

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

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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 ten months ended June 30, 2014 at a meeting of the board of school trustees of such school district on the \_\_\_ day of \_\_\_\_\_, 2014.

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

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

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

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

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

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Cheri E. Kirkland, CPA

P. O. Box 912  
505 E. Tyler  
Athens, Texas 75751  
(903) 675-5674  
FAX (903) 675-5676  
smithlambright.com

**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 ten months ended June 30, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the ten months then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules and schedule of expenditures of federal awards, as required by *Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - general fund, combining and individual nonmajor fund financial statements, required TEA schedules (except for Exhibit J-3) and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

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

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

October 10, 2014

## 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 20, 2014. 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 \$9,535,136 at June 30, 2014.
- During the year, the District's expenses were \$699,421 less than the \$9,438,070 generated in tax and other revenues for governmental programs (before special items).
- The General Fund ended the year with a fund balance of \$3,241,601.

#### **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 increased from \$8,835,715 to \$9,535,136. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – increased from \$2,710,427 on August 31, 2013 to \$3,445,692 on June 30, 2014. This increase in governmental net position was the result of the District's revenues exceeding expenditures.

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds reported a combined fund balance of \$4,462,918, which is an increase of \$1,334,057 from last year's total of \$3,128,861. Included in this year's total change in fund balance is an increase of \$796,171 in the District's General Fund, an increase of \$535,774 in the District's Interest and Sinking Fund, and an increase of \$2,112 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 2014, the District had \$13,867,644 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease over last year of \$440,012.

### ***Debt***

At period-end, the District had \$8,999,517 in bonds and loan payments outstanding. This amount is an increase of \$133,718 from the last year's amount of \$8,865,799. 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 2014-2015 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 2014-2015 M&O tax rate was set at \$1.04005. The estimated general revenue for 2014-2015 is \$8,154,948 and the appropriations are \$8,605,316. This represents a deficit budget of \$450,413 for the general fund.

The interest and sinking estimated revenue is \$651,611 and appropriations are \$625,083. This represents a projected increase to fund balance of \$26,528. The board chose to set the I & S tax rate at \$0.21 for the 2014-2015 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	
	2014	2013
Current and other assets	5,653,432	3,712,368
Capital assets	13,867,644	14,307,656
<b>Total assets</b>	<b>19,521,076</b>	<b>18,020,024</b>
Long-term liabilities	8,999,517	8,865,799
Other liabilities	986,423	318,510
<b>Total liabilities</b>	<b>9,985,940</b>	<b>9,184,309</b>
Net Position:		
Invested in capital assets		
Net of related debt	4,868,127	5,441,857
Restricted	1,221,317	683,431
Unrestricted	3,445,692	2,710,427
<b>Total net position</b>	<b>9,535,136</b>	<b>8,835,715</b>

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

**CHANGES IN NET POSITION**

	Governmental Activities	
	2014	2013
<b>Revenue</b>		
Program revenues:		
Charges for services	275,697	289,467
Operating grants and contributions	880,886	1,069,354
General Revenues:		
Maintenance and operations taxes	1,562,482	1,532,726
Debt service taxes	315,510	310,789
State aid-formula grants	6,313,982	6,228,939
Grants and contributions not restricted to specific functions	17,213	17,064
Investments earnings	8,226	12,203
Miscellaneous	63,804	65,359
<b>Total Revenue</b>	<b>9,438,070</b>	<b>9,525,901</b>
<b>Expenses</b>		
Instruction, curriculum and media services	4,940,013	5,179,421
Instructional and school leadership	476,586	539,867
Student support services	713,991	716,209
Child nutrition	459,442	480,160
Co curricular activities	495,538	510,143
General administration	427,272	472,065
Plant maintenance, security and data processing	910,329	916,264
Debt services	293,323	420,020
Facilities acq and construction	0	14,519
Payment to SSA		0
Other Intergovernmental Charges	22,155	24,013
<b>Total Expenses</b>	<b>8,738,649</b>	<b>9,272,781</b>
Increase (Decrease) in net position before transfers and special items	699,421	253,120
Transfers	0	0
Special items GASB 65 Change	0	(537,928)
Change in Net Position	699,421	(284,808)
Net position at Beginning	8,835,715	9,120,523
Net position at Ending	9,535,136	8,835,715

## BASIC FINANCIAL STATEMENTS

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2014

EXHIBIT A-1

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 502,594
1120 Current Investments	4,117,155
1220 Property Taxes Receivable (Delinquent)	315,125
1230 Allowance for Uncollectible Taxes	(15,757)
1240 Due from Other Governments	734,315
Capital Assets:	
1510 Land	346,426
1520 Buildings, Net	13,369,339
1530 Furniture and Equipment, Net	151,879
1000 Total Assets	19,521,076
<b>LIABILITIES</b>	
2110 Accounts Payable	54,542
2140 Interest Payable	95,277
2160 Accrued Wages Payable	622,591
2180 Due to Other Governments	4,485
2200 Accrued Expenses	41,417
2300 Unearned Revenue	168,111
Noncurrent Liabilities	
2501 Due Within One Year	396,923
2502 Due in More Than One Year	8,602,594
2000 Total Liabilities	9,985,940
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	4,868,127
3820 Restricted for Federal and State Programs	438
3850 Restricted for Debt Service	1,198,030
3870 Restricted for Campus Activities	22,849
3900 Unrestricted	3,445,692
3000 Total Net Position	\$ 9,535,136

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

EXHIBIT B-1

Net (Expense)  
Revenue and  
Changes in Net  
Position

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	Governmental Activities
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 4,733,170	\$ 22,500	\$ 440,386	\$ (4,270,284)
12 Instructional Resources and Media Services	118,292	-	4,200	(114,092)
13 Curriculum and Staff Development	88,551	-	8,524	(80,027)
23 School Leadership	476,586	-	23,008	(453,578)
31 Guidance, Counseling and Evaluation Services	306,549	-	86,531	(220,018)
33 Health Services	125,577	-	5,600	(119,977)
34 Student (Pupil) Transportation	281,865	-	7,000	(274,865)
35 Food Services	459,442	182,303	261,220	(15,919)
36 Extracurricular Activities	495,538	69,914	9,800	(415,824)
41 General Administration	427,272	-	16,800	(410,472)
51 Facilities Maintenance and Operations	837,678	1,250	17,817	(818,611)
52 Security and Monitoring Services	9,644	-	-	(9,644)
53 Data Processing Services	63,007	-	-	(63,007)
72 Debt Service - Interest on Long Term Debt	292,023	-	-	(292,023)
73 Debt Service - Bond Issuance Cost and Fees	1,300	-	-	(1,300)
99 Other Intergovernmental Charges	22,155	-	-	(22,155)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 8,738,649</u>	<u>\$ 275,967</u>	<u>\$ 880,886</u>	<u>(7,581,796)</u>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		1,562,482
DT	Property Taxes, Levied for Debt Service		315,510
SF	State Aid - Formula Grants		6,313,982
GC	Grants and Contributions not Restricted		17,213
IE	Investment Earnings		8,226
MI	Miscellaneous Local and Intermediate Revenue		63,804
TR	Total General Revenues		<u>8,281,217</u>
CN	Change in Net Position		699,421
NB	Net Position - Beginning		<u>8,835,715</u>
NE	Net Position--Ending		<u>\$ 9,535,136</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, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 518,587	\$ 11,544	\$ (27,537)	\$ 502,594
1120 Investments - Current	2,918,740	1,198,415	-	4,117,155
1220 Property Taxes - Delinquent	263,912	51,213	-	315,125
1230 Allowance for Uncollectible Taxes (Credit)	(13,196)	(2,561)	-	(15,757)
1240 Receivables from Other Governments	645,227	-	89,088	734,315
1000 Total Assets	<u>\$ 4,333,270</u>	<u>\$ 1,258,611</u>	<u>\$ 61,551</u>	<u>\$ 5,653,432</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 44,769	\$ -	\$ 9,773	\$ 54,542
2160 Accrued Wages Payable	601,552	-	21,039	622,591
2180 Due to Other Governments	-	-	4,485	4,485
2200 Accrued Expenditures	38,450	-	2,967	41,417
2300 Unearned Revenues	156,182	11,929	-	168,111
2000 Total Liabilities	<u>840,953</u>	<u>11,929</u>	<u>38,264</u>	<u>891,146</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	250,716	48,652	-	299,368
2600 Total Deferred Inflows of Resources	<u>250,716</u>	<u>48,652</u>	<u>-</u>	<u>299,368</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	438	438
3480 Retirement of Long-Term Debt	-	1,198,030	-	1,198,030
Committed Fund Balance:				
3510 Construction	1,500,000	-	-	1,500,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	22,849	22,849
3600 Unassigned Fund Balance	1,741,601	-	-	1,741,601
3000 Total Fund Balances	<u>3,241,601</u>	<u>1,198,030</u>	<u>23,287</u>	<u>4,462,918</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,333,270</u>	<u>\$ 1,258,611</u>	<u>\$ 61,551</u>	<u>\$ 5,653,432</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, 2014

<b>Total Fund Balances - Governmental Funds</b>	\$	4,462,918
<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 \$20,702,245 and the accumulated depreciation was \$6,394,589. 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 \$8,865,799. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		5,441,857
<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 2014 capital outlays and debt principal payments is to increase (decrease) net position.		193,447
<b>3</b> The 2014 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(605,327)
<b>4</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, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		42,241
<b>19 Net Position of Governmental Activities</b>	\$	9,535,136

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,659,058	\$ 322,239	\$ 220,877	\$ 2,202,174
5800 State Program Revenues	6,251,406	342,576	44,322	6,638,304
5900 Federal Program Revenues	17,213	-	556,564	573,777
5020 Total Revenues	<u>7,927,677</u>	<u>664,815</u>	<u>821,763</u>	<u>9,414,255</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	4,143,622	-	261,079	4,404,701
0012 Instructional Resources and Media Services	105,484	-	1,253	106,737
0013 Curriculum and Instructional Staff Development	82,401	-	5,724	88,125
0023 School Leadership	468,460	-	933	469,393
0031 Guidance, Counseling and Evaluation Services	224,101	-	80,931	305,032
0033 Health Services	123,824	-	-	123,824
0034 Student (Pupil) Transportation	307,653	-	-	307,653
0035 Food Services	-	-	442,378	442,378
0036 Extracurricular Activities	369,542	-	25,140	394,682
0041 General Administration	422,791	-	490	423,281
0051 Facilities Maintenance and Operations	831,358	-	1,723	833,081
0052 Security and Monitoring Services	9,644	-	-	9,644
0053 Data Processing Services	74,076	-	-	74,076
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	28,684	-	-	28,684
0072 Interest on Long Term Debt	280	127,741	-	128,021
0073 Bond Issuance Cost and Fees	-	1,300	-	1,300
<b>Intergovernmental:</b>				
0099 Other Intergovernmental Charges	22,155	-	-	22,155
6030 Total Expenditures	<u>7,214,075</u>	<u>129,041</u>	<u>819,651</u>	<u>8,162,767</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	713,602	535,774	2,112	1,251,488
<b>OTHER FINANCING SOURCES (USES):</b>				
7914 Non-Current Loans	82,569	-	-	82,569
1200 Net Change in Fund Balances	796,171	535,774	2,112	1,334,057
0100 Fund Balance - September 1 (Beginning)	<u>2,445,430</u>	<u>662,256</u>	<u>21,175</u>	<u>3,128,861</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 3,241,601</u>	<u>\$ 1,198,030</u>	<u>\$ 23,287</u>	<u>\$ 4,462,918</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 TEN MONTHS ENDED JUNE 30, 2014

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	1,334,057
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 2014 capital outlays and debt principal payments is to increase (decrease) net position.		193,447
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(605,327)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(222,756)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>699,421</b>

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2014

EXHIBIT E-1

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 16,268	\$ 22,881
Investments - Current	2,550	23,323
Total Assets	18,818	\$ 46,204
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 46,204
Total Liabilities	-	\$ 46,204
<b>NET POSITION</b>		
Restricted for Scholarships	18,818	
Total Net Position	\$ 18,818	

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 TEN MONTHS ENDED JUNE 30, 2014

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 15,677
Total Additions	<u>15,677</u>
DEDUCTIONS:	
Other Operating Costs	<u>19,650</u>
Total Deductions	<u>19,650</u>
Change in Net Position	(3,973)
Total Net Position - September 1 (Beginning)	<u>22,791</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 18,818</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 TEN MONTHS ENDED JUNE 30, 2014

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Scurry-Rosser Independent School District (“The District”) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the “Board”) elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

**A. REPORTING ENTITY**

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

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

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

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

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

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

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

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

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

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

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

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



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

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

The proprietary fund types and fiduciary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The Agency funds apply the accrual basis of accounting but do not have a measurement focus. All assets and all liabilities associated with operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

**D. FUND ACCOUNTING**

The District reports the following fund types:

Governmental Funds:

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

Fiduciary Funds:

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE TEN MONTHS ENDED JUNE 30, 2014

**E. CASH AND CASH EQUIVALENTS**

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

**F. INVENTORIES**

The District records purchases of supplies as expenditures.

**G. CAPITAL ASSETS**

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

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

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

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

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

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

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

**I. LONG TERM DEBT**

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

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

**J. FUND BALANCE**

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

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

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

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

**K. USE OF ESTIMATES**

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

**L. DATA CONTROL CODES**

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE TEN MONTHS ENDED JUNE 30, 2014

**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	19 198 071	5 373 082	13 824 989	
Furniture & Equipment	<u>1 157 748</u>	<u>1 021 507</u>	<u>136 241</u>	
Totals	<u>\$ 20 702 245</u>	<u>\$ 6 394 589</u>		
Change in Net Position				<u>\$ 14 307 656</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payable at the Beginning of the Year</u>	
Bonds Payable			7 219 980	
Accretion Payable			1 245 116	
Premium (Discount) on Issuance of Bonds			<u>400 703</u>	
Change in Net Position				<u>8 865 799</u>
Net Adjustment to Net Position				<u>\$ 5 441 857</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE TEN MONTHS ENDED JUNE 30, 2014

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

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

	Amount	Adjustments to Changes in Net Position	Adjustments to Net Position
Current Year Capital Outlay:			
Building & Improvements	\$ 28 900	\$	\$
Furniture & Equipment	135 863		
Total Capital Outlay	164 763	164 763	164 763
Debt Principal Payments:			
Bond Principal	0		
Loan Principal	28 684		
Total Principal Payments	28 684	28 684	28 684
Total Adjustment to Net Position		\$ 193 447	\$ 193 447

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

**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>
<b>Adjustments to Revenue and Deferred Revenue:</b>			
Taxes Collected from Prior Year Levies	\$ 86 913	\$ (86 913)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	110 176	110 176	110 176
Uncollected Taxes (assumed collectible) from Prior Year Levy	189 192		189 192
<b>Reclassify Proceeds of Debt:</b>			
Loan Proceeds	82 569	(82 569)	(82 569)
<b>Accretion on Capital Appreciation Bonds:</b>			
Current Year Accrued	130 241	(130 241)	(130 241)
Current Year Paid	0		
<b>Accrued Interest on Debt:</b>			
Prior Year	11 108	11 108	
Current Year	95 277	(95 277)	(95 277)
<b>Bond Premium Amortization:</b>			
Current Year	52 975	52 975	52 975
<b>Bond Discount Amortization:</b>			
Current Year	2 567	(2 567)	(2 567)
Capital Asset Adjustment		<u>552</u>	<u>552</u>
		<u>\$ (222 756)</u>	<u>\$ 42 241</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE TEN MONTHS ENDED JUNE 30, 2014

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

**A. BUDGETARY DATA**

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

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to 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. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. The budget was amended as necessary during the year.
4. Each budget is controlled at the organizational level by the administration, appropriate department head or campus principal within Board allocations at the revenue and expenditure function /object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	<u>June 30, 2014</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 438
Nonappropriated Budget Funds	<u>22 849</u>
All Special Revenue Funds	<u>\$ 23 287</u>

**B. BUDGET VARIANCE**

The District made expenditures in excess of the budgeted amount in one function of the General Fund and in the Child Nutrition Fund. The amounts were immaterial in relation to the total budget. A part of the variances was due to audit adjustments.



SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

**C. ENCUMBRANCE ACCOUNTING**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities, but are reported as assignments of fund balances. Since appropriations lapse at the end of each fiscal year, outstanding encumbrances are appropriately provided for in the subsequent fiscal year's budget to provide for the liquidation of the prior commitments. There were no outstanding encumbrances at the end of the fiscal year that were subsequently provided for in the 2014-2015 budget.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE TEN MONTHS ENDED JUNE 30, 2014

**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 2013-2014 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 \$4,060,745 and occurred on January 24, 2014. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$4,760,270. The total amount of FDIC coverage at the time of the highest combined balance was \$750,000

- b. Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Any investment that is both uninsured and unregistered is exposed to custodial credit risk if the investment is held by the counterparty, or if the investment is held by the counterparty's trust department or agent, but not in the name of the investor government. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form. Positions in external investment pools are not subject to custodial credit risk.

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- c. Interest Rate Risk: Interest rate risk occurs when potential purchasers of debt securities do not agree to pay face value for those securities if interest rates rise. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.
- d. Concentration of Credit Risk: Concentration risk is defined as positions of five percent or more in the securities of a single issuer. This is the issuer of the underlying investment, and not a pool. This does not apply to U.S. Government securities.

CASH DEPOSITS

At June 30, 2014, the amount of the District's cash balance in checking accounts was \$541,743. The cash balance in savings, time and certificate of deposit accounts was \$1,793,124.

INVESTMENTS

The District's investments at June 30, 2014, are shown below:

<u>Investment Type</u>	<u>Costs</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 1 793 124	\$ 1 793 124	.246575
MBIA Texas Class	1 604 856	1 605 267	.136986
First Public/Lone Star Investment Pool:			
Corporate Overnight	724 661	724 698	.134247
Government Overnight	<u>20 387</u>	<u>20 389</u>	.153425
Total Investments	<u>\$ 4 143 028</u>	<u>\$ 4 143 478</u>	

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

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

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**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid by February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Delinquent taxes not paid by June 30 are subject to penalty and interest charges plus 15% delinquent collection fees for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

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

The assessed value of the property tax roll upon which the levy for the 2013-2014 fiscal year was based, was 151,168,413. The tax rates assessed for the year ended June 30, 2014 to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.04 and \$.21 per \$100 valuation, respectively, for a total of \$1.25 per \$100 valuation. Current tax collections for the year ended June 30, 2014 were 93.8% of the year end adjusted tax levy. As of June 30, 2014, property taxes receivable totaled \$263,912 and \$51,213 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, 2014 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	\$ 645 227	\$	\$	\$ 645 227
Other State Grants				
Federal Grants			89 088	89 088
Existing Debt Allotment				
Instructional Facilities				
Allotment				
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Totals	<u>\$ 645 227</u>	<u>\$ 0</u>	<u>\$ 89 088</u>	<u>\$ 734 315</u>

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**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at June 30, 2014 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 ten months ended June 30, 2014 consisted of the following individual fund amounts:

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

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**E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at June 30, 2014, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes (Net)	\$ 250 716	\$ 48 652	\$	\$ 299 368
Other Governments	<u>645 227</u>	<u></u>	<u>89 088</u>	<u>734 315</u>
Totals	<u>\$ 895 943</u>	<u>\$ 48 652</u>	<u>\$ 89 088</u>	<u>\$ 1 033 683</u>

Payables at June 30, 2014, were as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Accounts Payable	\$ 44 769	\$	\$ 9 773	\$ 54 542
Accrued Wages	601 552	<u></u>	21 039	622 591
Other Governments	<u></u>	<u></u>	<u>4 485</u>	<u>4 485</u>
Totals	<u>\$ 646 321</u>	<u>\$ 0</u>	<u>\$ 35 297</u>	<u>\$ 681 618</u>

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**F. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the ten months ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Land	\$ 346 426	\$	\$	\$ 346 426
Buildings & Improvements	19 198 071	28 900		19 226 971
Furniture & Equipment	<u>1 157 748</u>	<u>135 863</u>		<u>1 293 611</u>
 Total at Historical Cost	 <u>20 702 245</u>	 <u>164 763</u>	 <u>0</u>	 <u>20 867 008</u>
 Less Accumulated Depreciation for:				
Buildings & Improvements	5 373 082	484 550		5 857 632
Furniture & Equipment	<u>1 021 507</u>	<u>120 777</u>	<u>(552)</u>	<u>1 141 732</u>
 Total Accumulated Depreciation	 <u>6 394 589</u>	 <u>605 327</u>	 <u>(552)</u>	 <u>6 999 364</u>
 Governmental Activities Capital				
Assets, Net	<u>\$ 14 307 656</u>	<u>\$ (440 564)</u>	<u>\$ (552)</u>	<u>\$ 13 867 644</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 344 976
12	Instructional Resources and Media Services	11 555
13	Curriculum Development and Instructional Staff Development	426
23	School Leadership	7 193
31	Guidance, Counseling and Evaluation Services	1 517
33	Health Services	1 753
34	Student (Pupil) Transportation	56 781
35	Food Services	28 344
36	Cocurricular/Extracurricular Activities	109 856
41	General Administration	3 991
51	Plant Maintenance and Operations	33 497
53	Data Processing Services	<u>5 438</u>
 Total Depreciation Expense		 <u>\$ 605 327</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**G. BONDS PAYABLE**

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

A summary of changes in long-term debt for the ten months ended June 30, 2014 is as follows:

Description/ Purpose	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 7/1/13	Issued	Retired	Amounts Outstanding 6/30/14	Interest Current Year
Unlimited Tax School Building Bonds Series 2002	1.8% to 6.0%	\$ 9 878 977	\$ 639 607	\$	\$	\$ 639 607	\$ 0
Unlimited Tax Refunding Bonds Series 2007	4.0% to 4.38%	\$ 6 880 373	\$ 5 415 373	\$	\$	\$ 5 415 373	\$ 108 810
Unlimited Tax Refunding Bonds Series 2012	3.25%	\$ 1 165 000	\$ 1 165 000	\$	\$	\$ 1 165 000	\$ 18 931
Totals			<u>\$ 7 219 980</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 7 219 980</u>	<u>\$ 127 741</u>

Debt service requirements are as follows:

Year Ended June 30	General Obligations		
	Principal	Interest	Total Requirements
2015	\$ 221 706	\$ 402 876	\$ 624 582
2016	209 736	413 047	622 783
2017	204 167	421 715	625 882
2018	193 998	429 885	623 883
2019	35 373	592 509	627 882
2020 - 2024	855 000	2 259 113	3 114 113
2025 - 2029	2 215 000	869 978	3 084 978
2030 - 2034	2 695 000	363 389	3 058 389
2035	590 000	9 587	599 587
Totals	<u>\$ 7 219 980</u>	<u>\$ 5 762 099</u>	<u>\$ 12 982 079</u>



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There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2014.

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, 2014 \$8,080,373 of bonds considered defeased are still outstanding.

**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.

The District purchased a bus with loan proceeds of \$82,569 on May 21, 2014. The loan is to be repaid in annual payments of \$28,964 beginning June 15, 2014. The interest rate is 4.89%

A summary of changes in loans payable for the ten months ended June 30, 2014 is as follows:

Description/ Purpose	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 7/1/13	Issued	Retired	Amounts Outstanding 6/30/14	Interest Current Year
Bus	4.89%	\$ 83 569	\$ 0	\$ 82 569	\$ 28 684	\$ 53 885	\$ 280
Totals			<u>\$ 0</u>	<u>\$ 82 569</u>	<u>\$ 28 684</u>	<u>\$ 53 885</u>	<u>\$ 280</u>

Debt service requirements are as follows:

Ten Months Ended June 30	Principal	Interest	Total Requirements
2015	\$ 26 293	\$ 2 671	\$ 28 964
2016	<u>27 592</u>	<u>1 372</u>	<u>28 964</u>
Totals	<u>\$ 53 885</u>	<u>\$ 4 043</u>	<u>\$ 57 928</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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**I. CHANGES IN LONG-TERM LIABILITIES**

Long-term liabilities activity for the ten months ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds and Notes Payable:					
General Obligation Bonds	\$ 7 219 980	\$ _____	\$ _____	\$ 7 219 980	\$ 221 706
Accretion Payable:					
Capital Appreciation Bonds	1 245 116	130 241	_____	1 375 357	148 924
Premium (Discount) on Issuance of Bonds:					
Premium	452 697		52 975	399 722	
Discount	(51 994)		(2 567)	(49 427)	
Other Liabilities:					
Loan	0	82 569	28 684	53 885	26 293
 Total Governmental Activities Long-term Liabilities	 <u>\$ 8 865 799</u>	 <u>\$ 212 810</u>	 <u>\$ 79 092</u>	 <u>\$ 8 999 517</u>	 <u>\$ 396 923</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT  
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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:				
State Foundation	\$ 156 182	\$	\$	\$ 156 182
Existing Debt Allotment		8 579		8 579
Instructional Facilities Allotment		3 350		3 350
Totals	<u>\$ 156 182</u>	<u>\$ 11 929</u>	<u>\$ 0</u>	<u>\$ 168 111</u>
Unavailable revenue at year-end consisted of the following:				
Net Property Taxes	<u>\$ 250 716</u>	<u>\$ 48 652</u>	<u>\$ 0</u>	<u>\$ 299 368</u>

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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	\$ _____	\$ _____	\$ _____	\$ _____
Total Nonspendable	_____	_____	_____	0
Restricted:				
Federal Grants			438	438
State Grants				
Debt Service	_____	1 198 030	_____	1 198 030
Total Restricted	_____	1 198 030	438	1 198 468
Committed:				
Construction	1 500 000	_____	_____	1 500 000
Total Committed	1 500 000	_____	_____	1 500 000
Assigned:				
Campus Activity	_____	_____	22 849	22 849
Total Assigned	_____	_____	22 849	22 849
Unassigned	1 741 601	_____	_____	1 741 601
Total Fund Balances	<u>\$ 3 241 601</u>	<u>\$ 1 198 030</u>	<u>\$ 23 287</u>	<u>\$ 4 462 918</u>

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

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Other Funds</u>	<u>Total</u>
Property Taxes	\$ 1 543 444	\$ 311 283	\$	\$ 1 854 727
Penalties, Interest & Other				
Tax Related Income	51 004	9 890		60 894
Food Sales			182 303	182 303
Investment Income	7 160	1 066		8 226
Co-curricular Student				
Activities	32 359			32 359
Other	<u>25 091</u>		<u>38 574</u>	<u>63 665</u>
 Total	 <u>\$ 1 659 058</u>	 <u>\$ 322 239</u>	 <u>\$ 220 877</u>	 <u>\$ 2 202 174</u>

**M. COMMITMENTS UNDER OPERATING LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provided for minimum future rental payments as of June 30, 2014, as follows:

<u>Year Ended June 30</u>	<u>Total</u>
2015	\$ 26 738
2016	23 485
2017	20 592
2018	17 632
2019	<u>7 100</u>
 Total Minimum Rentals	 <u>\$ 95 547</u>
 Rental Expenditures in Fiscal Year 2014	 <u>\$ 25 080</u>

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**N. PENSION PLAN**

Plan Description

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

Funding Policy

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

The District's employees' contributions to System for the years ending, August 31, 2012, 2013 and the ten months ending June 30, 2014 were \$310,989, \$333,515 and \$293,318, respectively, equal to the required contributions for each year. Other contributions made from federal and private grants and from the district for salaries above the statutory minimum for the years ending August 31, 2012, 2013 and the ten months ending June 30, 2014 were \$53,392, \$52,123 and \$52,697, respectively, equal to the required contributions for each year.

The on behalf amounts contributed by the State, \$265,437, are reflected in the financial statements in the General Fund by respective function, in accordance with Governmental Accounting Standards Board Statement No. 24.

**O. HEALTH CARE**

During the ten months ended June 30, 2014 employees of the Scurry-Rosser Independent School District were covered by the state sponsored health insurance plan. The district paid premiums of \$250 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

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

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

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

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

Plan Description

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

Medicare Part D:

Federal Government Retiree Drug Subsidy - Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by the District. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire payroll reported by all reporting entities. The amount allocated on-behalf for the ten months ended June 30, 2014 is estimated by TRS at \$14,563.

**Q. COMPENSATED ABSENCES**

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

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

During the ten months ended June 30, 2014 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 \$17,162 to the plan supervisor for administration of claims, loss control, record keeping, and the cost of excess insurance. The loss fund maximum for claims not covered by excess insurance was established to be \$59,297 for the fiscal year. The self insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$10,806 for plan periods ending June 30, 2014, and has accrued \$1,811 as a liability for unpaid claims determined by the claims administrator.

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

The District participates in numerous state and Federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2014 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**T. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. During fiscal year 2014 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.

**U. FISCAL YEAR CHANGE**

For the 2013-2014 fiscal year, the District approved to change its fiscal year-end from August 31<sup>st</sup> to June 30<sup>th</sup>. A ten month transition year began on September 1, 2013 and ended on June 30, 2014. Subsequent fiscal years will begin on July 1<sup>st</sup> and end on June 30<sup>th</sup>.

Because of the change in fiscal year-end, the TEA requires that tax collection data be presented for the ten months ending on June 30 and also for the twelve months ending on August 31. Two Exhibits J-1 will be presented in the audit report for both required periods.