Texas 75158-3163

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scurry-Rosser 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 misstatement 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 the District as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows 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* 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*

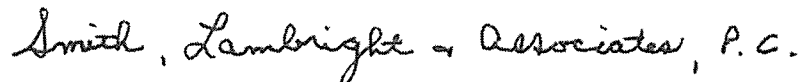
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2017 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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.

Respectfully submitted,

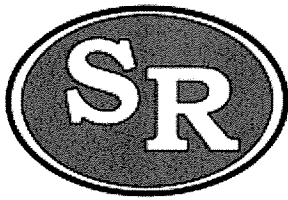
A handwritten signature in cursive script that reads "Smith, Lambright & Associates, P.C.".

SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants  
Athens, Texas

November 3, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS





**SCURRY-ROSSER ISD**  
**10705 South State Highway 34**  
**Scurry, TX 75158-3163**  
**972-452-8823**  
**Fax 972-452-8586**

## **Management's Discussion and Analysis** **Scurry-Rosser Independent School District**

In this section of the Annual Financial and Compliance Report, we, the administrators of Scurry-Rosser Independent School District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2017. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements.

### **FINANCIAL HIGHLIGHTS**

- The District's total combined net position was \$8,778,650 at June 30, 2017.
- The General Fund ended the year with a fund balance of \$3,776,925.

### **USING THIS ANNUAL REPORT**

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

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

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

The TEA Required Schedules and Federal Awards sections contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

### **REPORTING THE DISTRICT AS A WHOLE**

#### ***The Statement of Net Position and the Statement of Activities***

The primary purpose of the government-wide financial statement is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the US Department of Education to assist children with disabilities from disadvantaged

backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

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

In the Statement of Net Position and the Statement of Activities, we report one kind of activity for the District.

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

## **REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS**

### ***Fund Financial Statements***

The fund financial statements provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the US Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Our analysis of comparative balances and changes therein appears below. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities decreased from \$9,231,304 to \$8,778,650. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from \$2,808,491 on June 30, 2016 to \$2,774,360 on June 30, 2017. This decrease in governmental net position was the result of the District's decrease of net pension liability and total deferred outflows/inflows of resources.

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported a combined fund balance of \$5,008,805 which is an increase of \$56,066 from last year's total of \$4,952,739. Included in this year's total change in fund balance is an increase of \$188,084 in the District's General Fund, an decrease of \$104,076 in the District's Interest and Sinking Fund, and an decrease of \$27,066 in the District's Other Funds.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved during the year for unexpected expenditures. The second category involved amendments moving funds from programs or areas that did not need all the resources originally appropriated to them to programs with additional needs.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At the end of 2017, the District had \$13,118,593 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease over last year of \$304,463.

### ***Debt***

At period-end, the District had \$8,346,183 in bonds and lease purchase payments outstanding. This amount is a decrease of \$17,958 from the last year's amount of \$8,364,141. The District's general obligation bond rating with the Permanent School Fund guaranty remains at "AAA".

## **ECONOMIC FACTORS, NEXT YEAR'S BUDGETS, and TAX RATES**

The District's elected and appointed officials considered many factors when setting the fiscal-year 2016-2017 budget and tax rates. State funding adjustments established by the 2013 Legislature for the 2013-2015 biennium restored some previous reductions to the District's revenue. The 2016-2017 M&O tax rate was set at \$1.170000. The estimated general revenue for 2016-2017 is \$9,979,270 and the appropriations are \$9,979,270. This represents a balanced budget for the general fund.

The interest and sinking estimated revenue is \$624,882.50 and appropriations are \$623,683. This represents a projected increase to fund balance of \$1199.50. The board chose to set the I & S tax rate at \$0.160000 for the 2016-2017 budget year.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Scurry-Rosser Independent School District, 10705 South State Highway 34, Scurry, TX 75158-3163.

**Table I**  
**Scurry-Rosser Independent School District**

**NET POSITION**

	Governmental Activities	
	2016	2017
Current and other assets	5,916,189	5,994,044
Capital assets	<u>13,423,056</u>	<u>13,118,593</u>
<b>Total Assets</b>	<b><u>19,339,245</u></b>	<b><u>19,112,637</u></b>
Deferred Outflow Related to TRS	<u>800,447</u>	<u>804,298</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>800,447</u></b>	<b><u>804,298</u></b>
Long-term liabilities	8,364,141	8,346,183
Other liabilities	788,894	893,094
Net Pension Liability (District's Share)	<u>1,633,780</u>	<u>1,795,495</u>
<b>Total Liabilities</b>	<b><u>10,786,815</u></b>	<b><u>11,034,772</u></b>
Deferred Inflows Related to TRS	<u>121,573</u>	<u>103,513</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>121,573</u></b>	<b><u>103,513</u></b>
Net Position:		
Invested in capital assets	5,058,914	4,772,410
Net of related debt		
Restricted	1,363,898	1,231,880
Unrestricted	<u>2,808,491</u>	<u>2,774,360</u>
<b>Total Net Position</b>	<b><u>9,231,304</u></b>	<b><u>8,778,650</u></b>

**Table II**  
**Scurry-Rosser Independent School District**

**CHANGES IN NET POSITION**

	Governmental Activities	
	2016	2017
<b>Revenue</b>		
Program revenues:		
Charges for services	314,188	274,466
Operating grants and contributions	1,364,627	1,176,535
General Revenues:		
Maintenance and operations taxes	1,564,133	1,795,870
Debt service taxes	315,764	245,453
State aid-formula grants	7,232,287	7,560,278
Grants and contributions not restricted to specific functions	102,758	115,330
Investments earnings	16,319	27,018
Miscellaneous	532,203	77,299
<b>Total Revenue</b>	<b>11,442,279</b>	<b>11,272,249</b>
<b>Expenses</b>		
Instruction, curriculum and media services	5,780,843	5,703,689
Instructional and school leadership	695,390	679,170
Student support services	853,232	827,501
Child nutrition	423,856	473,484
Extracurricular activities	684,723	799,477
General administration	671,766	731,844
Plant maintenance, security and data processing	1,478,839	1,843,820
Debt services	328,450	641,831
Facilities acq and construction	0	0
Payment to SSA		
Other Intergovernmental Charges	23,404	24,087
<b>Total Expenses</b>	<b>10,940,503</b>	<b>11,724,903</b>
Increase (Decrease) in net position before transfers and special items	501,776	(452,654)
Transfers	0	0
Special items GASB 65 Change	0	0
Change in Net Position	501,776	(452,654)
Net position at Beginning	8,729,527	9,231,303
Prior period assignment	0	0
Net position at Ending	<u>9,231,303</u>	<u>8,778,650</u>

## BASIC FINANCIAL STATEMENTS

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 467,812
1120 Current Investments	4,245,330
1220 Property Taxes Receivable (Delinquent)	262,978
1230 Allowance for Uncollectible Taxes	(13,149)
1240 Due from Other Governments	1,022,473
1290 Other Receivables, net	8,600
Capital Assets:	
1510 Land	346,426
1520 Buildings, Net	12,140,680
1530 Furniture and Equipment, Net	631,487
1000 Total Assets	19,112,637
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS	804,298
1700 Total Deferred Outflows of Resources	804,298
<b>LIABILITIES</b>	
2110 Accounts Payable	31,760
2140 Interest Payable	157,684
2150 Payroll Deductions & Withholdings	8,726
2160 Accrued Wages Payable	632,400
2180 Due to Other Governments	4,668
2200 Accrued Expenses	45,556
2300 Unearned Revenue	12,300
Noncurrent Liabilities	
2501 Due Within One Year	420,000
2502 Due in More Than One Year	7,926,183
2540 Net Pension Liability (District's Share)	1,795,495
2000 Total Liabilities	11,034,772
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	103,513
2600 Total Deferred Inflows of Resources	103,513
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	4,772,410
3820 Restricted for Federal and State Programs	11,360
3850 Restricted for Debt Service	1,194,020
3870 Restricted for Campus Activities	26,500
3900 Unrestricted	2,774,360
3000 Total Net Position	\$ 8,778,650

The notes to the financial statements are an integral part of this statement.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	6 Primary Gov. Governmental Activities

**Primary Government:**

GOVERNMENTAL ACTIVITIES:

11	Instruction	\$ 5,415,599	\$ 19,750	\$ 589,257	\$ (4,806,592)
12	Instructional Resources and Media Services	125,475	-	4,975	(120,500)
13	Curriculum and Staff Development	162,615	-	33,892	(128,723)
21	Instructional Leadership	97,969	-	6,260	(91,709)
23	School Leadership	581,201	-	35,710	(545,491)
31	Guidance, Counseling and Evaluation Services	322,656	-	110,980	(211,676)
33	Health Services	158,459	-	10,707	(147,752)
34	Student (Pupil) Transportation	346,386	-	18,902	(327,484)
35	Food Services	473,484	155,913	264,243	(53,328)
36	Extracurricular Activities	799,477	93,869	18,525	(687,083)
41	General Administration	731,844	-	31,804	(700,040)
51	Facilities Maintenance and Operations	1,577,092	4,934	39,140	(1,533,018)
52	Security and Monitoring Services	21,011	-	-	(21,011)
53	Data Processing Services	245,717	-	12,140	(233,577)
72	Debt Service - Interest on Long Term Debt	482,301	-	-	(482,301)
73	Debt Service - Bond Issuance Cost and Fees	159,530	-	-	(159,530)
99	Other Intergovernmental Charges	24,087	-	-	(24,087)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 11,724,903	\$ 274,466	\$ 1,176,535	\$ (10,273,902)

Data  
Control  
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	1,795,870
DT	Property Taxes, Levied for Debt Service	245,453
SF	State Aid - Formula Grants	7,560,278
GC	Grants and Contributions not Restricted	115,330
IE	Investment Earnings	27,018
MI	Miscellaneous Local and Intermediate Revenue	77,299
TR	Total General Revenues	9,821,248
CN	Change in Net Position	(452,654)
NB	Net Position - Beginning	9,231,304
NE	Net Position--Ending	\$ 8,778,650

The notes to the financial statements are an integral part of this statement.



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 420,397	\$ 7,214	\$ 40,201	\$ 467,812
1120 Investments - Current	3,062,506	1,182,824	-	4,245,330
1220 Property Taxes - Delinquent	223,937	39,041	-	262,978
1230 Allowance for Uncollectible Taxes (Credit)	(11,197)	(1,952)	-	(13,149)
1240 Receivables from Other Governments	985,240	3,982	33,251	1,022,473
1290 Other Receivables	8,600	-	-	8,600
1000 Total Assets	<u>\$ 4,689,483</u>	<u>\$ 1,231,109</u>	<u>\$ 73,452</u>	<u>\$ 5,994,044</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 31,760	\$ -	\$ -	\$ 31,760
2150 Payroll Deductions and Withholdings Payable	8,726	-	-	8,726
2160 Accrued Wages Payable	605,526	-	26,874	632,400
2180 Due to Other Governments	-	-	4,668	4,668
2200 Accrued Expenditures	41,506	-	4,050	45,556
2300 Unearned Revenues	12,300	-	-	12,300
2000 Total Liabilities	<u>699,818</u>	<u>-</u>	<u>35,592</u>	<u>735,410</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	212,740	37,089	-	249,829
2600 Total Deferred Inflows of Resources	<u>212,740</u>	<u>37,089</u>	<u>-</u>	<u>249,829</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	11,360	11,360
3480 Retirement of Long-Term Debt	-	1,194,020	-	1,194,020
Committed Fund Balance:				
3510 Construction	1,500,000	-	-	1,500,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	26,500	26,500
3600 Unassigned Fund Balance	2,276,925	-	-	2,276,925
3000 Total Fund Balances	<u>3,776,925</u>	<u>1,194,020</u>	<u>37,860</u>	<u>5,008,805</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,689,483</u>	<u>\$ 1,231,109</u>	<u>\$ 73,452</u>	<u>\$ 5,994,044</u>

The notes to the financial statements are an integral part of this statement.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$	5,008,805
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$21,498,013 and the accumulated depreciation was (\$8,074,957). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long term debt was (\$8,364,141). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position. Note: Beginning Balances related to TRS are NOT included in this amount.		5,058,915
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase (decrease) net position.		468,952
<b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$804,298, a deferred resource inflow in the amount of \$103,513, and a net pension liability in the amount of 1,795,495. This resulted in an increase (decrease) in net position.		(1,094,710)
<b>4</b> The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(569,248)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		(94,064)
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>8,778,650</u>

The notes to the financial statements are an integral part of this statement.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,947,195	\$ 272,121	\$ 219,451	\$ 2,438,767
5800	State Program Revenues	7,738,991	219,842	55,442	8,014,275
5900	Federal Program Revenues	114,381	-	650,590	764,971
5020	Total Revenues	9,800,567	491,963	925,483	11,218,013
EXPENDITURES:					
Current:					
0011	Instruction	4,642,487	-	331,204	4,973,691
0012	Instructional Resources and Media Services	111,609	-	336	111,945
0013	Curriculum and Instructional Staff Development	130,572	-	27,776	158,348
0021	Instructional Leadership	95,062	-	-	95,062
0023	School Leadership	557,190	-	1,112	558,302
0031	Guidance, Counseling and Evaluation Services	213,955	-	97,318	311,273
0033	Health Services	153,050	-	-	153,050
0034	Student (Pupil) Transportation	466,649	-	2,984	469,633
0035	Food Services	-	-	444,045	444,045
0036	Extracurricular Activities	675,865	-	37,760	713,625
0041	General Administration	707,312	-	897	708,209
0051	Facilities Maintenance and Operations	1,583,852	-	9,993	1,593,845
0052	Security and Monitoring Services	21,011	-	-	21,011
0053	Data Processing Services	229,782	-	-	229,782
Debt Service:					
0071	Principal on Long Term Debt	-	204,167	-	204,167
0072	Interest on Long Term Debt	-	389,872	-	389,872
0073	Bond Issuance Cost and Fees	-	2,000	-	2,000
Intergovernmental:					
0099	Other Intergovernmental Charges	24,087	-	-	24,087
6030	Total Expenditures	9,612,483	596,039	953,425	11,161,947
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	188,084	(104,076)	(27,942)	56,066
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	5,225,000	-	5,225,000
7916	Premium or Discount on Issuance of Bonds	-	1,328,156	-	1,328,156
8949	Other (Uses)	-	(6,553,156)	-	(6,553,156)
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	188,084	(104,076)	(27,942)	56,066
0100	Fund Balance - July 1 (Beginning)	3,588,841	1,298,096	65,802	4,952,739
3000	Fund Balance - June 30 (Ending)	\$ 3,776,925	\$ 1,194,020	\$ 37,860	\$ 5,008,805

The notes to the financial statements are an integral part of this statement.

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

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	56,066
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase (decrease) net position.		468,952
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(569,248)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(268,620)
GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$134,040. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$118,344. The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$152,500. The net result is an increae (decrease) in the change in net position.		(139,804)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(452,654)</u>

The notes to the financial statements are an integral part of this statement.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2017

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 23,988	\$ 13,984
Investments - Current	2,586	23,648
Total Assets	26,574	\$ 37,632
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 37,632
Total Liabilities	-	\$ 37,632
<b>NET POSITION</b>		
Restricted for Scholarships	26,574	
Total Net Position	\$ 26,574	

The notes to the financial statements are an integral part of this statement.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
 FIDUCIARY FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 18,803
Total Additions	<u>18,803</u>
DEDUCTIONS:	
Other Operating Costs	<u>12,100</u>
Total Deductions	<u>12,100</u>
Change in Net Position	6,703
Total Net Position - July 1 (Beginning)	<u>19,871</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 26,574</u></u>

The notes to the financial statements are an integral part of this statement.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Scurry-Rosser Independent School District (“The District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *GASB Statement No. 56* ; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

*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.

**A. REPORTING ENTITY**

The Board of Trustees (the “Board”) 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, has the authority to make decisions, appoint administrators and managers, significantly influence operations, and has primary accountability for fiscal matters. As such, the District is not included in any other governmental “reporting entity” as defined by *GASB Statement No. 14, The Financial Reporting Entity*. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

In accordance with Article 717s, Vernon’s Texas Civil Statutes (the “Public Facility Corporation Act”), the Board of Trustees of the District created on February 16, 1998, the Scurry-Rosser I.S.D. Public Facility Corporation to finance, refinance or provide the costs of public facilities of the District. The members of the Board of the Corporation shall be the same persons who are elected to serve on the Board of Trustees of the District. The Corporation is considered a blended component unit of the District reporting unit. Through the issuance of lease revenue bonds, the Corporation is to assist the District in constructing new high school additions under Section 271.004 of the Public Property Finance Act. The receipt of the proceeds of the lease revenue bonds and the construction of the facilities were recorded in the Capital Projects Fund as a blended unit of the District. The payment of the lease purchase was recorded as debt service of the General Fund. The final payment on the debt had been made in the 2013 fiscal year.

The financial statements of the District include all activities for which the Board exercises these governance responsibilities.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from /to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

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

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

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

The proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. All assets and all liabilities associated with operation of these funds are included on the Statement of Net Position. The total net position is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

The fiduciary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

The Agency funds apply the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**D. FUND ACCOUNTING**

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

The District reports the following fund types:

Governmental Funds:

- 1. General Fund** - The general fund is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.
- 2. Special Revenue Funds** - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- 3. Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds:

- 4. Private Purpose Trust Fund** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.
- 5. Agency Fund** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

**E. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash and highly liquid investments such as certificates of deposits, money market funds, local government investment pools, Treasury bills, and commercial paper that have a maturity from time of purchase of three months or less.

**F. INVENTORIES**

The District records purchases of supplies as expenditures. Inventory on the balance sheet is recorded at cost and represents supplies and materials purchased for the subsequent school year. Food service commodities are recorded at fair market value as supplied by the Texas Department of Human Services.

**G. PREPAYMENTS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepayments in both government-wide and fund financial statements.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**H. CAPITAL ASSETS**

Capital assets, which include land, buildings, furniture and equipment are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Building Improvements	20
Vehicles	10
Furniture and Equipment	10-20

Land and construction in progress are not depreciated.

**I. DEFERRED OUTFLOWS / DEFERRED INFLOWS OF RESOURCES**

GASB No. 63 and GASB No. 65 provide guidance on financial reporting related to deferred outflows of resources and deferred inflows of resources. The objective of these statements is to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position.

In addition to assets, the Balance Sheet and Statement of Net Position may 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 (expense/expenditure) until then.

In addition to liabilities, the Balance Sheet and Statement of Net Position may 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 or resource (revenue) until that time.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**J. LONG TERM DEBT**

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

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

**K. FUND BALANCE**

The Governmental Accounting Standards Board has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

1. Nonspendable fund balance - includes amounts that cannot be spent because they are either not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes the long-term amount of loans and notes receivable.
2. Restricted Fund Balance - includes amounts that are restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions of enabling legislation.
3. Committed Fund Balance - includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District’s Board of Trustees. Those committed amounts cannot be used for any other purposes unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
4. Assigned Fund Balance - includes amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the Board or by other officials to which the Board has delegated the authority to assign amounts to be used for specific purposes. When it is appropriate for fund balance to be assigned, the Board delegates the responsibility to assign funds to the Superintendent or his/her designee.
5. Unassigned Fund Balance - is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The District will utilize funds in the following spending order: Restricted, Committed, Assigned and Unassigned.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**L. USE OF ESTIMATES**

The presentation of financial statements, in conformity with Generally Accepted Accounting Principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**M. DATA CONTROL CODES**

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

**N. TEACHER RETIREMENT SYSTEM**

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/deduction 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 of the system are reported at fair value.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

<u>Capital Assets at the Beginning of the Year</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 346 426	\$	\$ 346 426	
Buildings & Improvements	19 211 593	6 653 753	12 557 840	
Furniture & Equipment	<u>1 939 994</u>	<u>1 421 204</u>	<u>518 790</u>	
Totals	<u>\$ 21 498 013</u>	<u>\$ 8 074 957</u>		
Change in Net Position				<u>\$ 13 423 056</u>
			<u>Payable at the Beginning of the Year</u>	
Long-term Liabilities at the Beginning of the Year			6 788 538	
Bonds Payable			1 346 446	
Accretion Payable				
Premium (Discount) on Issuance of Bonds			<u>229 157</u>	
Change in Net Position				<u>(8 364 141)</u>
Net Adjustment to Net Position				<u>\$ 5 058 915</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

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

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

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
Current Year Capital Outlay:			
Land	\$ 50 000	\$	\$
Building & Improvements			
Furniture & Equipment	214 785		
Total Capital Outlay	264 785	264 785	264 785
Debt Payments:			
Bond Principal	204 167		
Total Principal Payments	204 167	204 167	204 167
Total Adjustment to Net Position		\$ 468 952	\$ 468 952

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**C. EXPLANATION OF OTHER DIFFERENCES**

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	Amount	Adjustments to Change in Net Position	Adjustments to Net Position
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 110 028	\$ (110 028)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	91 367	91 367	91 367
Uncollected Taxes (assumed collectible) from Prior Year Levy	158 462		158 462
Reclassify Proceeds of Bonds:			
Bond Proceeds	5 225 000	(5 225 000)	(5 225 000)
Bonds Refunded	5 225 373	5 225 373	5 225 373
Reclassify Bond Related Items:			
Bond Premium	1 328 156	(1 328 156)	(1 328 156)
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	589 240	(589 240)	(589 240)
Current Year Paid	1 565 459	1 565 459	1 565 459
Accrued Interest on Debt:			
Prior Year	93 934	93 934	
Current Year	157 684	(157 684)	(157 684)
Bond Premium Amortization:			
Current Year	208 780	208 780	208 780
Bond Discount Amortization:			
Current Year	43 425	(43 425)	(43 425)
		\$ (268 620)	\$ (94 064)



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Fund). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-4 and J-5.

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

1. Prior to June 20 the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.
4. Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function /object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	June 30, 2017
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 9 885
Nonappropriated Budget Funds	<u>27 975</u>
All Special Revenue Funds	<u>\$ 37 860</u>

**B. BUDGET VARIANCES**

The District made expenditures in excess of the budgeted amount in functions of the General Fund and the Child Nutrition Fund.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**C. ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. There were no outstanding encumbrances at the end of the fiscal year that were subsequently provided for in the 2017-2018 budget.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

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

State statutes and Board policy authorize the District to invest in 1) certificates of deposit and share certificates as permitted by Government Code 2256.010 and 2) public funds investment pools as permitted by Government Code 2256.016. Temporary investments are reported at market and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or pledged securities.

In compliance with the Public Funds Investment Act, the District has adopted an investment policy. The District is in substantial compliance with the requirements of the Act and with local policies. The risks that the District may be subject are:

- a. Custodial Credit Risk - Deposits: This is the risk that in the event of a bank failure, the District's deposits, including checking, money market accounts and certificates of deposit, may not be returned to it.

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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. During 2016-2017 the District's combined deposits were fully insured by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent.

The largest combined balances of cash, savings and time deposit accounts amounted to \$2,591,712 and occurred on January 31, 2017. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$2,630,809. The total amount of FDIC coverage at the time of the highest combined balance was \$750,000.

- b. Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.
- c. Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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- d. Concentration of Credit Risk: Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

CASH DEPOSITS

At June 30, 2017, the amount of the District's cash balance in checking accounts was \$504,784. Cash on hand was \$1,000.

INVESTMENTS - CASH EQUIVALENTS

The District's investments - cash equivalents at June 30, 2017, are shown below:

<u>Investment Type</u>	<u>Costs</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 1 302 390	\$ 1 302 390	.246575
MBIA Texas Class	2 416 694	2 416 694	.164384
First Public/Lone Star Investment Pool:			
Corporate Overnight	531 933	531 927	.145205
Government Overnight	<u>20 548</u>	<u>20 547</u>	.063014
Total Investments	<u>\$ 4 271 565</u>	<u>\$ 4 271 558</u>	

INVESTMENTS - OTHER

The District's investments - other at June 30, 2017, are shown below:

	<u>Cost</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
N/A	<u>\$</u>	<u>\$</u>	
Total Investments	<u>\$</u>	<u>\$</u>	

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report NET POSITION to compute share prices. Accordingly the market value of the position in these pools is the same as the value of the shares in each pool, which approximates the carrying amount. The investment pools are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Delinquent taxes not paid by June 30 are subject to penalty and interest charges plus delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible taxes are periodically reviewed and written off by the District as provided by specific statutory authority from the Texas Legislature.

The assessed value of the property tax roll on January 1, 2016 upon which the levy for the 2016-2017 fiscal year was based, was \$154,752,826. The tax rates assessed for the year ended June 30, 2017 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$.16 per \$100 valuation, respectively, for a total of \$1.33 per \$100 valuation. Current tax collections for the year ended June 30, 2017 were 95.3% of the year end adjusted tax levy. As of June 30, 2017, property taxes receivable totaled \$223,937 and \$39,041 for the General and Debt Service Funds respectively.

**C. RECEIVABLES FROM OTHER GOVERNMENTS**

The District participates in 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 summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Receivables from Other Governments.

	General Fund	Debt Service Fund	Other Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
State Entitlements	\$ 985 240	\$	\$	\$ 985 240
State EDA & IFA		3 982		3 982
Other State Grants				
Federal Grants			33 251	33 251
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 985 240</u>	<u>\$ 3 982</u>	<u>\$ 33 251</u>	<u>\$ 1 022 473</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2017 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Due From</u>	<u>Due to</u>
General Fund:		
Special Revenue Fund	\$ _____	\$ _____
Special Revenue Fund:		
General Fund	_____	_____
Totals	<u>\$ 0</u>	<u>\$ 0</u>

Interfund transfers for the year ended June 30, 2017 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Fund	\$ _____	\$ _____
Special Revenue Fund:		
General Fund	\$ _____	\$ _____
Totals	<u>\$ 0</u>	<u>\$ 0</u>

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SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**E. RECEIVABLES AND PAYABLES**

Receivables at June 30, 2017, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes (Net)	\$ 212 740	\$ 37 089	\$	\$ 249 829
Other Governments	985 240	3 982	33 251	1 022 473
Other Receivables	<u>8 600</u>	<u></u>	<u></u>	<u>8 600</u>
Totals	<u>\$ 1 206 580</u>	<u>\$ 41 071</u>	<u>\$ 33 251</u>	<u>\$ 1 280 902</u>

Payables at June 30, 2017, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Payable	\$ 31 760	\$	\$	\$ 31 760
Payroll Deductions	8 726			8 726
Accrued Wages	605 526		26 874	632 400
Other Governments	<u></u>	<u></u>	<u>4 668</u>	<u>4 668</u>
Totals	<u>\$ 646 012</u>	<u>\$ 0</u>	<u>\$ 31 542</u>	<u>\$ 677 554</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**F. CAPITAL ASSET ACTIVITY**

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

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
<b>Nondepreciable Capital Assets</b>				
Land	\$ 346 426	\$	\$	\$ 346 426
Construction in Progress				
Subtotal Nondepreciable Assets	346 426			346 426
<b>Depreciable Capital Assets</b>				
Building & Improvements	19 211 593	50 000		19 261 593
Furniture & Equipment	1 939 994	214 785		2 154 779
Subtotal Depreciable Assets	21 151 587	264 785		21 416 372
Total at Historical Cost	21 498 013	264 785		21 762 798
<b>Less Accumulated Depreciation for:</b>				
Buildings & Improvements	6 653 753	467 160		7 120 913
Furniture & Equipment	1 421 204	102 088		1 523 292
Total Accumulated Depreciation	8 074 957	569 248		8 644 205
<b>Governmental Activities Capital Assets, Net</b>	\$ 13 423 056	\$ (304 463)	\$	\$ 13 118 593

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 306 157
12	Instructional Resources and Media Services	11 980
13	Curriculum Development and Instructional Staff Development	420
23	School Leadership	7 457
31	Guidance, Counseling and Evaluation Services	1 573
33	Health Services	1 818
34	Student (Pupil) Transportation	58 350
35	Food Services	29 439
36	Cocurricular/Extracurricular Activities	105 032
41	General Administration	7 244
51	Plant Maintenance and Operations	29 560
53	Data Processing Services	10 218
	<b>Total Depreciation Expense</b>	<b>\$ 569 248</b>



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**G. BONDS PAYABLE**

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

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

Description/ Purpose	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 7/1/16	Issued	Retired/ Refunded	Amounts Outstanding 6/30/17	Interest Current Year
Unlimited Tax School Building Bonds Series 2002	1.8% to 6.0%	\$ 9 878 977	\$ 298 165	\$	\$ 154 167	\$ 143 998	\$ 170 833
Unlimited Tax Refunding Bonds Series 2007	4.0% to 4.38%	\$ 6 880 373	\$ 5 325 373	\$	\$ 50 000 5 225 373	\$ 50 000	\$ 108 010
Unlimited Tax Refunding Bonds Series 2012	3.25%	\$ 1 165 000	\$ 1 165 000	\$	\$	\$ 1 165 000	\$ 37 862
Unlimited Tax Refunding Bonds Series 2016	2.0% to 4.0%	\$ 5 225 000	\$ 0	\$ 5 225 000	\$ 0	\$ 5 225 000	\$ 73 167
Totals			<u>\$ 6 788 538</u>	<u>\$ 5 225 000</u>	<u>\$ 5 429 540</u>	<u>\$ 6 583 998</u>	<u>\$ 389 872</u>

Debt service requirements are as follows:

Year Ended June 30	General Obligations		
	Principal	Interest	Total Requirements
2018	\$ 238 998	\$ 395 015	\$ 634 013
2019	40 000	497 563	537 563
2020	15 000	522 562	537 562
2021	325 000	207 687	532 687
2022	335 000	197 788	532 788
2023 - 2027	1 815 000	829 487	2 644 487
2028 - 2032	2 170 000	463 788	2 633 788
2033 - 2035	1 645 000	83 169	1 728 169
Totals	<u>\$ 6 583 998</u>	<u>\$ 3 197 059</u>	<u>\$ 9 781 057</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2017.

The District defeased certain general obligation bonds by placing the proceeds of 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 of June 30, 2017 \$13,305,747 of bonds considered defeased are still outstanding.

On August 15, 2016 the Scurry-Rosser Independent School District issued \$5,225,000 in Unlimited Tax Refunding Bonds, Series 2016, with interest rates of 2.0% to 4.0%.

The Bonds were issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1207 of the Texas Government Code, as amended, and an order authorizing the issuance of the Bonds. In the Bond Order, the Board delegated to certain officials of the District, pursuant to certain provisions of Chapter 1207 of the Texas Government Code, as amended, authority to complete the sale of the Bonds through the execution of a Pricing Certificate, which contains the final terms of sale.

The Bonds were issued to provide funds sufficient to refund a portion of the District's outstanding bonds and to pay costs of issuance related to the Bonds. The refunding was undertaken to lower the District's debt service and will result in a present value savings to the District. The refunding is expected to result in a present value debt service savings to the District of approximately \$1,184,260.

The Refunded Bonds shall be called for redemption on the redemption date. The District will deposit with the paying agent/registrars for the Refunded Bonds from proceeds of the Bonds, the amount necessary to accomplish the discharge and final payment of the principal of, Accreted Value and interest on the Refunded Bonds on the Redemption Date. Grant Thornton LLP, a nationally recognized accounting firm, will issue its report verifying at the time of delivery of the Bonds to the Underwrites the mathematical accuracy of the schedules that demonstrate the amounts deposited with the Prior Paying Agent/Registrar will be sufficient to pay the principal of, Accreted Value and interest due on the Refunded Bonds on the Redemption Date.

By the deposit of the cash with the Prior Paying Agent/Registrar, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207 and the order authorizing the Refunded Bonds. It is the opinion of Bond Counsel that as a result of such defeasance and, in reliance upon the Report, firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds will have been made and therefore the Refunded Bonds will be outstanding only for the purpose of receiving payments from the amounts held for such purpose by the Prior Paying Agent/Registrar and the Refunded Bonds will not be deemed as being outstanding obligation of the District payable from the sources and secured in the manner provided in the Order authorizing their issuance or for any other purpose. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**I. CHANGES IN LONG-TERM LIABILITIES**

Long-term liabilities activity for the Year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 6 788 538	\$ 5 225 000	\$ 5 429 540	\$ 6 583 998	\$ 238 998
Accretion Payable:					
Capital Appreciation Bonds	1 346 446	589 240	1 565 459	370 227	181 002
Premium (Discount) on Issuance of Bonds:					
Premium	272 582	1 328 156	208 780	1 391 958	
Discount	<u>(43 425)</u>		<u>(43 425)</u>	<u>0</u>	
 Total Governmental Activities Long-term Liabilities	 <u>\$ 8 364 141</u>	 <u>\$ 7 142 396</u>	 <u>\$ 7 160 354</u>	 <u>\$ 8 346 183</u>	 <u>\$ 420 000</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**J. UNEARNED REVENUE AND UNAVAILABLE REVENUE**

	General Fund	Debt Service Fund	Other Funds	Total
Unearned revenue at year-end consisted of the following:				
Tuition	\$ 12,300	\$	\$	\$ 12,300
Unavailable revenue at year-end consisted of the following:				
Net Property Taxes	\$ 212,740	\$ 37,089	\$	\$ 249,829

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**K. FUND BALANCE**

Fund Balance is classified as nonspendable, restricted, committed, assigned and/or unassigned. The individual fund balances of the District are:

<u>Fund Balance</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Items	\$	\$	\$	\$
Restricted:				
Federal Grants			9 885	9 885
State Grants			1 475	1 475
Debt Service		1 194 020		1 194 020
Committed:				
Construction	1 500 000			1 500 000
Assigned:				
Campus Activity			26 500	26 500
Unassigned	<u>2 276 925</u>			<u>2 276 925</u>
Total Fund Balances	<u>\$ 3 776 925</u>	<u>\$ 1 194 020</u>	<u>\$ 31 168</u>	<u>\$ 5 008 805</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**L. LOCAL AND INTERMEDIATE SOURCES OF REVENUES**

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 1 807 349	\$ 252 635	\$	\$ 2 059 984
Penalties, Interest & Other Tax Related Income	40 669	7 642		48 311
Food Sales			155 913	155 913
Investment Income	18 658	8 360		27 018
Co-curricular Student Activities	32 381		61 488	93 869
Other	<u>48 138</u>	<u>3 484</u>	<u>2 050</u>	<u>53 672</u>
<b>Total</b>	<u><u>\$ 1 947 195</u></u>	<u><u>\$ 272 121</u></u>	<u><u>\$ 219 451</u></u>	<u><u>\$ 2 438 767</u></u>

**M. COMMITMENTS UNDER OPERATING LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of June 30, 2017, as follows:

<u>Year Ended June 30</u>	<u>Total</u>
2018	\$ 17 632
2019	<u>7 100</u>
Total Minimum Rentals	<u><u>\$ 24 732</u></u>
Rental Expenditures in Fiscal Year 2017	<u><u>\$ 20 592</u></u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**N. DEFINED BENEFIT PENSION PLAN**

**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.

**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.texas.gov/TRS%20Documents/cafr2016/pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**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 above.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**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 84<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2016 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

**Contribution Rates**

	<b>2016</b>	<b>2017</b>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Scurry-Rosser ISD Current Year Employer Contributions	\$	155,029
Scurry-Rosser ISD Current Year Member Contributions	\$	464,755
Scurry-Rosser ISD 2016 Measurement Year NECE On-Behalf Contributions	\$	334,272

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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. Employers including public 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 source or a privately sponsored source,



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017

from non-educational and general, or local funds.

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.

**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
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**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:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflations Expectations			2.2%
Alpha			1.0%
<b>Total</b>	100%		8.7%

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2017

**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 2014 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:	\$ <u>2,778,822</u>	\$ <u>1,795,495</u>	\$ <u>961,436</u>

**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 \$1,795,495 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	\$ 1 795 495
State's proportionate share that is associated with the District	3 967 753
Total	<u>\$ 5 763 248</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 employer's portion of the net pension liability was based on the employer'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 .0047514%, which was an increase (decrease) of .0001295% from its proportion measured as of August 31, 2015.

**Changes Since the Prior Actuarial Valuation** - There were no changes to the 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.

For the year ended June 30, 2017, the District recognized pension expense of \$ 411,758 and revenue of \$ 411,758 for support provided by the State.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 28 153	\$ 53 612
Changes in actuarial assumptions	54 723	49 769
Difference between projected and actual investment earnings	152 038	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	438 344	132
Total as of Fiscal year end	673 258	103 513
Contributions paid to TRS subsequent to the measurement date	131 040	
Total as of August 31, 2016 measurement date	\$ 804 298	\$ 103 513

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

Year ended June30:	Pension Expense Amount
2018	\$ 100 297
2019	100 297
2020	197 275
2021	92 848
2022	63 178
Thereafter	15 850

**Long-Term Liability Disclosure**

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 1,633,780	\$ 312,680	\$ 150,965	\$ 1,795,495

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**O. HEALTH CARE**

During the year ended June 30, 2017 employees of the Scurry-Rosser Independent School District were covered by the state sponsored health insurance plan. The district paid premiums of \$250 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

All premiums were paid to TRS-ActiveCare, the statewide health coverage program for public education employees administered by Aetna. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and TRS ActiveCare is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Aetna are available for the most recent year and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**P. SCHOOL DISTRICT RETIREE HEALTH PLAN**

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. 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 supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Medicare Part D:

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the year ended June 30, 2017 is estimated by TRS at \$28,537.

**Q. COMPENSATED ABSENCES**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general purpose financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leave is allowed to be accumulated but does not vest. Therefore, a liability for unused sick leave has not been recorded in the accompanying general purpose financial statements.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017

**R. SELF-INSURED WORKERS' COMPENSATION**

During the Year ended June 30, 2017 the Scurry-Rosser Independent School District was a participant in the East Texas Educational Insurance Association's Workers' Compensation Self-insurance Joint Fund pursuant to Texas Labor Code Annotated Chapter 504 and Texas Government Code Ch. 791 (the Interlocal Cooperation Act).

The Board of Trustees of the plan and the plan supervisor, Claims Administrative Services, Inc., shall establish the proportionate contribution of each participant annually upon the actual loss experience and claims of the District, the experience rating modification of the District, the prorata costs or savings to the plan from the loss experience of all participants, and all reasonable and necessary administrative expenses of the plan. The proportionate contributions of all participants shall be combined into a self-insurance joint fund.

The District paid a fixed cost of \$19,227 to the plan supervisor for administration of claims, loss control, record keeping, and the cost of excess insurance. The loss fund maximum for claims not covered by excess insurance was established to be \$59,486 for the fiscal year. The self insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$4,546 for plan periods ending June 30, 2017, and has accrued \$6,557 as a liability for unpaid claims determined by the claims administrator.

**S. CONSTRUCTION AND OTHER COMMITMENTS AND CONTINGENCIES**

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

**T. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During fiscal year 2017 the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,951,470	\$ 1,951,470	\$ 1,947,195	\$ (4,275)
5800	State Program Revenues	7,267,830	7,842,563	7,738,991	(103,572)
5900	Federal Program Revenues	59,970	59,970	114,381	54,411
5020	Total Revenues	9,279,270	9,854,003	9,800,567	(53,436)
EXPENDITURES:					
Current:					
0011	Instruction	5,062,592	4,753,995	4,642,487	111,508
0012	Instructional Resources and Media Services	112,000	123,284	111,609	11,675
0013	Curriculum and Instructional Staff Development	125,000	141,000	130,572	10,428
0021	Instructional Leadership	100,972	100,972	95,062	5,910
0023	School Leadership	554,632	564,972	557,190	7,782
0031	Guidance, Counseling and Evaluation Services	246,889	246,889	213,955	32,934
0033	Health Services	150,840	154,917	153,050	1,867
0034	Student (Pupil) Transportation	243,000	497,719	466,649	31,070
0036	Extracurricular Activities	80,000	665,712	675,865	(10,153)
0041	General Administration	624,843	742,338	707,312	35,026
0051	Facilities Maintenance and Operations	1,185,000	1,581,652	1,583,852	(2,200)
0052	Security and Monitoring Services	13,000	23,587	21,011	2,576
0053	Data Processing Services	230,000	231,966	229,782	2,184
Intergovernmental:					
0099	Other Intergovernmental Charges	24,000	25,000	24,087	913
6030	Total Expenditures	8,752,768	9,854,003	9,612,483	241,520
1200	Net Change in Fund Balances	526,502	-	188,084	188,084
0100	Fund Balance - July 1 (Beginning)	3,588,841	3,588,841	3,588,841	-
3000	Fund Balance - June 30 (Ending)	\$ 4,115,343	\$ 3,588,841	\$ 3,776,925	\$ 188,084



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE 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)	0.0047514%	0.0046219%	0.0028557%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,795,495	\$ 1,633,780	\$ 762,797
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,967,753	3,781,419	3,260,620
Total	<u>\$ 5,763,248</u>	<u>\$ 5,415,199</u>	<u>\$ 4,023,417</u>
District's Covered-Employee Payroll	\$ 5,803,325	\$ 5,592,035	\$ 5,483,865
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	30.94%	29.22%	13.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

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

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "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."

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2017

EXHIBIT G-3

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 155,029	\$ 141,106	\$ 124,201
Contribution in Relation to the Contractually Required Contribution	(155,029)	(141,106)	(124,201)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 6,099,001	\$ 5,773,285	\$ 5,549,094
Contributions as a Percentage of Covered-Employee Payroll	2.54%	2.44%	2.24%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2017

**Changes of Benefit Terms**

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

**Changes of Assumptions**

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

## COMBINING STATEMENTS

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 10,475	\$ (11,653)	\$ (845)	\$ 9,885
1240	Receivables from Other Governments	9,046	23,056	845	-
1000	Total Assets	<u>\$ 19,521</u>	<u>\$ 11,403</u>	<u>\$ -</u>	<u>\$ 9,885</u>
<b>LIABILITIES</b>					
2160	Accrued Wages Payable	\$ 17,349	\$ 9,525	\$ -	\$ -
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	2,172	1,878	-	-
2000	Total Liabilities	<u>19,521</u>	<u>11,403</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	9,885
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,885</u>
4000	Total Liabilities and Fund Balances	<u>\$ 19,521</u>	<u>\$ 11,403</u>	<u>\$ -</u>	<u>\$ 9,885</u>

255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	410 State Textbook Fund	429 Pre K Grant Program	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ (304)	\$ 1,475	\$ -	\$ 31,168	\$ 40,201
-	304	-	-	-	33,251
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,475</u>	<u>\$ -</u>	<u>\$ 31,168</u>	<u>\$ 73,452</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,874
-	-	-	-	4,668	4,668
-	-	-	-	-	4,050
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,668</u>	<u>35,592</u>
-	-	1,475	-	-	11,360
-	-	-	-	26,500	26,500
<u>-</u>	<u>-</u>	<u>1,475</u>	<u>-</u>	<u>26,500</u>	<u>37,860</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,475</u>	<u>\$ -</u>	<u>\$ 31,168</u>	<u>\$ 73,452</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 155,913
5800 State Program Revenues	-	-	-	2,337
5900 Federal Program Revenues	152,211	208,002	5,255	267,598
5020 Total Revenues	152,211	208,002	5,255	425,848
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	135,489	107,105	5,255	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	16,722	-	-	-
0023 School Leadership	-	75	-	-
0031 Guidance, Counseling and Evaluation Services	-	97,410	-	-
0034 Student (Pupil) Transportation	-	2,984	-	-
0035 Food Services	-	-	-	444,045
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	428	-	9,565
6030 Total Expenditures	152,211	208,002	5,255	453,610
1200 Net Change in Fund Balance	-	-	-	(27,762)
0100 Fund Balance - July 1 (Beginning)	-	-	-	37,647
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ 9,885

255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	410 State Textbook Fund	429 Pre K Grant Program	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 63,538	\$ 219,451
-	-	43,558	9,547	-	55,442
16,638	886	-	-	-	650,590
16,638	886	43,558	9,547	63,538	925,483
15,038	886	42,083	-	25,348	331,204
-	-	-	-	336	336
1,600	-	-	9,454	-	27,776
-	-	-	-	1,037	1,112
-	-	-	93	(185)	97,318
-	-	-	-	-	2,984
-	-	-	-	-	444,045
-	-	-	-	37,760	37,760
-	-	-	-	897	897
-	-	-	-	-	9,993
16,638	886	42,083	9,547	65,193	953,425
-	-	1,475	-	(1,655)	(27,942)
-	-	-	-	28,155	65,802
\$ -	\$ -	\$ 1,475	\$ -	\$ 26,500	\$ 37,860



REQUIRED TEA SCHEDULES

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED JUNE 30, 2017

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040050	0.210000	160,433,323
2010	1.040000	0.210000	159,056,543
2011	1.040000	0.210000	158,021,561
2012	1.040000	0.210000	155,738,646
2013	1.040000	0.210000	149,101,999
2014	1.040000	0.210000	151,168,413
2015	1.040000	0.210000	151,699,325
2016	1.040000	0.210000	151,886,242
2017 (School year under audit)	1.170000	0.160000	154,752,826
1000 TOTALS			

(10) Beginning Balance 7/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2017
\$ 45,213	\$ -	\$ 2,932	\$ 532	\$ (11,529)	\$ 30,220
11,214	-	797	161	(375)	9,881
11,918	-	1,254	253	-	10,411
11,906	-	1,615	326	-	9,965
15,005	-	2,646	534	1	11,826
17,499	-	2,725	550	81	14,305
23,869	-	5,594	1,130	786	17,931
33,001	-	9,898	1,999	1,144	22,248
112,996	-	57,498	11,610	(3,873)	40,015
-	2,058,213	1,722,390	235,540	(4,107)	96,176
<u>\$ 282,621</u>	<u>\$ 2,058,213</u>	<u>\$ 1,807,349</u>	<u>\$ 252,635</u>	<u>\$ (17,872)</u>	<u>\$ 262,978</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 170,442	\$ 177,146	\$ 155,913	\$ (21,233)
5800 State Program Revenues	2,409	2,409	2,337	(72)
5900 Federal Program Revenues	260,156	260,156	267,598	7,442
5020 Total Revenues	433,007	439,711	425,848	(13,863)
EXPENDITURES:				
0035 Food Services	437,611	437,611	444,045	(6,434)
0051 Facilities Maintenance and Operations	2,100	2,100	9,565	(7,465)
6030 Total Expenditures	439,711	439,711	453,610	(13,899)
1200 Net Change in Fund Balances	(6,704)	-	(27,762)	(27,762)
0100 Fund Balance - July 1 (Beginning)	37,647	37,647	37,647	-
3000 Fund Balance - June 30 (Ending)	\$ 30,943	\$ 37,647	\$ 9,885	\$ (27,762)

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 310,000	\$ 310,000	\$ 272,121	\$ (37,879)
5800	State Program Revenues	341,611	341,611	219,842	(121,769)
5020	Total Revenues	651,611	651,611	491,963	(159,648)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	370,000	370,000	204,167	165,833
0072	Interest on Long Term Debt	251,683	251,683	389,872	(138,189)
0073	Bond Issuance Cost and Fees	2,000	2,000	2,000	-
6030	Total Expenditures	623,683	623,683	596,039	27,644
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	27,928	27,928	(104,076)	(132,004)
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	-	5,225,000	5,225,000
7916	Premium or Discount on Issuance of Bonds	-	-	1,328,156	1,328,156
8949	Other (Uses)	-	-	(6,553,156)	(6,553,156)
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net Change in Fund Balances	27,928	27,928	(104,076)	(132,004)
0100	Fund Balance - July 1 (Beginning)	1,298,096	1,298,096	1,298,096	-
3000	Fund Balance - June 30 (Ending)	\$ 1,326,024	\$ 1,326,024	\$ 1,194,020	\$ (132,004)

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

**SMITH, LAMBRIGHT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**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***

**Independent Auditor's Report**

Board of School Trustees  
Scurry-Rosser Independent School District  
10705 South State Highway 34  
Scurry, Texas 75158-3163

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 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 3, 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 controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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.

Respectfully submitted,

*Smith, Lambright & Associates, P.C.*

SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants  
Athens, Texas

November 3, 2017



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2017

I. Summary of Auditor's Results

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  N/A

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  N/A

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ N/A
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ N/A

Type of auditor's report issued on compliance for major programs:

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a) \_\_\_\_\_ yes \_\_\_\_\_ N/A

Identification of major programs: N/A

CFDA Number	Name of Federal Program or Cluster
-------------	------------------------------------

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low risk auditee?  X  yes \_\_\_\_\_ no

District Contact Person James Sanders  
Superintendent

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2017

II. Financial Statement Findings

The audit disclosed no finding required to be reported.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no finding required to be reported.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017

N/A

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2017

N/A

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17-610101129910	\$ 152,211
*IDEA - Part B, Formula	84.027	16-660001129910	12,301
*IDEA - Part B, Formula	84.027	17-661001129910	195,701
Total CFDA Number 84.027			208,002
*IDEA - Part B, Preschool	84.173	17-661001129910	5,255
Total Special Education Cluster (IDEA)			213,257
Title III, Part A - English Language Acquisition	84.365A	ESC Region 10	886
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	ESC Region 10	16,638
Total Passed Through State Department of Education			\$ 382,992
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 382,992</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553		\$ 61,646
**National School Lunch Program - Cash Assistance	10.555		173,111
**National School Lunch Prog. - Non-Cash Assistance	10.555		32,841
Total CFDA Number 10.555			205,952
Total Child Nutrition Cluster			267,598
Total Passed Through the State Department of Agriculture			\$ 267,598
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 267,598</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 650,590</b>

\*Clustered Programs

\*\*Clustered Programs

Note A - Funds received from the SHARS program of \$114,381 in the General Fund are not considered as federal financial assistance for purposes of this schedule.

SCURRY-ROSSER INDEPENDENT  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2017

- For all Federal programs, the District uses the fund types specified in Texas Education Agency’s *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in the General Fund or in a Special Revenue Fund which are Governmental Fund types.

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. 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 General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

- The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions of the Period of Availability of Federal Funds.
- The National School Breakfast and Lunch Programs and the USDA donated commodities are accounted for in the nonmajor governmental funds. The Impact Aid, if any, is accounted for in the General Fund. Expenditures are not specifically attributable to these revenue sources and are shown on this schedule in an amount equal to revenue for balancing purposes only. The revenue for indirect costs is recognized in the General Fund.
- The expenditures shown on the Schedule of Expenditures of Federal Awards (SEFA) does not equal to total federal revenues shown on Exhibit C-3 by the amount of federal revenue recorded in various funds as shown below. These amounts are not subject to the Single Audit Act and are not required to be included in the SEFA.

Amount reported on the Schedule of Expenditures of Federal Awards \$	650 590
SHARS Revenue reported in the General Fund	114 381
Federal Program Revenue Reported on Exhibit C-3	\$ 764 971