

**SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**SMITH, LAMBRIGHT & ASSOCIATES, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
Athens, Texas 75751

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

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CERTIFICATE OF BOARD

Scurry-Rosser Independent School District  
Name of School District

Kaufman  
County

129-910  
Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and \_\_\_\_ approved \_\_\_\_ disapproved for the year ended June 30, 2018 at a meeting of the board of school trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, 2018.

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

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

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

# SMITH, LAMBRIGHT & ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Cheri E. Kirkland, CPA  
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## Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information

### Independent Auditor's Report

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

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scurry-Rosser Independent School District (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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

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

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

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, 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 Required Supplementary Information and Other Information*


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

The budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, schedule of the District's proportionate share of the net OPEB liability - TRS, schedule of District contributions for other post-employment benefits - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, schedule of district's proportionate share of the net pension liability - TRS, schedule of district contributions - TRS, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

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

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

November 14, 2018



MANAGEMENT'S DISCUSSION AND ANALYSIS



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

## **Management's Discussion and Analysis**

### **Scurry-Rosser Independent School District**

In this section of the Annual Financial and Compliance Report, we, the administrators of Scurry-Rosser Independent School District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2018. 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 \$4,472,801 at June 30, 2018.
- The General Fund ended the year with a fund balance of \$6,155,465.

#### **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 \$8,778,650 to \$4,472,801. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - decreased from \$2,774,360 on June 30, 2017 to \$828,144 on June 30, 2018. This decrease in governmental net position was the result of the District's decrease of net pension liability and total deferred outflows/inflows of resources.

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported a combined fund balance of \$7,373,074 which is an increase of \$2,364,269 from last year's total of \$5,008,805. Included in this year's total change in fund balance is an increase of \$2,520,992 in the District's General Fund, an decrease of \$16,480 in the District's Interest and Sinking Fund, and an decrease of \$3,180 in the District's Other Funds.

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### ***Capital Assets***

At the end of 2017, the District had \$16,012,976 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase over last year of \$2,894,384.

### ***Debt***

At period-end, the District had \$13,585,928 in bonds and lease purchase payments outstanding. This amount is a increase of \$5,512,745 from the last year's amount of \$8,346,183. 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 2017-2018 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 2017-2018 M&O tax rate was set at \$1.170000. The estimated general revenue for 2016-2017 is \$9,979,270 and the appropriations are \$9,979,270. This represents a balanced budget for the general fund.

The interest and sinking estimated revenue is \$624,883 and appropriations are \$624,883. This represents a balanced budget. The board chose to set the I & S tax rate at \$0.160000 for the 2017-2018 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	
	2017	2018
Current and other assets	5,994,044	8,473,731
Capital assets	<u>13,118,593</u>	<u>16,012,976</u>
<b>Total Assets</b>	<b><u>19,112,637</u></b>	<b><u>24,486,707</u></b>
Deferred Outflow Related to TRS OPEB	<u>804,298</u>	<u>50,320</u>
Deferred Outflow Related to TRS Pension	<u>0</u>	<u>639,061</u>
<b>Total Deferred Outflows of Resources</b>	<b><u>804,298</u></b>	<b><u>689,381</u></b>
Long-term liabilities	8,346,183	13,585,928
Other liabilities	893,094	1,036,990
Net Pension Liability (District's Share)	<u>1,795,495</u>	<u>4,575,478</u>
<b>Total Liabilities</b>	<b><u>11,034,772</u></b>	<b><u>19,198,396</u></b>
Deferred Inflows Related to TRS OPEB	<u>103,513</u>	<u>1,269,125</u>
Deferred Inflows Related to TRS Pension	<u>0</u>	<u>235,766</u>
<b>Total Deferred Inflows of Resources</b>	<b><u>103,513</u></b>	<b><u>1,504,891</u></b>
Net Position:		
Invested in capital assets	4,772,410	2,427,048
Net of related debt		
Restricted	1,231,880	1,217,609
Unrestricted	<u>2,774,360</u>	<u>824,144</u>
<b>Total Net Position</b>	<b><u>8,778,650</u></b>	<b><u>4,472,801</u></b>

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

**CHANGES IN NET POSITION**

	Governmental Activities	
	2017	2018
<b>Revenue</b>		
Program revenues:		
Charges for services	274,466	228,067
Operating grants and contributions	1,176,535	(527,056)
General Revenues:		
Maintenance and operations taxes	1,795,870	1,977,485
Debt service taxes	245,453	270,710
State aid-formula grants	7,560,278	8,010,375
Grants and contributions not restricted to specific functions	115,330	0
Investments earnings	27,018	74,375
Miscellaneous	77,299	167,340
<b>Total Revenue</b>	<b>11,272,249</b>	<b>10,500,295</b>
<b>Expenses</b>		
Instruction, curriculum and media services	5,703,689	4,387,009
Instructional and school leadership	679,170	702,829
Student support services	827,501	329,218
Child nutrition	473,484	419,886
Extracurricular activities	799,477	653,214
General administration	731,844	536,863
Plant maintenance, security and data processing	1,843,820	1,525,867
Debt services	641,831	601,633
Facilities acq and construction	0	0
Payment to SSA		
Other Intergovernmental Charges	24,087	24,302
<b>Total Expenses</b>	<b>11,724,903</b>	<b>9,180,821</b>
Increase (Decrease) in net position before transfers and special items	(452,654)	1,020,485
Transfers	0	0
Special items GASB 65 Change	0	0
Change in Net Position	(452,654)	1,020,485
Net position at Beginning	9,231,303	8,778,650
Prior period assignment	0	(5,326,334)
<b>Net position at Ending</b>	<b>8,778,650</b>	<b>4,472,801</b>

BASIC FINANCIAL STATEMENTS

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2018

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 333,024
1120 Current Investments	7,005,483
1220 Property Taxes - Delinquent	231,804
1230 Allowance for Uncollectible Taxes	(11,591)
1240 Due from Other Governments	903,411
1290 Other Receivables, Net	11,600
Capital Assets:	
1510 Land	346,426
1520 Buildings, Net	11,695,681
1530 Furniture and Equipment, Net	693,943
1580 Construction in Progress	3,276,926
1000 Total Assets	24,486,707
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1703 Deferred Resource Outflow Related to TRS OPEB	50,320
1705 Deferred Resource Outflow Related to TRS Pension	639,061
1700 Total Deferred Outflows of Resources	689,381
<b>LIABILITIES</b>	
2110 Accounts Payable	38,103
2140 Interest Payable	156,546
2150 Payroll Deductions and Withholdings	12,472
2160 Accrued Wages Payable	755,460
2180 Due to Other Governments	4,619
2200 Accrued Expenses	52,902
2300 Unearned Revenue	16,888
Noncurrent Liabilities:	
2501 Due Within One Year	585,000
2502 Due in More Than One Year	13,000,928
2540 Net Pension Liability (District's Share)	1,541,484
2545 Net OPEB Liability (District's Share)	3,033,994
2000 Total Liabilities	19,198,396
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2603 Deferred Resource Inflow Related to TRS OPEB	1,269,125
2605 Deferred Resource Inflow Related to TRS Pension	235,766
2600 Total Deferred Inflows of Resources	1,504,891
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	2,427,048
3820 Restricted for Federal and State Programs	1,508
3850 Restricted for Debt Service	1,177,540
3870 Restricted for Campus Activities	38,561
3900 Unrestricted	828,144
3000 Total Net Position	\$ 4,472,801

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



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 4,187,867	\$ 17,622	\$ (366,496)	\$ (4,536,741)
12 Instructional Resources and Media Services	94,153	-	(14,771)	(108,924)
13 Curriculum and Instructional Staff Development	104,989	-	(2,960)	(107,949)
21 Instructional Leadership	58,769	-	(17,463)	(76,232)
23 School Leadership	398,713	-	(109,686)	(508,399)
31 Guidance, Counseling and Evaluation Services	245,347	-	68,616	(176,731)
33 Health Services	106,270	-	(30,397)	(136,667)
34 Student (Pupil) Transportation	222,948	-	(36,769)	(259,717)
35 Food Services	419,886	152,499	257,022	(10,365)
36 Extracurricular Activities	653,214	53,121	(63,065)	(663,158)
41 General Administration	536,863	-	(87,534)	(624,397)
51 Facilities Maintenance and Operations	1,313,945	4,825	(84,446)	(1,393,566)
52 Security and Monitoring Services	34,309	-	(6,535)	(40,844)
53 Data Processing Services	177,613	-	(32,572)	(210,185)
72 Debt Service - Interest on Long-Term Debt	470,434	-	-	(470,434)
73 Debt Service - Bond Issuance Cost and Fees	131,199	-	-	(131,199)
99 Other Intergovernmental Charges	24,302	-	-	(24,302)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 9,180,821</u>	<u>\$ 228,067</u>	<u>\$ (527,056)</u>	<u>(9,479,810)</u>

Data Control Codes		
	<b>General Revenues:</b>	
	<b>Taxes:</b>	
MT	Property Taxes, Levied for General Purposes	1,977,495
DT	Property Taxes, Levied for Debt Service	270,710
SF	State Aid - Formula Grants	8,010,375
IE	Investment Earnings	74,375
MI	Miscellaneous Local and Intermediate Revenue	167,340
TR	<b>Total General Revenues</b>	<u>10,500,295</u>
CN	Change in Net Position	1,020,485
NB	Net Position - Beginning	8,778,650
PA	Prior Period Adjustment	(5,326,334)
NE	Net Position--Ending	<u>\$ 4,472,801</u>

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 213,426	\$ 73,746	\$ 45,852	\$ 333,024
1120 Investments - Current	5,902,299	1,103,184	-	7,005,483
1220 Property Taxes - Delinquent	199,265	32,539	-	231,804
1230 Allowance for Uncollectible Taxes	(9,964)	(1,627)	-	(11,591)
1240 Due from Other Governments	854,258	2,198	46,955	903,411
1290 Other Receivables	11,600	-	-	11,600
1000 Total Assets	<u>\$ 7,170,884</u>	<u>\$ 1,210,040</u>	<u>\$ 92,807</u>	<u>\$ 8,473,731</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 38,103	\$ -	\$ -	\$ 38,103
2150 Payroll Deductions and Withholdings Payable	12,472	-	-	12,472
2160 Accrued Wages Payable	715,102	-	40,358	755,460
2180 Due to Other Governments	-	-	4,619	4,619
2200 Accrued Expenditures	45,141	-	7,761	52,902
2300 Unearned Revenue	15,300	1,588	-	16,888
2000 Total Liabilities	<u>826,118</u>	<u>1,588</u>	<u>52,738</u>	<u>880,444</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	189,301	30,912	-	220,213
2600 Total Deferred Inflows of Resources	<u>189,301</u>	<u>30,912</u>	<u>-</u>	<u>220,213</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	1,508	1,508
3480 Retirement of Long-Term Debt	-	1,177,540	-	1,177,540
Committed Fund Balance:				
3510 Construction	1,500,000	-	-	1,500,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	38,561	38,561
3600 Unassigned Fund Balance	4,655,465	-	-	4,655,465
3000 Total Fund Balances	<u>6,155,465</u>	<u>1,177,540</u>	<u>40,069</u>	<u>7,373,074</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,170,884</u>	<u>\$ 1,210,040</u>	<u>\$ 92,807</u>	<u>\$ 8,473,731</u>

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2018

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	7,373,074
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$21,762,798 and the accumulated depreciation was (\$8,644,205). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The long term debt was \$8,346,183. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position. Note: Beginning Balances related to TRS are NOT included in this amount.		4,772,410
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase (decrease) net position.		3,663,149
<b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$639,061, a deferred resource inflow in the amount of \$235,766, and a net pension liability in the amount of \$1,541,484. This resulted in an increase (decrease) in net position.		(1,138,189)
<b>4</b> Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$50,320, a deferred resource inflow in the amount of \$1,269,125, and a net OPEB liability in the amount of \$3,033,994. This resulted in an increase (decrease) in net position.		(4,252,799)
<b>5</b> The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to increase (decrease) net position.		(529,768)
<b>6</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(5,415,076)
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>4,472,801</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 BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 2,279,146	\$ 300,709	\$ 183,236	\$ 2,763,091
5800 State Program Revenues	8,137,227	317,774	145,128	8,600,129
5900 Federal Program Revenues	74,114	-	670,622	744,736
5020 Total Revenues	<u>10,490,487</u>	<u>618,483</u>	<u>998,986</u>	<u>12,107,956</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	5,225,007	-	422,808	5,647,815
0012 Instructional Resources and Media Services	118,218	-	506	118,724
0013 Curriculum and Instructional Staff Development	130,423	-	14,952	145,375
0021 Instructional Leadership	97,360	-	-	97,360
0023 School Leadership	601,576	-	1,715	603,291
0031 Guidance, Counseling and Evaluation Services	240,037	-	104,668	344,705
0033 Health Services	160,729	-	-	160,729
0034 Student (Pupil) Transportation	338,329	-	1,772	340,101
0035 Food Services	-	-	509,260	509,260
0036 Extracurricular Activities	682,463	-	7,343	689,806
0041 General Administration	714,296	-	608	714,904
0051 Facilities Maintenance and Operations	1,364,098	-	39,094	1,403,192
0052 Security and Monitoring Services	45,131	-	-	45,131
0053 Data Processing Services	243,552	-	-	243,552
<b>Debt Service:</b>				
0071 Principal on Long-Term Debt	-	238,998	-	238,998
0072 Interest on Long-Term Debt	5,180	395,015	-	400,195
0073 Bond Issuance Cost and Fees	450	950	-	1,400
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	3,276,926	-	-	3,276,926
<b>Intergovernmental:</b>				
0099 Other Intergovernmental Charges	24,302	-	-	24,302
6030 Total Expenditures	<u>13,268,077</u>	<u>634,963</u>	<u>1,102,726</u>	<u>15,005,766</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,777,590)</u>	<u>(16,480)</u>	<u>(103,740)</u>	<u>(2,897,810)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7914 Non-Current Loans	5,165,000	-	-	5,165,000
7915 Transfers In	-	-	105,949	105,949
7916 Premium or Discount on Issuance of Bonds	242,366	-	-	242,366
8911 Transfers Out (Use)	(105,949)	-	-	(105,949)
8949 Other (Uses)	(145,287)	-	-	(145,287)
7080 Total Other Financing Sources (Uses)	<u>5,156,130</u>	<u>-</u>	<u>105,949</u>	<u>5,262,079</u>
1200 Net Change in Fund Balances	2,378,540	(16,480)	2,209	2,364,269
0100 Fund Balance - July 1 (Beginning)	<u>3,776,925</u>	<u>1,194,020</u>	<u>37,860</u>	<u>5,008,805</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 6,155,465</u>	<u>\$ 1,177,540</u>	<u>\$ 40,069</u>	<u>\$ 7,373,074</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 JUNE 30, 2018

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	2,364,269
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 2018 capital outlays and debt principal payments is to increase (decrease) net position.		3,663,149
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 increase (decrease) net position.		(529,768)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(5,507,221)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$174,061. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in net position totaling \$131,040. Finally, the proportionate share of the pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$86,500. The net result is an increase (decrease) in the change in net position.		(43,479)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$49,844. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$30,029. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by (\$1,053,720). The net result is an increase (decrease) in the change in net position.		1,073,535
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>1,020,485</u>

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2018

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 30,199	\$ 34,578
Investments - Current	2,627	24,019
Total Assets	<u>32,826</u>	<u>\$ 58,597</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 58,597
Total Liabilities	<u>-</u>	<u>\$ 58,597</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>32,826</u>	
Total Net Position	<u>\$ 32,826</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 JUNE 30, 2018

EXHIBIT E-2

	Private Purpose Trust Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 19,720
Total Additions	<u>19,720</u>
DEDUCTIONS:	
Other Operating Costs	13,468
Total Deductions	<u>13,468</u>
Change in Net Position	6,252
Total Net Position - July 1 (Beginning)	<u>26,574</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 32,826</u></u>

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

*Other Post-Employment Benefits.* The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care’s fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

**A. REPORTING ENTITY**

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

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

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



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

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

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**D. FUND ACCOUNTING**

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

The District reports the following fund types:

Governmental Funds:

**1. General Fund** - The general fund is the District's primary operating fund and is always reported as a major fund. It accounts for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds** - The District accounts for resources restricted to, or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

**3. Debt Service Fund** - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

Fiduciary Funds:

**4. Private Purpose Trust Fund** - The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the scholarship fund.

**5. Agency Fund** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Fund is the student activity fund.

**E. CASH AND CASH EQUIVALENTS**

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

**F. INVENTORIES**

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

**G. PREPAYMENTS**

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018

**H. CAPITAL ASSETS**

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

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

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

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

Land and construction in progress are not depreciated.

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

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

In addition to assets, the Balance Sheet and Statement of Net Position may report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the Balance Sheet and Statement of Net Position may report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resource (revenue) until that time.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**J. LONG TERM DEBT**

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

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

**K. FUND BALANCE**

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

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

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018

**L. USE OF ESTIMATES**

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

**M. DATA CONTROL CODES**

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

**N. TEACHER RETIREMENT SYSTEM**

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

<u>Capital Assets at the Beginning of the Year</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 346 426	\$	\$ 346 426	
Buildings & Improvements	19 261 593	7 120 913	12 140 680	
Furniture & Equipment	<u>2 154 779</u>	<u>1 523 292</u>	<u>631 487</u>	
Totals	<u>\$ 21 762 798</u>	<u>\$ 8 644 205</u>		
Change in Net Position				<u>\$ 13 118 593</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			6 583 998	
Accretion Payable			370 227	
Premium on Issuance of Bonds			<u>1 391 958</u>	
Change in Net Position				<u>(8 346 183)</u>
Net Adjustment to Net Position				<u>\$ 4 772 410</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**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:			
Land	\$	\$	\$
Construction in Progress	3 276 926		
Building & Improvements			
Furniture & Equipment	<u>147 225</u>		
Total Capital Outlay	<u>3 424 151</u>	<u>3 424 151</u>	<u>3 424 151</u>
Debt Payments:			
Bond Principal	238 998		
Loan Principal	<u>0</u>		
Total Principal Payments	<u>238 998</u>	<u>238 998</u>	<u>238 998</u>
Total Adjustment to Net Position		<u>\$ 3 663 149</u>	<u>\$ 3 663 149</u>



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**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	\$ 119 340	\$ (119 340)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	89 724	89 724	89 724
Uncollected Taxes (assumed collectible) from Prior Year Levy	130 489		130 489
Reclassify Proceeds of Loan:			
Loan Proceeds	5 165 000	(5 165 000)	(5 165 000)
Reclassify Loan Related Items:			
Loan Premium	242 366	(242 366)	(242 366)
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	256 992	(256 992)	(256 992)
Current Year Paid	181 002	181 002	181 002
Accrued Interest on Debt:			
Prior Year	157 684	157 684	
Current Year	156 546	(156 546)	(156 546)
Bond Premium Amortization:			
Current Year	4 613	4 613	4 613
		<u>\$ (5 507 221)</u>	<u>\$ (5 415 076)</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

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

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

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

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

	<u>June 30, 2018</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 0
Nonappropriated Budget Funds	<u>40 069</u>
All Special Revenue Funds	<u><u>\$ 40 069</u></u>

**B. BUDGET VARIANCES**

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**C. ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrance accounting is utilized to ensure effective budgetary control and accountability. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. There were no outstanding encumbrances at the end of the fiscal year that were subsequently provided for in the 2018-2019 budget.

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

**A. DEPOSITS AND INVESTMENTS**

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

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

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

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

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. During 2017-2018 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 \$3,536,557 and occurred on January 3, 2018. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$3,940,226. The total amount of FDIC coverage at the time of the highest combined balance was \$750,000.

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

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

CASH DEPOSITS

At June 30, 2018, the amount of the District's cash balance in checking accounts was \$396,801. Cash on hand was \$1,000.

INVESTMENTS - CASH EQUIVALENTS

The District's investments - cash equivalents at June 30, 2018, are shown below:

<u>Investment Type</u>	<u>Costs</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 1 305 854	\$ 1 305 854	.246575
MBIA Texas Class	5 165 359	5 165 359	.224657
First Public/Lone Star Investment Pool:			
Corporate Overnight	540 101	540 101	.134246
Government Overnight	<u>20 815</u>	<u>20 815</u>	.265753
Total Investments	<u>\$ 7 032 129</u>	<u>\$ 7 032 129</u>	

INVESTMENTS - OTHER

The District's investments - other at June 30, 2018, are shown below:

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

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**B. PROPERTY TAXES**

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

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

The assessed value of the property tax roll on January 1, 2017 upon which the levy for the 2017-2018 fiscal year was based, was \$170,528,378. The tax rates assessed for the year ended June 30, 2018 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$.16 per \$100 valuation, respectively, for a total of \$1.33 per \$100 valuation. Current tax collections for the year ended June 30, 2018 were 95.8% of the year end adjusted tax levy. As of June 30, 2018, property taxes receivable totaled \$199,265 and \$32,539 for the General and Debt Service Funds respectively.

**C. RECEIVABLES FROM OTHER GOVERNMENTS**

The District participates in variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2018 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Receivables from Other Governments.

	General Fund	Debt Service Fund	Other Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
State Entitlements	\$ 854 258	\$	\$	\$ 854 258
State EDA & IFA		2 198		2 198
Other State Grants				
Federal Grants	<u>          </u>	<u>          </u>	46 955	46 955
Totals	<u>\$ 854 258</u>	<u>\$ 2 198</u>	<u>\$ 46 955</u>	<u>\$ 903 411</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2018 consisted of the following individual fund amounts:

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

Interfund transfers for the year ended June 30, 2018 consisted of the following individual fund amounts:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund:		
Special Revenue Fund	\$ _____	\$ 105 949
Special Revenue Fund:		
General Fund	\$ 105 949	\$ _____
Totals	<u>\$ 105 949</u>	<u>\$ 105 949</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**E. RECEIVABLES AND PAYABLES**

Receivables at June 30, 2018, were as follows:

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes (Net)	\$ 189 301	\$ 30 912	\$	\$ 220 213
Other Governments	854 258	2 198	46 955	903 411
Other Receivables	11 600			11 600
Totals	<u>\$ 1 055 159</u>	<u>\$ 33 110</u>	<u>\$ 46 955</u>	<u>\$ 1 135 224</u>

Payables at June 30, 2018, were as follows:

	General Fund	Debt Service Fund	Other Funds	Total
Accounts Payable	\$ 38 103	\$	\$	\$ 38 103
Payroll Deductions	12 472			12 472
Accrued Wages	712 102		40 358	755 460
Other Governments			4 619	4 619
Totals	<u>\$ 765 677</u>	<u>\$ 0</u>	<u>\$ 44 977</u>	<u>\$ 810 654</u>



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<b>Nondepreciable Capital Assets</b>				
Land	\$ 346 426	\$	\$	\$ 346 426
Construction in Progress		3 276 926		3 276 926
Subtotal Nondepreciable Assets	<u>346 426</u>	<u>3 276 926</u>		<u>3 623 352</u>
<b>Depreciable Capital Assets</b>				
Building & Improvements	19 261 593			19 261 593
Furniture & Equipment	<u>2 154 779</u>	<u>147 225</u>		<u>2 302 004</u>
Subtotal Depreciable Assets	<u>21 416 372</u>	<u>147 225</u>		<u>21 563 597</u>
Total at Historical Cost	<u>21 762 798</u>	<u>3 424 151</u>		<u>25 186 949</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings & Improvements	7 120 913	444 999		7 565 912
Furniture & Equipment	<u>1 523 292</u>	<u>84 769</u>		<u>1 608 061</u>
Total Accumulated Depreciation	<u>8 644 205</u>	<u>529 768</u>		<u>9 173 973</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 13 118 593</u>	<u>\$ 2 894 383</u>	<u>\$</u>	<u>\$ 16 012 976</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 245 333
34	Student (Pupil) Transportation	55 723
35	Food Services	2 799
36	Cocurricular/Extracurricular Activities	92 730
41	General Administration	745
51	Plant Maintenance and Operations	130 229
53	Data Processing Services	<u>2 209</u>
	Total Depreciation Expense	<u>\$ 529 768</u>

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

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

A summary of changes in long-term debt for the year ended June 30, 2018 is as follows:

Description/ Purpose	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 7/1/17	Issued	Retired	Amounts Outstanding 6/30/18	Interest Current Year
Unlimited Tax School Building Bonds Series 2002	1.8% to 6.0%	\$ 9 878 977	\$ 143 998	\$	\$ 143 998	\$ 0	\$ 181 002
Unlimited Tax Refunding Bonds Series 2007	4.0% to 4.38%	\$ 6 880 373	50 000		50 000	0	1 000
Unlimited Tax Refunding Bonds Series 2012	3.25%	\$ 1 165 000	1 165 000		0	1 165 000	37 863
Unlimited Tax Refunding Bonds Series 2016	2.0% to 4.0%	\$ 5 225 000	5 225 000		45 000	5 180 000	175 150
Totals			<u>\$ 6 583 998</u>	<u>\$ 0</u>	<u>\$ 238 998</u>	<u>\$ 6 345 000</u>	<u>\$ 395 015</u>

Debt service requirements are as follows:

Year Ended June 30	General Obligations		
	Principal	Interest	Total Requirements
2019	\$ 40 000	\$ 497 563	\$ 537 563
2020	15 000	522 562	537 562
2021	325 000	207 687	532 687
2022	335 000	197 788	532 788
2023	340 000	187 663	527 663
2024 - 2028	1 875 000	768 237	2 643 237
2029 - 2033	2 250 000	382 438	2 632 438
2034 - 2035	1 165 000	38 106	1 203 106
Totals	<u>\$ 6 345 000</u>	<u>\$ 2 802 044</u>	<u>\$ 9 147 044</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2018.

The District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of June 30, 2018 \$13,305,747 of bonds considered defeased are still outstanding.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
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**H. LOANS PAYABLE**

The District accounts for short-term debts for maintenance purposes through the General Fund. Short-term debts include notes made in accordance with the provisions of the Texas Education Code Section 45.108. The proceeds from long-term loans are shown in the financial statements as Other Resources and principal and interest payments are shown as debt service in the General Fund.

A Maintenance Tax Notes, Series 2018, loan of \$5,165,000 was issued on January 1, 2018 for the purpose of paying maintenance expenses for the repair, rehabilitation, renovation and replacement of existing school facilities and the equipment thereof and the costs of issuance related to the Notes, as authorized by Texas Education Code Section 45.108, as amended. The loan is to be repaid in semi-annual payments beginning February 15, 2018. The interest rates are 3.75% to 5.0%.

A summary of changes in loans payable for the year ended June 30, 2018 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/17</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 6/30/18</u>	<u>Interest Current Year</u>
Maintenance Tax Notes Series 2018	3.75% to 5.0%	\$ 5 165 000	\$ 0	\$ 5 165 000	\$ 0	\$ 5 165 000	\$ 5 180
<b>Totals</b>			<u>\$ 0</u>	<u>\$ 5 165 000</u>	<u>\$ 0</u>	<u>\$ 5 165 000</u>	<u>\$ 5 180</u>

Debt service requirements are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 260 000	\$ 200 713	\$ 460 713
2020	180 000	189 712	369 712
2021	180 000	180 713	360 713
2022	195 000	171 337	366 337
2023	200 000	162 463	362 463
2024-2028	1 135 000	682 212	1 817 212
2029-2033	1 375 000	440 156	1 815 156
2034-2038	1 640 000	158 063	1 798 063
<b>Totals</b>	<u>\$ 5 165 000</u>	<u>\$ 2 185 369</u>	<u>\$ 7 350 369</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**I. CHANGES IN LONG-TERM LIABILITIES**

Long-term liabilities activity for the Year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 6 583 998	\$ _____	\$ 238 998	\$ 6 345 000	\$ 40 000
Accretion Payable:					
Capital Appreciation Bonds	370 227	256 992	181 002	446 217	285 000
Premium on Issuance of Bonds:					
Premium	1 391 958	_____	4 613	1 387 345	_____
Loans Payable:					
Maintenance Tax Notes	_____	5 165 000	_____	5 165 000	260 000
Premium on Issuance of Loan:					
Premium	_____	242 366	_____	242 366	_____
Total Governmental Activities Long-term Liabilities	<u>\$ 8 346 183</u>	<u>\$ 5 664 358</u>	<u>\$ 424 613</u>	<u>\$ 13 585 928</u>	<u>\$ 585 000</u>

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

	General Fund	Debt Service Fund	Other Funds	Total
Unearned revenue at year-end consisted of the following:				
Tuition	15 300			15 300
EDA		1 588		1 588
Totals	\$ 15 300	\$ 1 588	\$	\$ 16 888
Unavailable revenue at year-end consisted of the following:				
Net Property Taxes	\$ 189 301	\$ 30 912	\$	\$ 220 213

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

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

<u>Fund Balance</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid Items	\$	\$	\$	\$
Restricted:				
Federal Grants				
State Grants			1 508	1 508
Debt Service		1 177 540		1 177 540
Committed:				
Construction	1 500 000			1 500 000
Assigned:				
Campus Activity			38 561	38 561
Unassigned	<u>4 655 465</u>	<u>          </u>	<u>          </u>	<u>4 655 465</u>
Total Fund Balances	<u>\$ 6 155 465</u>	<u>\$ 1 177 540</u>	<u>\$ 40 069</u>	<u>\$ 7 373 074</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	\$ 2 000 934	\$ 276 887	\$	\$ 2 277 821
Penalties, Interest & Other				
Tax Related Income	61 432	10 433		71 865
Food Sales			152 499	152 499
Investment Income	60 986	13 389		74 375
Co-curricular Student				
Activities	28 000		25 121	53 121
Other	<u>127 794</u>		<u>5 616</u>	<u>133 410</u>
Total	<u>\$ 2 279 146</u>	<u>\$ 300 709</u>	<u>\$ 183 236</u>	<u>\$ 2 763 091</u>



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

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/TRS%20Documents/cafr2016/pdf>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 84<sup>th</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2016 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

**Contribution Rates**

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Current Fiscal Year Contributions	\$	200 399
District's 2018 Current Fiscal Year Member Contributions	\$	541 877
District's 2017 Measurement Year NECE On-Behalf Contributions	\$	343 482

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

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

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age, Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Ad Hoc Post Employment Benefit Changes	None

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**Discount Rate.** The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$ <u>2 598 637</u>	\$ <u>1 541 484</u>	\$ <u>661 232</u>

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.** At June 30, 2018, the District reported a liability of \$1,541,484 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1 541 484
State's proportionate share that is associated with the District	3 358 073
Total	<u>\$ 4 899 557</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's portion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was .004820962%, which was an increase (decrease) of .0000695308% from its proportion measured as of August 31, 2016.

**Changes Since the Prior Actuarial Valuation** - There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

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

For the year ended June 30, 2018, the District recognized pension expense of \$256,140 and revenue of \$ 256,140 for support provided by the State.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22 553	\$ 83 130
Changes in actuarial assumptions	70 217	40 198
Difference between projected and actual investment earnings		112 340
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>372 230</u>	<u>98</u>
Total as of Fiscal year end	465 000	235 766
Contributions paid to TRS subsequent to the measurement date	174 061	
Total as of August 31, 2017 measurement date	<u>\$ 639 061</u>	<u>\$ 235 766</u>

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

Year ended June30:	Pension Expense Amount
2019	\$ 39 331
2020	137 728
2021	31 773
2022	1 766
2023	17 459
Thereafter	1 177

**Long-Term Liability Disclosure**

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	<u>\$ 1 795 495</u>	<u>\$ (96 008)</u>	<u>\$ 158 003</u>	<u>\$ 1 541 484</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**N. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

**Plan Description**

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**OPEB Plan Fiduciary Net Position**

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

**Benefits Provided**

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public school, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependent not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A & B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

**TRS-Care Plan Premium Rates**

Effective Sept. 1, 2016 - Dec. 31, 2017

	<b>TRS-Care 1</b>	<b>TRS-Care 2</b>	<b>TRS-Care 3</b>
	Basic Plan	Optional Plan	Optional Plan
Retiree	\$ 0	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82
* or surviving spouse			

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**Contributions**

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

CONTRIBUTION RATES		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
District's 2018 Employer Contributions		\$ 56 087
District's 2018 Member Contributions		\$ 45 527
District's 2017 NECE On-behalf Contributions		\$ 59 319

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2016 and \$182.6 million in fiscal year 2018.



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**Actuarial Assumptions**

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82.*

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.5%
Discount Rate	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.5%
Projected Salary Increases	3.5% - 9.5%
Healthcare Trend Rates	4.5% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

**Other Information**

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**Discount Rate**

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected *to not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. **The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20 -year Municipal GO AA Index” as of August 31, 2017.**

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District’s proportionate share of the Net OPEB liability:	\$ <u>3 580 866</u>	\$ <u>3 033 994</u>	\$ <u>2 594 432</u>

**Healthcare Cost Trend Rates Sensitivity Analysis**

The following presents the Net OPEB Liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability:	\$ <u>2 526 103</u>	\$ <u>3 033 994</u>	\$ <u>3 700 410</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB's**

At June 30, 2018, the District reported a liability of \$3,033,994 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability the related State support and total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective Net OPEB Liability	\$ 3 033 994
State's proportionate share that is associated with the District	\$ 4 961 615
	\$ 7 995 609
Total	\$ 7 995 609

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contribution of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .0069769036%.

Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statement s for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**Changes Since the Prior Actuarial Valuation-** the following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB Liability since the prior measurement period:

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of \$(1,660,288) and revenue of \$(1,660,288). For support provided by the State. (Refer to the 2017 Schedule of On-Behalf Contributions for this information posted on the TRS website under GASB Statements 74 & 75.)

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$	\$ 63 337
Changes in actuarial assumptions		1 205 788
Difference between projected and actual investment earnings	461	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	15	
Total as of August 31 measurement date	<u>476</u>	<u>1 269 125</u>
Contributions paid to TRS subsequent to the measurement date (To be calculated by employer)	49 844	
Total as of fiscal year end	<u>\$ 50 320</u>	<u>\$ 1 269 125</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$ (167 400)
2020	(167 400)
2021	(167 400)
2022	(167 400)
2023	(167 515)
Thereafter	(431 534)

**Long-Term Liability Disclosure**

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 5 356 363	\$ (2 286 096 )	\$ 36 273	\$ 3 033 994

**P. HEALTH CARE**

During the year ended June 30, 2018 employees of the Scurry-Rosser Independent School District were covered by the state sponsored health insurance plan. The district paid premiums of \$250 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

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

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**O. SCHOOL DISTRICT RETIREE HEALTH PLAN**

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Medicare Part D:

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the year ended June 30, 2018 is estimated by TRS at \$28,979.

**P. COMPENSATED ABSENCES**

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**Q. SELF-INSURED WORKERS' COMPENSATION**

During the Year ended June 30, 2018 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 \$20,328 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 \$62,893 for the fiscal year. The self insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$40,747 for plan periods ending June 30, 2018, and has accrued \$12,725 as a liability for unpaid claims determined by the claims administrator.

**R. CONSTRUCTION AND OTHER COMMITMENTS AND CONTINGENCIES**

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

**S. 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 2018 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.

**T. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through November 14, 2018; the date which the financial statements were available for distribution. There were none noted.

**U. PRIOR PERIOD ADJUSTMENT**

During fiscal year 2018, the District adopted GASB Statement No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(5,326,334) which resulted in a restated beginning net position balance of \$3,452,316.

REQUIRED SUPPLEMENTARY INFORMATION



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,164,304	\$ 2,261,916	\$ 2,279,146	\$ 17,230
5800	State Program Revenues	7,706,966	7,979,359	8,137,227	157,868
5900	Federal Program Revenues	108,000	108,000	74,114	(33,886)
5020	Total Revenues	9,979,270	10,349,275	10,490,487	141,212
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	5,562,600	5,217,449	5,225,007	(7,558)
0012	Instructional Resources and Media Services	124,000	121,000	118,218	2,782
0013	Curriculum and Instructional Staff Development	135,000	135,000	130,423	4,577
0021	Instructional Leadership	115,000	100,000	97,360	2,640
0023	School Leadership	580,000	605,000	601,576	3,424
0031	Guidance, Counseling and Evaluation Services	275,000	240,000	240,037	(37)
0033	Health Services	275,000	170,000	160,729	9,271
0034	Student (Pupil) Transportation	248,000	345,600	338,329	7,271
0036	Extracurricular Activities	100,000	649,200	682,463	(33,263)
0041	General Administration	629,844	722,844	714,296	8,548
0051	Facilities Maintenance and Operations	1,109,826	1,394,826	1,364,098	30,728
0052	Security and Monitoring Services	25,000	155,000	45,131	109,869
0053	Data Processing Services	235,000	241,500	243,552	(2,052)
Debt Service:					
0071	Principal on Long-Term Debt	-	260,000	-	260,000
0072	Interest on Long-Term Debt	-	108,807	5,180	103,627
0073	Bond Issuance Cost and Fees	-	500	450	50
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	5,277,568	3,276,926	2,000,642
Intergovernmental:					
0099	Other Intergovernmental Charges	25,000	25,000	24,302	698
6030	Total Expenditures	9,439,270	15,769,294	13,268,077	2,501,217
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	540,000	(5,420,019)	(2,777,590)	2,642,429
<b>OTHER FINANCING SOURCES (USES):</b>					
7914	Non-Current Loans	-	5,277,568	5,165,000	(112,568)
7916	Premium or Discount on Issuance of Bonds	-	-	242,366	242,366
8911	Transfers Out (Use)	-	-	(105,949)	(105,949)
8949	Other (Uses)	-	-	(145,287)	(145,287)
7080	Total Other Financing Sources (Uses)	-	5,277,568	5,156,130	(121,438)
1200	Net Change in Fund Balances	540,000	(142,452)	2,378,540	2,520,992
0100	Fund Balance - July 1 (Beginning)	3,776,925	3,776,925	3,776,925	-
3000	Fund Balance - June 30 (Ending)	\$ 4,316,925	\$ 3,634,474	\$ 6,155,465	\$ 2,520,992

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED JUNE 30, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.004820962%	0.004751431%	0.0046219%	0.0028557%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,541,484	\$ 1,795,495	\$ 1,633,780	\$ 762,797
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	3,358,073	3,967,753	3,781,419	3,260,620
Total	<u>\$ 4,899,557</u>	<u>\$ 5,763,248</u>	<u>\$ 5,415,199</u>	<u>\$ 4,023,417</u>
District's Covered Payroll	\$ 6,188,064	\$ 5,803,325	\$ 5,592,035	\$ 5,483,865
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	24.91%	30.94%	29.22%	13.91%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 200,399	\$ 155,029	\$ 141,106	\$ 124,201
Contribution in Relation to the Contractually Required Contribution	(200,399)	(155,029)	(141,106)	(124,201)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 7,042,055	\$ 6,099,001	\$ 5,773,285	\$ 5,549,094
Contributions as a Percentage of Covered Payroll	2.85%	2.54%	2.44%	2.24%

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED JUNE 30, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.006976904%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 3,033,994
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	4,961,615
Total	<u>\$ 7,995,609</u>
District's Covered Payroll	\$ 6,188,064
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	49.30%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	\$ 56,087
Contribution in Relation to the Contractually Required Contribution	(56,087)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 7,042,055
Contributions as a Percentage of Covered Payroll	0.80%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018

**PENSIONS:**

**Changes of Benefit Terms**

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

**Changes of Assumptions**

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

**OTHER POST-EMPLOYMENT BENEFITS:**

**Changes of Benefit Term**

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

**Changes of Assumptions**

There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

COMBINING STATEMENTS

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>ASSETS</b>				
1110	\$ (19,233)	\$ 9,881	\$ -	\$ 23,041
1240	33,608	-	-	-
1000	<u>\$ 14,375</u>	<u>\$ 9,881</u>	<u>\$ -</u>	<u>\$ 23,041</u>
<b>LIABILITIES</b>				
2160	\$ 12,164	\$ 8,075	\$ -	\$ 19,555
2180	-	-	-	-
2200	2,211	1,806	-	3,486
2000	<u>14,375</u>	<u>9,881</u>	<u>-</u>	<u>23,041</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450	-	-	-	-
Assigned Fund Balance:				
3590	-	-	-	-
3000	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	<u>\$ 14,375</u>	<u>\$ 9,881</u>	<u>\$ -</u>	<u>\$ 23,041</u>



255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Title IV Part A	410 State Textbook Fund	427 Other State Grants	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ (12,525)	\$ -	\$ -	\$ 1,508	\$ -	\$ 43,180	\$ 45,852
13,347	-	-	-	-	-	46,955
<u>\$ 822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,508</u>	<u>\$ -</u>	<u>\$ 43,180</u>	<u>\$ 92,807</u>
\$ 564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,358
-	-	-	-	-	4,619	4,619
258	-	-	-	-	-	7,761
<u>822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,619</u>	<u>52,738</u>
-	-	-	1,508	-	-	1,508
-	-	-	-	-	38,561	38,561
-	-	-	1,508	-	38,561	40,069
<u>\$ 822</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,508</u>	<u>\$ -</u>	<u>\$ 43,180</u>	<u>\$ 92,807</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 152,499
5800 State Program Revenues	-	-	-	2,974
5900 Federal Program Revenues	177,283	178,076	4,033	277,047
5020 Total Revenues	177,283	178,076	4,033	432,520
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	173,833	70,159	4,033	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	3,450	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	106,145	-	-
0034 Student (Pupil) Transportation	-	1,772	-	-
0035 Food Services	-	-	-	509,260
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	39,094
6030 Total Expenditures	177,283	178,076	4,033	548,354
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(115,834)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	105,949
1200 Net Change in Fund Balance	-	-	-	(9,885)
0100 Fund Balance - July 1 (Beginning)	-	-	-	9,885
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Title IV Part A	410 State Textbook Fund	427 Other State Grants	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,737	\$ 183,236
-	-	-	139,902	2,252	-	145,128
23,204	1,729	9,250	-	-	-	670,622
23,204	1,729	9,250	139,902	2,252	30,737	998,986
23,204	1,729	-	139,869	-	9,981	422,808
-	-	-	-	-	506	506
-	-	9,250	-	2,252	-	14,952
-	-	-	-	-	1,715	1,715
-	-	-	-	-	(1,477)	104,668
-	-	-	-	-	-	1,772
-	-	-	-	-	-	509,260
-	-	-	-	-	7,343	7,343
-	-	-	-	-	608	608
-	-	-	-	-	-	39,094
23,204	1,729	9,250	139,869	2,252	18,676	1,102,726
-	-	-	33	-	12,061	(103,740)
-	-	-	-	-	-	105,949
-	-	-	33	-	12,061	2,209
-	-	-	1,475	-	26,500	37,860
\$ -	\$ -	\$ -	\$ 1,508	\$ -	\$ 38,561	\$ 40,069

REQUIRED TEA SCHEDULES

(10) Beginning Balance 7/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2018
\$ 40,101	\$ -	\$ 3,026	\$ 565	\$ (1)	\$ 36,509
10,411	-	2,401	485	-	7,525
9,965	-	3,074	621	1	6,271
11,826	-	3,397	686	-	7,743
14,305	-	5,767	1,164	318	7,692
17,931	-	5,934	1,198	635	11,434
22,248	-	7,897	1,594	725	13,482
40,015	-	19,155	3,868	675	17,667
96,176	-	56,823	7,771	(2,547)	29,035
-	2,268,027	1,893,460	258,935	(21,186)	94,446
<u>\$ 262,978</u>	<u>\$ 2,268,027</u>	<u>\$ 2,000,934</u>	<u>\$ 276,887</u>	<u>\$ (21,380)</u>	<u>\$ 231,804</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 184,232	\$ 184,232	\$ 152,499	\$ (31,733)
5800 State Program Revenues	2,409	2,409	2,974	565
5900 Federal Program Revenues	263,866	263,866	277,047	13,181
5020 Total Revenues	450,507	450,507	432,520	(17,987)
<b>EXPENDITURES:</b>				
0035 Food Services	450,507	450,507	509,260	(58,753)
0051 Facilities Maintenance and Operations	6,705	6,705	39,094	(32,389)
6030 Total Expenditures	457,212	457,212	548,354	(91,142)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,705)	(6,705)	(115,834)	(109,129)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	105,949	105,949
1200 Net Change in Fund Balances	(6,705)	(6,705)	(9,885)	(3,180)
0100 Fund Balance - July 1 (Beginning)	9,885	9,885	9,885	-
3000 Fund Balance - June 30 (Ending)	\$ 3,180	\$ 3,180	\$ -	\$ (3,180)

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
	<b>REVENUES:</b>				
5700	Total Local and Intermediate Sources	\$ 323,747	\$ 333,827	\$ 300,709	\$ (33,118)
5800	State Program Revenues	301,136	301,136	317,774	16,638
5020	Total Revenues	624,883	634,963	618,483	(16,480)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long-Term Debt	238,998	238,998	238,998	-
0072	Interest on Long-Term Debt	395,015	395,015	395,015	-
0073	Bond Issuance Cost and Fees	950	950	950	-
6030	Total Expenditures	634,963	634,963	634,963	-
1200	Net Change in Fund Balances	(10,080)	-	(16,480)	(16,480)
0100	Fund Balance - July 1 (Beginning)	1,194,020	1,194,020	1,194,020	-
3000	Fund Balance - June 30 (Ending)	\$ 1,183,940	\$ 1,194,020	\$ 1,177,540	\$ (16,480)

COMPLIANCE, INTERNAL CONTROL AND FEDERAL AWARDS



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

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**Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2018.

**Internal Control Over Financial Reporting**

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

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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

Respectfully submitted,

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

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

November 14, 2018

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2018

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:	N/A
• Material weakness(es) identified?	_____ yes _____ N/A
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes _____ N/A

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a)	_____ yes _____ N/A
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Identification of major programs:	N/A
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CFDA Number	Name of Federal Program or Cluster
-------------	------------------------------------

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as low risk auditee?	_____ <u>  X  </u> yes _____ no
--	---------------------------------

District Contact Person	James Sanders Superintendent
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SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE YEAR ENDED JUNE 30, 2018

II. Financial Statement Findings

The audit disclosed no finding required to be reported.

III. Federal Awards Findings and Questioned Costs

The audit disclosed no finding required to be reported.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018

N/A

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED JUNE 30, 2018

N/A

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2018

(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	17-610101129910	\$ 21,087
ESEA, Title I, Part A - Improving Basic Programs	84.010A	ESC Region 10	156,196
Total CFDA Number 84.010A			177,283
*IDEA - Part B, Formula	84.027	18-660001129910	178,076
*IDEA - Part B, Preschool	84.173	18-661001129910	4,033
Total Special Education Cluster (IDEA)			182,109
Title III, Part A - English Language Acquisition	84.365A	ESC Region 10	1,729
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	ESC Region 10	1,950
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	ESC Region 10	21,254
Total CFDA Number 84.367A			23,204
Title IV, Part A	84.424A	ESC Region 10	9,250
Total Passed Through State Department of Education			393,575
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			393,575
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553		61,448
**National School Lunch Program-Cash Assistance	10.555		189,208
**National School Lunch Prog.-Non-Cash Assistance	10.555		26,391
Total CFDA Number 10.555			215,599
Total Child Nutrition Cluster			277,047
Total Passed Through the State Department of Agriculture			277,047
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			277,047
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 670,622

\*Clustered Programs

\*\*Clustered Programs

Note A - Funds received from the SHARS program of \$74,114 in the General Fund are not considered as federal financial assistance for purposes of this schedule.

SCURRY-ROSSER INDEPENDENT  
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2018

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

With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the Governmental Fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

Amount reported on the Schedule of Expenditures of Federal Awards \$	670 622
SHARS Revenue reported in the General Fund	74 114
Federal Program Revenue Reported on Exhibit C-3	\$ 744 736



