

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2013

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2013

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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 August 31, 2013 at a meeting of the board of school trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, 2014.

\_\_\_\_\_  
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  

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Cheri E. Kirkland, CPA

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505 E. Tyler  
Athens, Texas 75751  
(903) 675-5674  
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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 August 31, 2013, 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 Standard* 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 reasonable 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 August 31, 2013, 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, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organization*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) 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, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Exhibit J-3 (Fund Balance and Cash Flow Calculation Worksheet) which is marked UNAUDITED has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2013 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

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

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

December 16, 2013

## 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 August 31, 2013. 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 \$8,835,715 at August 31, 2013.
- During the year, the District's expenses were \$253,120 less than the \$9,525,901 generated in tax and other revenues for governmental programs (before special items).
- The General Fund ended the year with a fund balance of \$2,445,430.

#### **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 \$9,120,523 to \$8,835,715. 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 - increased from \$2,495,212 on August 31, 2012 to \$2,710,427 on August 31, 2013. This increase in governmental net position was the result of the District's revenues exceeding expenditures.

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported a combined fund balance of \$3,128,861, which is an increase of \$287,191 from last year's total of \$2,841,670. Included in this year's total change in fund balance is an increase of \$269,857 in the District's General Fund, an increase of \$20,859 in the District's Interest and Sinking Fund, and a decrease of \$3,525 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 2013, the District had \$14,307,656 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 \$362,380.

### ***Debt***

At period-end, the District had \$8,865,799 in bonds and lease purchase payments outstanding. This amount is a decrease of \$382,951 from the last year's amount of \$9,248,750. 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 2013-2014 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 2013-2014 M&O tax rate was set at \$1.04005. The estimated general revenue for 2013-2014 is \$8,057,948 and the appropriations are \$8,296,061. This represents a deficit budget of \$238,113 for the general fund.

The interest and sinking estimated revenue is \$661,570 and appropriations are \$629,200. This represents a projected increase to fund balance of \$32,370. The board chose to set the I & S tax rate at \$0.21 for the 2013-2014 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	
	2013	2012
Current and other assets	3,712,368	3,980,719
Capital assets	<u>14,307,656</u>	<u>14,670,036</u>
<b>Total assets</b>	<b><u>18,020,024</u></b>	<b><u>18,650,755</u></b>
Long-term liabilities	8,865,799	9,248,750
Other liabilities	<u>318,510</u>	<u>281,482</u>
<b>Total liabilities</b>	<b><u>9,184,309</u></b>	<b><u>9,530,232</u></b>
Net Position:		
Invested in capital assets		
Net of related debt	5,441,857	5,959,214
Restricted	683,431	666,097
Unrestricted	<u>2,710,427</u>	<u>2,495,212</u>
<b>Total net position</b>	<b><u>8,835,715</u></b>	<b><u>9,120,523</u></b>

**Table II**  
**Scurry-Rosser Independent School District**  
**CHANGES IN NET POSITION**

	Governmental Activities	
	2013	2012
<b>Revenue</b>		
Program revenues:		
Charges for services	289,467	259,057
Operating grants and contributions	1,069,354	1,143,506
General Revenues:		
Maintenance and operations taxes	1,532,726	1,599,608
Debt service taxes	310,789	323,053
State aid-formula grants	6,228,939	5,548,592
Grants and contributions not restricted to specific functions	17,064	0
Investments earnings	12,203	15,383
Miscellaneous	65,359	71,193
<b>Total Revenue</b>	<b>9,525,901</b>	<b>8,960,392</b>
<b>Expenses</b>		
Instruction, curriculum and media services	5,179,421	5,150,419
Instructional and school leadership	539,867	494,815
Student support services	716,209	689,991
Child nutrition	480,160	460,121
Co curricular activities	510,143	538,095
General administration	472,065	455,826
Plant maintenance, security and data processing	916,264	987,717
Debt services	420,020	433,448
Facilities acq and construction	14,519	5,055
Other Intergovernmental Charges	24,013	24,478
<b>Total Expenses</b>	<b>9,272,781</b>	<b>9,239,965</b>
 Increase (Decrease) in net position before transfers and special items	 253,120	 -279,573
Transfers	0	0
Special items – GASB 65 Change	(537,928)	0
 Change in Net Position	 (284,808)	 -279,573
Net position at Beginning	9,120,523	9,400,096
Net position at Ending	8,835,715	9,120,523

## BASIC FINANCIAL STATEMENTS

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2013

EXHIBIT A-1

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 254,568
1120 Current Investments	2,206,220
1220 Property Taxes Receivable (Delinquent)	290,637
1230 Allowance for Uncollectible Taxes	(14,532)
1240 Due from Other Governments	902,606
1290 Other Receivables, net	22,092
1410 Prepayments	50,777
Capital Assets:	
1510 Land	346,426
1520 Buildings, Net	13,824,989
1530 Furniture and Equipment, Net	136,241
1000 Total Assets	<u>18,020,024</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	26,148
2140 Interest Payable	11,108
2160 Accrued Wages Payable	257,538
2180 Due to Other Governments	4,349
2200 Accrued Expenses	5,242
2300 Unearned Revenue	14,125
Noncurrent Liabilities	
2501 Due Within One Year	370,000
2502 Due in More Than One Year	8,495,799
2000 Total Liabilities	<u>9,184,309</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	5,441,857
3850 Restricted for Debt Service	662,256
3870 Restricted for Campus Activities	21,175
3900 Unrestricted	2,710,427
3000 Total Net Position	<u>\$ 8,835,715</u>

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 AUGUST 31, 2013

EXHIBIT B-1

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 4,924,405	\$ 23,425	\$ 440,409	\$ (4,460,571)
12 Instructional Resources and Media Services	133,828	-	3,907	(129,921)
13 Curriculum and Staff Development	121,188	-	28,589	(92,599)
23 School Leadership	539,967	-	25,865	(514,102)
31 Guidance, Counseling and Evaluation Services	308,524	-	157,688	(150,836)
33 Health Services	133,514	-	7,218	(126,296)
34 Student (Pupil) Transportation	274,171	-	8,923	(265,248)
35 Food Services	480,160	182,998	254,338	(42,824)
36 Extracurricular Activities	510,143	82,994	9,345	(417,804)
41 General Administration	472,065	-	14,109	(457,956)
51 Facilities Maintenance and Operations	864,765	50	118,963	(745,752)
52 Security and Monitoring Services	25,305	-	-	(25,305)
53 Data Processing Services	26,194	-	-	(26,194)
72 Debt Service - Interest on Long Term Debt	357,565	-	-	(357,565)
73 Debt Service - Bond Issuance Cost and Fees	62,455	-	-	(62,455)
81 Capital Outlay	14,519	-	-	(14,519)
99 Other Intergovernmental Charges	24,013	-	-	(24,013)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 9,272,781</u>	<u>\$ 289,467</u>	<u>\$ 1,069,354</u>	<u>(7,913,960)</u>

Data  
Control  
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	1,532,726
DT	Property Taxes, Levied for Debt Service	310,789
SF	State Aid - Formula Grants	6,228,939
GC	Grants and Contributions not Restricted	17,064
IE	Investment Earnings	12,203
MI	Miscellaneous Local and Intermediate Revenue	65,359
TR	Total General Revenues	<u>8,167,080</u>
CN	Change in Net Position	253,120
NB	Net Position - Beginning	9,120,523
PA	Reclassification-GASB 65 Change	(537,928)
NE	Net Position--Ending	<u>\$ 8,835,715</u>

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



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2013

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 242,641	\$ 7,425	\$ 4,502	\$ 254,568
1120 Investments - Current	1,749,821	456,399	-	2,206,220
1220 Property Taxes - Delinquent	243,873	46,764	-	290,637
1230 Allowance for Uncollectible Taxes (Credit)	(12,194)	(2,338)	-	(14,532)
1240 Receivables from Other Governments	832,878	30,428	39,300	902,606
1260 Due from Other Funds	-	168,004	-	168,004
1290 Other Receivables	6,211	-	15,881	22,092
1410 Prepayments	50,777	-	-	50,777
1000 Total Assets	<u>\$ 3,114,007</u>	<u>\$ 706,682</u>	<u>\$ 59,683</u>	<u>\$ 3,880,372</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 222	\$ -	\$ 25,926	\$ 26,148
2160 Accrued Wages Payable	250,029	-	7,509	257,538
2170 Due to Other Funds	168,004	-	-	168,004
2180 Due to Other Governments	-	-	4,349	4,349
2200 Accrued Expenditures	4,518	-	724	5,242
2300 Unearned Revenues	14,125	-	-	14,125
2000 Total Liabilities	<u>436,898</u>	<u>-</u>	<u>38,508</u>	<u>475,406</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	231,679	44,426	-	276,105
2600 Total Deferred Inflows of Resources	<u>231,679</u>	<u>44,426</u>	<u>-</u>	<u>276,105</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3430 Prepaid Items	50,777	-	-	50,777
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	662,256	-	662,256
Committed Fund Balance:				
3510 Construction	1,500,000	-	-	1,500,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	21,175	21,175
3600 Unassigned Fund Balance	894,653	-	-	894,653
3000 Total Fund Balances	<u>2,445,430</u>	<u>662,256</u>	<u>21,175</u>	<u>3,128,861</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,114,007</u>	<u>\$ 706,682</u>	<u>\$ 59,683</u>	<u>\$ 3,880,372</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  
AUGUST 31, 2013

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 3,128,861</b>
1 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 \$20,561,244 and the accumulated depreciation was \$5,891,208. 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 \$9,248,750. 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.	5,421,286
2 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 2013 capital outlays and debt principal payments is to increase (decrease) net position.	607,107
3 The 2013 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(570,490)
4 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, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	248,951
<b>19 Net Position of Governmental Activities</b>	<b>\$ 8,835,715</b>

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 AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,699,895	\$ 329,070	\$ 237,243	\$ 2,266,208
5800 State Program Revenues	6,216,139	326,492	72,743	6,615,374
5900 Federal Program Revenues	17,064	-	682,919	699,983
5020 Total Revenues	<u>7,933,098</u>	<u>655,562</u>	<u>992,905</u>	<u>9,581,565</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	4,395,833	-	229,495	4,625,328
0012 Instructional Resources and Media Services	121,931	-	364	122,295
0013 Curriculum and Instructional Staff Development	95,645	-	25,134	120,779
0023 School Leadership	532,423	-	365	532,788
0031 Guidance, Counseling and Evaluation Services	155,313	-	151,696	307,009
0033 Health Services	131,764	-	-	131,764
0034 Student (Pupil) Transportation	223,867	-	-	223,867
0035 Food Services	-	-	452,946	452,946
0036 Extracurricular Activities	379,794	-	34,947	414,741
0041 General Administration	464,138	-	512	464,650
0051 Facilities Maintenance and Operations	812,725	-	111,692	924,417
0052 Security and Monitoring Services	25,305	-	-	25,305
0053 Data Processing Services	20,900	-	-	20,900
Debt Service:				
0071 Principal on Long Term Debt	165,000	233,997	-	398,997
0072 Interest on Long Term Debt	4,290	383,819	-	388,109
0073 Bond Issuance Cost and Fees	-	62,455	-	62,455
Capital Outlay:				
0081 Facilities Acquisition and Construction	99,579	-	-	99,579
Intergovernmental:				
0099 Other Intergovernmental Charges	24,013	-	-	24,013
6030 Total Expenditures	<u>7,652,520</u>	<u>680,271</u>	<u>1,007,151</u>	<u>9,339,942</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>280,578</u>	<u>(24,709)</u>	<u>(14,246)</u>	<u>241,623</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Regular Bonds)	-	1,165,000	-	1,165,000
7915 Transfers In	-	-	10,721	10,721
7916 Premium or Discount on Issuance of Bonds	-	80,568	-	80,568
8911 Transfers Out (Use)	(10,721)	-	-	(10,721)
8949 Other (Uses)	-	(1,200,000)	-	(1,200,000)
7080 Total Other Financing Sources (Uses)	<u>(10,721)</u>	<u>45,568</u>	<u>10,721</u>	<u>45,568</u>
1200 Net Change in Fund Balances	269,857	20,859	(3,525)	287,191
0100 Fund Balance - September 1 (Beginning)	<u>2,175,573</u>	<u>641,397</u>	<u>24,700</u>	<u>2,841,670</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,445,430</u>	<u>\$ 662,256</u>	<u>\$ 21,175</u>	<u>\$ 3,128,861</u>

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 AUGUST 31, 2013

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 287,191</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 removing the 2013 capital outlays and debt principal payments is to increase (decrease) net position.	607,107
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.	(570,490)
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, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.	(70,688)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 253,120</b>

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  
AUGUST 31, 2013

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 20,244	\$ 12,774
Investments - Current	2,547	23,304
Total Assets	<u>22,791</u>	<u>\$ 36,078</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 36,078
Total Liabilities	<u>-</u>	<u>\$ 36,078</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>22,791</u>	
Total Net Position	<u>\$ 22,791</u>	

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 AUGUST 31, 2013

EXHIBIT E-2

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 15,836
Total Additions	<u>15,836</u>
DEDUCTIONS:	
Other Operating Costs	16,800
Total Deductions	<u>16,800</u>
Change in Net Position	(964)
 Total Net Position - September 1 (Beginning)	 <u>23,755</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 22,791</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  
YEAR ENDED AUGUST 31, 2013

**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 *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

**A. REPORTING ENTITY**

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

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 is recorded as debt service of the General Fund.

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

**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. 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.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

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

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

**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.



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

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 and 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. All assets and all liabilities associated with operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

#### **D. FUND ACCOUNTING**

The District reports the following 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.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

**E. CASH AND CASH EQUIVALENTS**

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

**F. INVENTORIES**

The District records purchases of supplies as expenditures.

**G. 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

**H. 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  
YEAR ENDED AUGUST 31, 2013

**I. 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.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

**J. 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.

**K. 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.

**L. 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.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

**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 at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 346 426	\$	\$ 346 426	
Buildings & Improvements	17 097 790	4 387 430	12 710 360	
Furniture & Equipment	1 208 307	978 260	230 047	
Capital Leases	<u>1 908 721</u>	<u>525 518</u>	<u>1 383 203</u>	
Totals	<u>\$ 20 561 244</u>	<u>\$ 5 891 208</u>		
Change in Net Position				<u>\$ 14 670 036</u>
<u>Long-term Liabilities at the Beginning of the year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			\$ 7 488 977	
Accretion Payable			1 212 467	
Capital Leases Payable			165 000	
Premium (Discount) on Issuance of Bonds			<u>382 306</u>	
Change in Net Position				<u>(9 248 750)</u>
Net Adjustment to Net Position				<u>\$ 5 421 286</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

**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:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
Current Year Capital Outlay:			
Building & Improvements	\$ 191 560	\$	\$
Furniture & Equipment	<u>16 550</u>		
Total Capital Outlay	<u>208 110</u>	<u>208 110</u>	<u>208 110</u>
Debt Principal Payments:			
Bond Principal	233 997		
Capital Lease Principal	<u>165 000</u>		
Total Principal Payments	<u>398 997</u>	<u>398 997</u>	<u>398 997</u>
Total Adjustment to Net Position		<u>\$ 607 107</u>	<u>\$ 607 107</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

**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:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 129 864	\$ (129 864)	\$
Uncollected taxes(assumed collectible) from Current Year Levy	74 200	74 200	74 200
Uncollected Taxes (assumed collectible) from Prior Year Levy	201 905		201 905
Reclassify Proceeds of Bonds:			
Bond Proceeds	1 165 000	(1 165 000)	(1 165 000)
Bonds Refunded	1 200 000	1 200 000	1 200 000
Reclassify Bond Related Items:			
Bond Premium	80 568	(80 568)	(80 568)
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	168 652	(168 652)	(168 652)
Current Year Paid	136 003	136 003	136 003
Accrued Interest on Debt:			
Prior Year	12 130	12 130	
Current Year	11 108	(11 108)	(11 108)
Bond Premium Amortization:			
Current Year	65 251	65 251	65 251
Bond Discount Amortization:			
Current Year	3 080	<u>(3 080)</u>	<u>(3 080)</u>
		<u>\$ (70 688)</u>	<u>\$ 248 951</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

**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 general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. 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:

	August 31, 2013 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 0
Nonappropriated Budget Funds	<u>21 175</u>
All Special Revenue Funds	<u>\$ 21 175</u>

**B. BUDGET VARIANCE**

The budget for the debt service fund was exceeded due to costs related to the bond refunding.



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

**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. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities, but are reported as assignments of fund balances. 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 2013-2014 budget.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2013

**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 2012-2013 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 \$3,246,486 and occurred on January 18, 2013. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$3,429,708. 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.

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- 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.
- 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 August 31, 2013, the amount of the District's cash balance in checking accounts was \$287,586. The cash balance in savings, time and certificate of deposit accounts was \$1,786,826.

INVESTMENTS

The District's investments at August 31, 2013, are shown below:

<u>Investment Type</u>	<u>Costs</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 1 786 826	\$ 1 786 826	.246575
MBIA Texas Class	150 883	150 892	.128767
First Public/Lone Star Investment Pool:			
Corporate Overnight	273 984	274 003	.136986
Government Overnight	20 378	20 383	.156164
Total Investments	<u>\$ 2 232 071</u>	<u>\$ 2 232 204</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.

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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 15% 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 upon which the levy for the 2012-2013 fiscal year was based, was \$149,101,999. The tax rates assessed for the year ended August 31, 2013 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$.21 per \$100 valuation, respectively, for a total of \$1.25 per \$100 valuation. Current tax collections for the year ended August 31, 2013 were 95.8% of the year end adjusted tax levy. As of August 31, 2013, property taxes receivable totaled \$243,873 and \$46,764 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 August 31, 2013 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
State Entitlements	\$ 822 356	\$	\$	\$ 822 356
Other State Grants			16 126	16 126
Federal Grants			23 174	23 174
Existing Debt Allotment		23 086		23 086
Instructional Facilities Allotment	<u>10 522</u>	<u>7 342</u>		<u>17 864</u>
Totals	<u>\$ 832 878</u>	<u>\$ 30 428</u>	<u>\$ 39 300</u>	<u>\$ 902 606</u>

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**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2013 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Due From</u>	<u>Due to</u>
General Fund:		
Debt Service Fund	\$	\$ 168 004
Debt Service Fund:		
General Fund	168 004	
Totals	<u>\$ 168 004</u>	<u>\$ 168 004</u>

This was caused by depositing a matured certificate of deposit to the wrong fund.

Interfund transfers for the year ended August 31, 2013 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Fund	\$	\$ 10 721
Special Revenue Fund:		
General Fund	\$ 10 721	\$
Totals	<u>\$ 10 721</u>	<u>\$ 10 721</u>

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**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2013, were as follows:

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes (Net)	\$ 231 679	\$ 44 426	\$	\$ 276 105
Other Governments	832 878	30 428	39 300	902 606
Other Funds		168 004		168 004
Other	6 211		15 881	22 092
Totals	<u>\$ 1 070 768</u>	<u>\$ 242 858</u>	<u>\$ 55 181</u>	<u>\$ 1 368 807</u>

Payables at August 31, 2013, were as follows:

	General Fund	Debt Service Fund	Other Funds	Total
Accounts Payable	\$ 222	\$	\$ 25 926	\$ 26 148
Accrued Wages	250 029		7 509	257 538
Other Funds	168 004			168 004
Other Governments			4 349	4 349
Totals	<u>\$ 418 255</u>	<u>\$ 0</u>	<u>\$ 37 784</u>	<u>\$ 456 039</u>

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**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2013, was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Governmental Activities:				
Land	\$ 346 426	\$	\$	\$ 346 426
Buildings & Improvements	17 097 790	191 560	1 908 721	19 198 071
Furniture & Equipment	1 208 307	16 550	(67 109)	1 157 748
Capital Leases	<u>1 908 721</u>		<u>(1 908 721)</u>	<u>0</u>
Total at Historical Cost	<u>20 561 244</u>	<u>208 110</u>	<u>(67 109)</u>	<u>20 702 245</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	4 387 430	419 710	565 942	5 373 082
Furniture & Equipment	978 260	110 356	(67 109)	1 021 507
Capital Leases	<u>525 518</u>	<u>40 424</u>	<u>(565 942)</u>	<u>0</u>
Total Accumulated Depreciation	<u>5 891 208</u>	<u>570 490</u>	<u>(67 109)</u>	<u>6 394 589</u>
Governmental Activities Capital Assets, Net	<u>\$ 14 670 036</u>	<u>\$ (362 380)</u>	<u>\$ 0</u>	<u>\$ 14 307 656</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 308 127
12	Instructional Resources and Media Services	11 533
13	Curriculum Development and Instructional Staff Development	409
23	School Leadership	7 179
31	Guidance, Counseling and Evaluation Services	1 515
33	Health Services	1 750
34	Student (Pupil) Transportation	50 304
35	Food Services	27 214
36	Cocurricular/Extracurricular Activities	102 902
41	General Administration	7 415
51	Plant Maintenance and Operations	46 848
53	Data Processing Services	<u>5 294</u>
	Total Depreciation Expense	<u>\$ 570 490</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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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 August 31, 2013 is as follows:

Description/ Purpose	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/12	Issued	Retired/ Refunded	Amounts Outstanding 8/31/13	Interest Current Year
Unlimited Tax School Building Bonds Series 2002	1.8% to 6.0%	\$ 9 878 977	\$ 828 604	\$	\$ 188 997	\$ 639 607	\$ 136 003
Unlimited Tax Refunding Bonds Series 2007	4.0% to 4.38%	\$ 6 880 373	\$ 6 660 373	\$	\$ 45 000 1 200 000	\$ 5 415 373	\$ 219 420
Unlimited Tax Refunding Bonds Series 2012	3.25%	\$ 1 165 000	\$	0 \$1 165 000	\$	0 \$ 1 165 000	\$ 28 396
Totals			<u>\$ 7 488 977</u>	<u>\$1 165 000</u>	<u>\$ 1 433 997</u>	<u>\$ 7 219 980</u>	<u>\$ 383 819</u>

Debt service requirements are as follows:

Year Ended August 31	General Obligations		
	Principal	Interest	Total Requirements
2014	\$ 221 706	\$ 403 777	\$ 625 483
2015	209 736	413 947	623 683
2016	204 167	422 715	626 882
2017	193 998	430 885	624 883
2018	35 373	592 509	627 882
2019 - 2023	855 000	2 274 413	3 129 413
2024 - 2028	2 215 000	915 147	3 130 147
2029 - 2033	2 695 000	417 272	3 112 272
2034	<u>590 000</u>	<u>19 175</u>	<u>609 175</u>
Totals	<u>\$ 7 219 980</u>	<u>\$ 5 889 840</u>	<u>\$ 13 109 820</u>



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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 August 31, 2013.

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 August 31, 2013 \$8,080,373 of bonds considered defeased are still outstanding.

On November 12, 2012, the Scurry-Rosser Independent School District issued \$1,165,000 in Unlimited Tax Refunding Bonds, Series 2012, with interest rates of 3.25%. The Bonds are being 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 passed by the Board. The Bonds will be issued to provide funds sufficient to refund a portion of the District's outstanding bonds (the "Refunded Bonds") and to pay costs of issuance related to the Bonds. The refunding is expected to result in a present value debt service savings to the District of approximately \$234,362. The Refunded Bonds and the interest due thereon are to be paid on the scheduled redemption date from funds to be deposited with the Escrow Agent pursuant to an Escrow Agreement between the District and the Escrow Agent.

The Order provides that from the proceeds of the sale of the Bonds received from the Underwriter and other funds of the District, the District will deposit with the Escrow Agent an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in an escrow account which, under the Escrow Agreement, is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. The Escrow Agent, in its capacity as paying agent for the Refunded Bonds, will certify as to the sufficiency of the amounts initially deposited into the Escrow Fund to pay the principal of and interest on the Refunded Bonds on the redemption Date.

By the deposit of Bond proceeds and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with the law. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Fund and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt. 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  
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**H. CAPITAL LEASES PAYABLE**

The Scurry-Rosser I.S.D. Public Facility Corporation issued School Facility Lease Revenue Bonds, Series 1998 on June 12, 1998 of \$1,760,000 for the purpose of constructing public facilities of the District under Section 271.004 of the Public Property Finance Act. The Public Facility Corporation is a blended unit of the District, and the payments on the capital lease payable are reported as debt service of the General Fund. The capital lease payable was liquidated on February 15, 2013. The effective interest rate was 5.2%.

A summary of changes in capital leases payable for the year ended August 31, 2013 is as follows:

Description/ Purpose	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 9/1/12	Issued	Retired	Amounts Outstanding 8/31/13	Interest Current Year
School Facility Lease Revenue Bonds Series 1998	5.2%	\$ 1 760 000	\$ 165 000	\$	\$ 165 000	\$ 0	\$ 4 290
Totals			<u>\$ 165 000</u>	<u>\$ 0</u>	<u>\$ 165 000</u>	<u>\$ 0</u>	<u>\$ 4 290</u>

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

Long-term liabilities activity for the year ended August 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	<u>\$ 7 488 977</u>	<u>\$ 1 165 000</u>	<u>\$ 1 433 997</u>	<u>\$ 7 219 980</u>	<u>\$ 221 706</u>
Accretion Payable:					
Capital Appreciation Bonds	<u>1 212 467</u>	<u>168 652</u>	<u>136 003</u>	<u>1 245 116</u>	<u>148 294</u>
Premium (Discount) on Issuance of Bonds:					
Premium	437 380	80 568	65 251	452 697	
Discount	<u>(55 074)</u>		<u>(3 080)</u>	<u>(51 994)</u>	
Other Liabilities:					
Capital Leases	<u>165 000</u>		<u>165 000</u>	<u>0</u>	<u>0</u>
Total Governmental Activities Long-term Liabilities	<u>\$ 9 248 750</u>	<u>\$ 1 414 220</u>	<u>\$ 1 797 171</u>	<u>\$ 8 865 799</u>	<u>\$ 370 000</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**J. UNEARNED REVENUE AND UNAVAILABLE REVENUE**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Unearned revenue at year-end consisted of the following:				
Tuition	\$ 14 125	\$	\$	\$ 14 125
Unavailable revenue at year-end consisted of the following:				
Net Property Taxes	\$ 231 679	\$ 44 426	\$	\$ 276 105

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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	\$ 50 777	\$	\$	\$ 50 777
Total Nonspendable	<u>50 777</u>			<u>50 777</u>
Restricted:				
Federal Grants				
State Grants				
Debt Service		662 256		662 256
Total Restricted		<u>662 256</u>		<u>662 256</u>
Committed:				
Construction	1 500 000			1 500 000
Total Committed	<u>1 500 000</u>			<u>1 500 000</u>
Assigned:				
Campus Activity			21 175	21 175
Total Assigned			<u>21 175</u>	<u>21 175</u>
Unassigned	894 653			894 653
Total Fund Balances	<u>\$ 2 445 430</u>	<u>\$ 662 256</u>	<u>\$ 21 175</u>	<u>\$ 3 128 861</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	\$ 1 580 251	\$ 318 928	\$	\$ 1 899 179
Penalties, Interest & Other				
Tax Related Income	40 807	7 840		48 647
Food Sales			182 997	182 997
Investment Income	9 900	2 302		12 202
Co-curricular Student				
Activities	39 768		43 226	82 994
Other	<u>29 169</u>	<u>          </u>	<u>11 020</u>	<u>40 189</u>
Total	<u>\$ 1 699 895</u>	<u>\$ 329 070</u>	<u>\$ 237 243</u>	<u>\$ 2 266 208</u>

**M. COMMITMENTS UNDER OPERATING LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of August 31, 2013, as follows:

<u>Year Ended August 31</u>	<u>Total</u>
2014	\$ 18 168
2015	7 788
2016	5 919
2017	<u>3 552</u>
Total Minimum Rentals	<u>\$ 35 427</u>
Rental Expenditures in Fiscal Year 2013	<u>\$ 18 168</u>

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

Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapter 803 and 805, respectively. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading.

Funding Policy

The state contribution rate is 6.0% and the member contribution rate is 6.4%. In certain instances the District is required to make all or a portion of the state's 6.0% contribution. Contribution requirements are not actuarially determined but are legally established each biennium by the Legislature of the State of Texas.

The District's employees' contributions to System for the years ending August 31, 2011, 2012 and 2013 were \$332,993, \$310,989 and \$333,515, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the district for salaries above the statutory minimum for the years ending August 31, 2011, 2012 and 2013 were \$50,820, \$53,392 and \$52,123, respectively, equal to the required contributions for each year.

The on behalf amounts contributed by the State, \$313,692, are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

**O. HEALTH CARE**

During the year ended August 31, 2013 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 Blue Cross and Blue Shield of Texas and Medco Health. 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 (Blue Cross/Blue Shield) is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**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 August 31, 2013 is estimated by TRS at \$19,226.

**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.

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

During the year ended August 31, 2013 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 \$16,826 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 \$58,134 for the fiscal year. The self insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$8,909 for plan periods ending August 31, 2013, and has accrued \$222 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 at August 31, 2013 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 2013 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.

**V. UNAMORTIZED DEBT ISSUANCE COSTS**

GASB Statement 65 provides standards of accounting and financial reporting for debt issuance costs. These costs are now reported as current debt related expenditures and are no longer capitalized and amortized over the life of the debt issue. For the current year, this change in the standard requires an adjustment of \$537,928 on Exhibit B-1 to record a reduction to the beginning net position in order to recognize all prior unamortized debt issuance costs.



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 AUGUST 31, 2013

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	\$ 1,585,136	\$ 1,585,136	\$ 1,699,895	\$ 114,759
5800	State Program Revenues	5,929,431	5,929,431	6,216,139	286,708
5900	Federal Program Revenues	27,000	27,000	17,064	(9,936)
5020	Total Revenues	7,541,567	7,541,567	7,933,098	391,531
EXPENDITURES:					
Current:					
0011	Instruction	4,494,097	4,486,597	4,395,833	90,764
0012	Instructional Resources and Media Services	130,568	130,568	121,931	8,637
0013	Curriculum and Instructional Staff Development	110,507	110,507	95,645	14,862
0023	School Leadership	514,360	542,360	532,423	9,937
0031	Guidance, Counseling and Evaluation Services	171,306	171,306	155,313	15,993
0033	Health Services	130,968	132,968	131,764	1,204
0034	Student (Pupil) Transportation	250,646	250,646	223,867	26,779
0036	Extracurricular Activities	384,278	384,278	379,794	4,484
0041	General Administration	513,574	498,574	464,138	34,436
0051	Facilities Maintenance and Operations	954,805	939,805	812,725	127,080
0052	Security and Monitoring Services	11,500	29,000	25,305	3,695
0053	Data Processing Services	26,750	26,750	20,900	5,850
Debt Service:					
0071	Principal on Long Term Debt	165,001	165,001	165,000	1
0072	Interest on Long Term Debt	4,300	4,300	4,290	10
0073	Bond Issuance Cost and Fees	2,600	2,600	-	2,600
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	124,800	99,579	25,221
Intergovernmental:					
0099	Other Intergovernmental Charges	25,000	25,000	24,013	987
6030	Total Expenditures	7,890,260	8,025,060	7,652,520	372,540
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(348,693)	(483,493)	280,578	764,071
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(10,721)	(10,721)
7080	Total Other Financing Sources (Uses)	-	-	(10,721)	(10,721)
1200	Net Change in Fund Balances	(348,693)	(483,493)	269,857	753,350
0100	Fund Balance - September 1 (Beginning)	2,175,573	2,175,573	2,175,573	-
3000	Fund Balance - August 31 (Ending)	\$ 1,826,880	\$ 1,692,080	\$ 2,445,430	\$ 753,350

## COMBINING STATEMENTS

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
AUGUST 31, 2013

Data Control Codes		209 Energy Conservation Inst. Bldgs.	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Receivables from Other Governments	-	7,110	-	-
1290	Other Receivables	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 7,110</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	6,482	-	-
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	-	628	-	-
2000	Total Liabilities	<u>-</u>	<u>7,110</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Assigned Fund Balance:					
3590	Other Assigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 7,110</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	404 Student Success Initiative	410 State Textbook Fund	429 D A T E Grant Cycle 2	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 4,145	\$ -	\$ (9,041)	\$ (1,007)	\$ (15,119)	\$ -	\$ 25,524	\$ 4,502
5,900	-	10,164	1,007	15,119	-	-	39,300
15,881	-	-	-	-	-	-	15,881
<u>\$ 25,926</u>	<u>\$ -</u>	<u>\$ 1,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,524</u>	<u>\$ 59,683</u>
\$ 25,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,926
-	-	1,027	-	-	-	-	7,509
-	-	-	-	-	-	4,349	4,349
-	-	96	-	-	-	-	724
<u>25,926</u>	<u>-</u>	<u>1,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,349</u>	<u>38,508</u>
-	-	-	-	-	-	21,175	21,175
-	-	-	-	-	-	21,175	21,175
<u>\$ 25,926</u>	<u>\$ -</u>	<u>\$ 1,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,524</u>	<u>\$ 59,683</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013

Data Control Codes		209 Energy Conservation Inst. Bldgs.	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	100,000	129,600	166,408	4,184
5020	Total Revenues	100,000	129,600	166,408	4,184
EXPENDITURES:					
Current:					
0011	Instruction	-	115,151	14,712	4,184
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Instructional Staff Development	-	14,279	-	-
0023	School Leadership	-	170	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	151,696	-
0035	Food Services	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	106,500	-	-	-
6030	Total Expenditures	106,500	129,600	166,408	4,184
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,500)	-	-	-
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	6,500	-	-	-
7080	Total Other Financing Sources (Uses)	6,500	-	-	-
1200	Net Change in Fund Balance	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	404 Student Success Initiative	410 State Textbook Fund	429 D A T E Grant Cycle 2	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ 182,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,246	\$ 237,243
2,442	-	-	3,150	52,350	14,801	-	72,743
254,811	6,129	21,787	-	-	-	-	682,919
440,250	6,129	21,787	3,150	52,350	14,801	54,246	992,905
-	4,824	21,787	3,150	52,350	5,251	8,086	229,495
-	-	-	-	-	-	364	364
-	1,305	-	-	-	9,550	-	25,134
-	-	-	-	-	-	195	365
-	-	-	-	-	-	-	151,696
452,946	-	-	-	-	-	-	452,946
-	-	-	-	-	-	34,947	34,947
-	-	-	-	-	-	512	512
5,192	-	-	-	-	-	-	111,692
458,138	6,129	21,787	3,150	52,350	14,801	44,104	1,007,151
(17,888)	-	-	-	-	-	10,142	(14,246)
4,221	-	-	-	-	-	-	10,721
4,221	-	-	-	-	-	-	10,721
(13,667)	-	-	-	-	-	10,142	(3,525)
13,667	-	-	-	-	-	11,033	24,700
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,175	\$ 21,175

## REQUIRED TEA SCHEDULES



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FISCAL YEAR ENDED AUGUST 31, 2013

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2004 and prior years	Various	Various	\$ Various
2005	1.500000	0.250000	124,611,314
2006	1.500000	0.250000	136,269,429
2007	1.370000	0.230000	141,648,765
2008	1.040050	0.210000	151,755,040
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 (School year under audit)	1.040000	0.210000	149,101,999
1000 TOTALS			

(10) Beginning Balance 9/1/2012	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2013
\$ 40,542	\$ -	\$ 1,091	\$ 187	\$ (17,915)	\$ 21,349
22,249	-	352	59	(359)	21,479
21,475	-	1,358	226	(396)	19,495
25,573	-	2,005	337	(378)	22,853
21,165	-	3,074	621	(459)	17,011
25,390	-	5,986	1,208	1,447	19,643
33,297	-	8,462	1,709	893	24,019
50,897	-	19,098	3,856	172	28,115
108,643	-	57,554	11,622	(899)	38,568
-	1,863,775	1,481,271	299,103	(5,296)	78,105
<u>\$ 349,231</u>	<u>\$ 1,863,775</u>	<u>\$ 1,580,251</u>	<u>\$ 318,928</u>	<u>\$ (23,190)</u>	<u>\$ 290,637</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2014-2015  
 GENERAL AND SPECIAL REVENUE FUNDS  
 AUGUST 31, 2013

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST**

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collections	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (other) Miscellaneous	7 Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 159,709	\$ 231,697	\$ -	\$ -	\$ 391,406
6149	Leave for Separating Employees in Fn 41 & 53	-	-	6,100	2	-	-	6,102
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	3,469	-	11,745	-	-	-	15,214
6212	Audit Services	-	-	-	13,700	-	-	13,700
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	26,313	-	-	-	-	26,313
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	1,450	-	-	1,556	-	-	3,006
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	1,550	-	3,200	7,706	-	-	12,456
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	-	-	2,132	2,452	-	-	4,584
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	-	-	-	-	-
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	809	-	2,481	8,452	-	-	11,742
6410	Travel, Subsistence, Stipends	720	-	1,185	1,072	-	-	2,977
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	2,697	-	-	-	-	-	2,697
6490	Miscellaneous Operating	2,655	-	2,652	1,795	-	-	7,102
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 13,350	\$ 26,313	\$ 189,204	\$ 268,432	\$ -	\$ -	\$ 497,299

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 8,553,172

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 101,611
Total Debt & Lease (6500)	(11) 169,290
Plant Maintenance (Function 51, 6100-6400)	(12) 817,917
Food (Function 35, 6341 and 6499)	(13) 900
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	268,432

SubTotal:

1,358,150

Net Allowed Direct Cost

\$ 7,195,022

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$ 17,289,350
Historical Cost of Building over 50 years old	(16) \$ -
Amount of Federal Money in Building Cost (Net of #16)	(17) \$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$ 1,157,748
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 323,868
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$ -

(8) NOTE A: \$8,636 in Function 53 expenditures are included in this report on administrative costs.

\$24,013 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET  
GENERAL FUND AS OF AUGUST 31, 2013

EXHIBIT J-3

**UNAUDITED**

1	Total General Fund Balance as of 8/31/13 (Exhibit C-1 object 3000 for the General Fund Only)	\$ 2,445,430
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 50,777
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	1,500,000
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	-
7	Estimate of two month's average cash disbursements during the fiscal year.	1,342,875
8	Estimate of delayed payments from state sources (58xx).	-
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	655,788
10	Estimate of delayed payments from federal sources (59xx)	15,881
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<u>3,565,321</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)	<u>\$ (1,119,891)</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 AUGUST 31, 2013

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	\$ 168,500	\$ 168,500	\$ 182,997	\$ 14,497
5800	State Program Revenues	2,409	2,409	2,442	33
5900	Federal Program Revenues	251,453	286,453	254,811	(31,642)
5020	Total Revenues	422,362	457,362	440,250	(17,112)
EXPENDITURES:					
0035	Food Services	437,988	472,988	452,946	20,042
0051	Facilities Maintenance and Operations	6,000	6,000	5,192	808
6030	Total Expenditures	443,988	478,988	458,138	20,850
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(21,626)	(21,626)	(17,888)	3,738
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	4,221	4,221
7080	Total Other Financing Sources (Uses)	-	-	4,221	4,221
1200	Net Change in Fund Balances	(21,626)	(21,626)	(13,667)	7,959
0100	Fund Balance - September 1 (Beginning)	13,667	13,667	13,667	-
3000	Fund Balance - August 31 (Ending)	\$ (7,959)	\$ (7,959)	\$ -	\$ 7,959

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2013

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	\$ 311,893	\$ 311,893	\$ 329,070	\$ 17,177
5800	State Program Revenues	333,000	333,000	326,492	(6,508)
5020	Total Revenues	644,893	644,893	655,562	10,669
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	234,000	234,000	233,997	3
0072	Interest on Long Term Debt	406,430	406,430	383,819	22,611
0073	Bond Issuance Cost and Fees	1,200	35,200	62,455	(27,255)
6030	Total Expenditures	641,630	675,630	680,271	(4,641)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	3,263	(30,737)	(24,709)	6,028
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	1,254,000	1,165,000	(89,000)
7916	Premium or Discount on Issuance of Bonds	-	-	80,568	80,568
8949	Other (Uses)	-	(1,220,000)	(1,200,000)	20,000
7080	Total Other Financing Sources (Uses)	-	34,000	45,568	11,568
1200	Net Change in Fund Balances	3,263	3,263	20,859	17,596
0100	Fund Balance - September 1 (Beginning)	641,397	641,397	641,397	-
3000	Fund Balance - August 31 (Ending)	\$ 644,660	\$ 644,660	\$ 662,256	\$ 17,596

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS

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

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

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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 August 31, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.



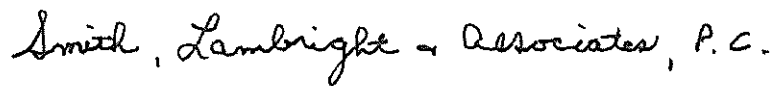
### **Compliance and Other Matters**

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,

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

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

December 16, 2013

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

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

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Cheri E. Kirkland, CPA

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**Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance;  
and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

**Independent Auditor's Report**

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

**Report on Compliance for Each Major Federal Program**

We have audited the District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

## Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the District as of and for the year ended August 31, 2013, and have issued our report thereon dated December 16, 2013 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Respectfully submitted,

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

SMITH, LAMBRIGHT & ASSOCIATES, P. C.  
Certified Public Accountants  
December 16, 2013

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2013

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 <u>  X  </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u>  X  </u> N/A
Noncompliance material to financial statements noted?	_____ yes <u>  X  </u> N/A

Federal Awards:

Internal control over major programs:	
• Material weakness(es) identified?	_____ yes <u>  X  </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes <u>  X  </u> N/A
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section _____.510 (a), OMB Circular A-133?	_____ yes <u>  X  </u> N/A
Identification of major programs:	

CFDA Number	Name of Federal Program or Cluster
84.010	ESEA Title I, Part A
84.027	IDEA - Part B Cluster:
84.173	IDEA - Part B Formula
	IDEA - Part B Preschool

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low risk auditee?	<u>  X  </u> yes _____ no
District Contact Person	Rhonda Porter Superintendent

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED AUGUST 31, 2013

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  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2013

N/A

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2013

N/A

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2013

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) 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	13-610101129910	\$ 122,490
*ESEA, Title I, Part A - Improving Basic Programs	84.010A	14-610101129910	7,110
Total CFDA Number 84.010A			129,600
Total Title I, Part A Cluster			129,600
**IDEA - Part B, Formula	84.027	13-660001129910	166,408
**IDEA - Part B, Preschool	84.173	13-661001129910	4,184
Total Special Education Cluster (IDEA)			170,592
Career and Technical - Basic Grant	84.048	13-420006057950	6,129
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	13-694511047950	20,664
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	14-694511057950	1,123
Total CFDA Number 84.367A			21,787
Total Passed Through State Department of Education			\$ 328,108
<b>TOTAL DEPARTMENT OF EDUCATION</b>			<b>\$ 328,108</b>
<b>U.S. DEPARTMENT OF ENERGY</b>			
<u>Passed Through Texas State Comptroller</u>			
Energy Conservation Grant	81.041	NT43205-CM1330	\$ 100,000
Total Passed Through Texas State Comptroller			\$ 100,000
<b>TOTAL DEPARTMENT OF ENERGY</b>			<b>\$ 100,000</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
***School Breakfast Program	10.553		\$ 54,087
***National School Lunch Program-Cash Assistance	10.555		177,093
***National School Lunch Prog.-Non-Cash Assistance	10.555		23,631
Total CFDA Number 10.555			200,724
Total Child Nutrition Cluster			254,811
Total Passed Through the State Department of Agriculture			\$ 254,811
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>			<b>\$ 254,811</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 682,919</b>

\*Clustered Programs  
 \*\*Clustered Programs  
 \*\*\*Clustered Programs

Note A - Funds received from the SHARS program of \$17,064 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 AUGUST 31, 2013

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented on the modified accrual basis of accounting . The information on this schedule is presented in accordance with the requirements of OMB Circular A - 133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.