

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	Table of Contents	1
	Certificate of Board	3
	Independent Auditor's Report	4
	Management's Discussion and Analysis	7
	Financial Statements:	
	Government - Wide Financial Statements:	
A-1	Statement of Net Position	13
B-1	Statement of Activities	14
	Governmental Fund Financial Statements:	
C-1	Balance Sheet	15
C-2	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances	17
C-4	Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
	Proprietary Fund Financial Statements:	
D-1	Statement of Net Position	N/A
D-2	Statement of Revenues, Expenses, and Changes in Fund Net Position	N/A
D-3	Statement of Cash Flows	N/A
	Fiduciary Fund Financial Statements:	
E-1	Statement of Fiduciary Net Position	19
E-2	Statement of Changes in Fiduciary Net Position	20
	Notes to the Financial Statements	21
	Required Supplementary Information:	
G-1	Budgetary Comparison Schedule - General Fund	62
G-2	Schedule of the District's Proportionate Share of the Net Pension Liability - Teacher Retirement System of Texas	63
G-3	Schedule of District Contributions for Pensions - Teacher Retirement System of Texas	64
G-4	Schedule of the District's Proportionate Share of the Net OPEB Liability - Teacher Retirement System of Texas	65
G-5	Schedule of District Contributions for Other Post-Employment Benefits - Teacher Retirement System of Texas	67
	Notes to Required Supplementary Information	68

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED June 30, 2019

TABLE OF CONTENTS, CONTINUED

<u>Exhibit</u>		<u>Page</u>
 Combining Statements:		
Nonmajor Governmental Funds:		
H-1	Combining Balance Sheet	69
H-2	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	70
 Required TEA Schedules:		
J-1	Schedule of Delinquent Taxes Receivable	71
J-2		N/A
J-3		N/A
J-4	Budgetary Comparison Schedule - Child Nutrition Fund	72
J-5	Budgetary Comparison Schedule - Debt Service Fund	73
 Compliance, Internal Control and Federal Awards:		
	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	74
	Schedule of Findings and Questioned Costs	76
	Summary Schedule of Prior Audit Findings	76
	Corrective Action Plan	77
K-1	Schedule of Expenditures of Federal Awards	78
	Notes to the Schedule of Expenditures of Federal Awards	79

CERTIFICATE OF BOARD

Scurry-Rosser Independent School District
Name of School District

Kaufman
County

129-905
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, 2019 at a meeting of the board of school trustees of such school district on the _____ day of _____, 2019.

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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Athens, Texas 75751
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**Unmodified Opinions on Basic Financial Statements
Accompanied by Required Supplementary Information and Other Information**

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Scurry-Rosser Independent School District (the "District"), as of and for the year ended June 30, 2019, 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, 2019, 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*, schedule of district's proportionate share of the net pension liability - TRS, Schedule of district contributions for pensions - TRS, schedule of the District's proportionate share of the net OPEB liability - TRS, schedule of District contributions for other post-employment benefits - TRS, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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, 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, 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, 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 12, 2019 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.

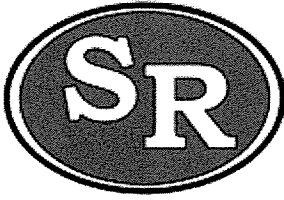
Respectfully submitted,

Smith, Lambright & Associates, P.C.

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

November 12, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS



SCURRY-ROSSER ISD
10705 South State Highway 34
Scurry, TX 75158-3163
972-452-8823
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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, 2019. 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 \$4,420,010 at June 30, 2019.
- The General Fund ended the year with a fund balance of \$4,022,320.

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 \$4,472,801 to \$4,420,010. 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 \$828,144 on June 30, 2018 to \$1,739,268 on June 30,2019. This decrease in governmental net position was the result of the District's decrease of net pension liability and total deferred outflows/inflows of resources.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported a combined fund balance of \$5,305,356 which is a decrease of \$2,067,718 from last year's total of \$7,373,074. Included in this year's total change in fund balance is a decrease of \$2,133,145 in the District's General Fund, an increase of \$77,933 in the District's Interest and Sinking Fund, and an decrease of \$12,506 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 2019, the District had \$17,720,465 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 \$1,707,489.

Debt

At period-end, the District had \$12,844,223 in bonds and lease purchase payments outstanding. This amount is a decrease of \$741,705 from the last year's amount of \$13,585,928. 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 2018-2019 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 2018-2019 M&O tax rate was set at \$1.170000. The estimated general revenue for 2018-2019 is \$10,379,270 and the appropriations are \$10,379,270. This represents a balanced budget for the general fund.

The interest and sinking estimated revenue is \$537,563 and appropriations are \$537,563. This represents a balanced budget. The board chose to set the I & S tax rate at \$0.160000 for the 2018-2019 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	
	2018	2019
Current and other assets	8,473,731	6,472,384
Capital assets	<u>16,012,976</u>	<u>17,720,465</u>
Total Assets	<u>24,486,707</u>	<u>24,192,849</u>
Deferred Outflow Related to TRS OPEB	<u>50,320</u>	<u>1,256,144</u>
Deferred Outflow Related to TRS Pension	<u>639,061</u>	<u>2,103,581</u>
Total Deferred Outflows of Resources	<u>689,381</u>	<u>3,359,725</u>
Long-term liabilities	13,585,928	12,844,223
Other liabilities	1,036,990	1,049,174
Net Pension Liability (District's Share)	<u>4,575,478</u>	<u>7,692,105</u>
Total Liabilities	<u>19,198,396</u>	<u>21,585,502</u>
Deferred Inflows Related to TRS OPEB	<u>1,269,125</u>	<u>1,361,485</u>
Deferred Inflows Related to TRS Pension	<u>235,766</u>	<u>185,577</u>
Total Deferred Inflows of Resources	<u>1,504,891</u>	<u>1,547,062</u>
Net Position:		
Invested in capital assets	2,427,048	4,876,242
Net of related debt		
Restricted	1,217,609	1,283,036
Unrestricted	<u>824,144</u>	<u>(1,739,268)</u>
Total Net Position	<u>4,472,801</u>	<u>4,420,010</u>

Table II
Scurry-Rosser Independent School District

CHANGES IN NET POSITION

	Governmental Activities	
	2018	2019
Revenue		
Program revenues:		
Charges for services	228,067	262,428
Operating grants and contributions	(527,056)	1,923,184
General Revenues:		
Maintenance and operations taxes	1,977,495	2,219,946
Debt service taxes	270,710	303,27
State aid-formula grants	8,010,375	7,854,927
Grants and contributions not restricted to specific functions	0	0
Investments earnings	74,375	100,663
Miscellaneous	167,340	130,471
Total Revenue	10,500,295	10,609,304
Expenses		
Instruction, curriculum and media services	4,387,009	6,669,767
Instructional and school leadership	702,829	1,167,929
Student support services	329,218	487,470
Child nutrition	419,886	608,922
Extracurricular activities	653,214	858,555
General administration	536,863	815,138
Plant maintenance, security and data processing	1,525,867	1,916,762
Debt services	601,633	253,121
Facilities acq and construction	0	0
Payment to SSA		
Other Intergovernmental Charges	24,302	24,302
Total Expenses	9,180,821	12,847,707
Increase (Decrease) in net position before transfers and special items	1,020,485	(52,791)
Transfers	0	0
Special items GASB 65 Change	0	0
Change in Net Position	1,020,485	(52,791)
Net position at Beginning	8,778,650	8,778,650
Prior period assignment	0	0
Net position at Ending	4,472,801	4,420,010

FINANCIAL STATEMENTS

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 254,417
1120 Current Investments	4,891,328
1220 Property Taxes - Delinquent	283,739
1230 Allowance for Uncollectible Taxes	(14,187)
1240 Due from Other Governments	1,044,287
1290 Other Receivables, Net	12,800
Capital Assets:	
1510 Land	459,809
1520 Buildings, Net	12,177,275
1530 Furniture and Equipment, Net	801,321
1580 Construction in Progress	4,282,060
1000 Total Assets	24,192,849
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	2,103,581
1706 Deferred Outflow Related to TRS OPEB	1,256,144
1700 Total Deferred Outflows of Resources	3,359,725
LIABILITIES	
2110 Accounts Payable	57,485
2140 Interest Payable	151,698
2150 Payroll Deductions and Withholdings	9,864
2160 Accrued Wages Payable	767,704
2180 Due to Other Governments	2,065
2200 Accrued Expenses	56,108
2300 Unearned Revenue	4,250
Noncurrent Liabilities:	
2501 Due Within One Year	505,000
2502 Due in More Than One Year	12,339,223
2540 Net Pension Liability (District's Share)	3,386,662
2545 Net OPEB Liability (District's Share)	4,305,443
2000 Total Liabilities	21,585,502
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	185,577
2606 Deferred Inflow Related to TRS OPEB	1,361,485
2600 Total Deferred Inflows of Resources	1,547,062
NET POSITION	
3200 Net Investment in Capital Assets	4,876,242
3820 Restricted for Federal and State Programs	1,508
3850 Restricted for Debt Service	1,255,473
3870 Restricted for Campus Activities	26,055
3900 Unrestricted	(1,739,268)
3000 Total Net Position	\$ 4,420,010

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, 2019

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 6,426,167	\$ 30,025	\$ 940,570	\$ (5,455,572)
12 Instructional Resources and Media Services	100,698	-	7,247	(93,451)
13 Curriculum and Instructional Staff Development	142,902	-	12,318	(130,584)
21 Instructional Leadership	104,363	-	8,402	(95,961)
23 School Leadership	678,124	-	51,728	(626,396)
31 Guidance, Counseling and Evaluation Services	385,442	-	141,412	(244,030)
33 Health Services	153,673	-	11,591	(142,082)
34 Student (Pupil) Transportation	333,797	-	22,424	(311,373)
35 Food Services	608,922	148,640	288,383	(171,899)
36 Extracurricular Activities	858,555	69,464	30,718	(758,373)
41 General Administration	815,138	-	41,737	(773,401)
51 Facilities Maintenance and Operations	1,507,091	14,299	58,119	(1,434,673)
52 Security and Monitoring Services	110,970	-	3,515	(107,455)
53 Data Processing Services	298,701	-	15,518	(283,183)
72 Debt Service - Interest on Long-Term Debt	251,721	-	289,502	37,781
73 Debt Service - Bond Issuance Cost and Fees	1,400	-	-	(1,400)
99 Other Intergovernmental Charges	70,043	-	-	(70,043)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 12,847,707	\$ 262,428	\$ 1,923,184	(10,662,095)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	2,219,946
DT	Property Taxes, Levied for Debt Service	303,297
SF	State Aid - Formula Grants	7,854,927
IE	Investment Earnings	100,663
MI	Miscellaneous Local and Intermediate Revenue	130,471
TR	Total General Revenues	10,609,304
CN	Change in Net Position	(52,791)
NB	Net Position - Beginning	4,472,801
NE	Net Position--Ending	\$ 4,420,010

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 218,297	\$ 8,845	\$ 27,275	\$ 254,417
1120 Investments - Current	3,657,668	1,233,660	-	4,891,328
1220 Property Taxes - Delinquent	246,536	37,203	-	283,739
1230 Allowance for Uncollectible Taxes	(12,327)	(1,860)	-	(14,187)
1240 Due from Other Governments	963,462	12,968	67,857	1,044,287
1290 Other Receivables	12,800	-	-	12,800
1000 Total Assets	<u>\$ 5,086,436</u>	<u>\$ 1,290,816</u>	<u>\$ 95,132</u>	<u>\$ 6,472,384</u>
LIABILITIES				
2110 Accounts Payable	\$ 57,485	\$ -	\$ -	\$ 57,485
2150 Payroll Deductions and Withholdings Payable	9,864	-	-	9,864
2160 Accrued Wages Payable	711,156	-	56,548	767,704
2180 Due to Other Governments	-	-	2,065	2,065
2200 Accrued Expenditures	47,152	-	8,956	56,108
2300 Unearned Revenue	4,250	-	-	4,250
2000 Total Liabilities	<u>829,907</u>	<u>-</u>	<u>67,569</u>	<u>897,476</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	234,209	35,343	-	269,552
2600 Total Deferred Inflows of Resources	<u>234,209</u>	<u>35,343</u>	<u>-</u>	<u>269,552</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	1,508	1,508
3480 Retirement of Long-Term Debt	-	1,255,473	-	1,255,473
Committed Fund Balance:				
3510 Construction	1,500,000	-	-	1,500,000
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	26,055	26,055
3600 Unassigned Fund Balance	2,522,320	-	-	2,522,320
3000 Total Fund Balances	<u>4,022,320</u>	<u>1,255,473</u>	<u>27,563</u>	<u>5,305,356</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,086,436</u>	<u>\$ 1,290,816</u>	<u>\$ 95,132</u>	<u>\$ 6,472,384</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, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	5,305,356
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$25,186,949 and the accumulated depreciation was (\$9,173,973). 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 (\$13,585,928). 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.		2,427,048
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2019 capital outlays and debt principal payments is to increase (decrease) net position.		2,552,720
3 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 \$2,103,581, a deferred resource inflow in the amount of \$185,577, and a net pension liability in the amount of \$3,386,662. This resulted in an increase (decrease) in net position.		(1,468,658)
4 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 \$1,256,144, a deferred resource inflow of \$1,361,485, and a net OPEB liability in the amount of \$4,305,443. This resulted in an increase (decrease) in net position.		(4,410,784)
5 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(545,231)
6 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.		559,559
19 Net Position of Governmental Activities	\$	<u>4,420,010</u>

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2019

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,460,830	\$ 326,943	\$ 183,663	\$ 2,971,436
5800 State Program Revenues	8,206,214	289,502	48,309	8,544,025
5900 Federal Program Revenues	183,499	-	715,249	898,748
5020 Total Revenues	<u>10,850,543</u>	<u>616,445</u>	<u>947,221</u>	<u>12,414,209</u>
EXPENDITURES:				
Current:				
0011 Instruction	5,339,310	-	366,583	5,705,893
0012 Instructional Resources and Media Services	94,405	-	391	94,796
0013 Curriculum and Instructional Staff Development	127,172	-	3,693	130,865
0021 Instructional Leadership	95,208	-	-	95,208
0023 School Leadership	622,908	-	358	623,266
0031 Guidance, Counseling and Evaluation Services	227,924	-	127,098	355,022
0033 Health Services	142,776	-	-	142,776
0034 Student (Pupil) Transportation	446,661	-	534	447,195
0035 Food Services	-	-	561,641	561,641
0036 Extracurricular Activities	703,364	-	20,730	724,094
0041 General Administration	759,335	-	1,667	761,002
0051 Facilities Maintenance and Operations	1,378,237	-	1,650	1,379,887
0052 Security and Monitoring Services	108,128	-	-	108,128
0053 Data Processing Services	273,164	-	-	273,164
Debt Service:				
0071 Principal on Long-Term Debt	260,000	40,000	-	300,000
0072 Interest on Long-Term Debt	200,712	497,562	-	698,274
0073 Bond Issuance Cost and Fees	450	950	-	1,400
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,005,303	-	-	2,005,303
Intergovernmental:				
0099 Other Intergovernmental Charges	70,043	-	-	70,043
6030 Total Expenditures	<u>12,855,100</u>	<u>538,512</u>	<u>1,084,345</u>	<u>14,477,957</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,004,557)</u>	<u>77,933</u>	<u>(137,124)</u>	<u>(2,063,748)</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	124,618	124,618
8911 Transfers Out (Use)	(124,618)	-	-	(124,618)
8949 Other (Uses)	(3,970)	-	-	(3,970)
7080 Total Other Financing Sources (Uses)	<u>(128,588)</u>	<u>-</u>	<u>124,618</u>	<u>(3,970)</u>
1200 Net Change in Fund Balances	(2,133,145)	77,933	(12,506)	(2,067,718)
0100 Fund Balance - July 1 (Beginning)	<u>6,155,465</u>	<u>1,177,540</u>	<u>40,069</u>	<u>7,373,074</u>
3000 Fund Balance - June 30 (Ending)	<u>\$ 4,022,320</u>	<u>\$ 1,255,473</u>	<u>\$ 27,563</u>	<u>\$ 5,305,356</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, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (2,067,718)
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 2019 capital outlays and debt principal payments is to increase (decrease) net position.	2,552,720
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.	(545,231)
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.	495,892
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 \$184,459. 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 \$174,061. The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$340,867. The net result is an increase (decrease) in the change in net position.	(330,469)
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 \$52,471. 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 \$49,844. 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 \$160,612. The net result is an increase (decrease) in the change in net position.	(157,985)
Change in Net Position of Governmental Activities	\$ (52,791)

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, 2019

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 31,149	\$ 44,990
Investments - Current	2,692	24,618
Total Assets	<u>33,841</u>	<u>\$ 69,608</u>
LIABILITIES		
Due to Student Groups	-	\$ 69,608
Total Liabilities	<u>-</u>	<u>\$ 69,608</u>
NET POSITION		
Unrestricted Net Position	<u>33,841</u>	
Total Net Position	<u>\$ 33,841</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, 2019

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 17,603
Total Additions	<u>17,603</u>
DEDUCTIONS:	
Other Operating Costs	16,588
Total Deductions	<u>16,588</u>
Change in Net Position	1,015
Total Net Position - July 1 (Beginning)	<u>32,826</u>
Total Net Position - June 30 (Ending)	<u><u>\$ 33,841</u></u>

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

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*. There are no component units included within the reporting entity. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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
YEAR ENDED JUNE 30, 2019

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 Position, and unrestricted net position.

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
YEAR ENDED JUNE 30, 2019

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

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	1-20

Land and construction in progress are not depreciated.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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 the 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 the 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.

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.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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
YEAR ENDED JUNE 30, 2019

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 - 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/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.

O. TEACHER RETIREMENT SYSTEM - 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 OPEB, 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.

P. DEFICIT NET POSITION

At June 30, 2019, the District has a deficit unrestricted net position in the Government-Wide Statement of Net Position. This deficit is due to the combined effects of recognizing the net pension liability required by GASB 68 and the net other post-employment benefits liability required by GASB 75.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

<u>Capital Assets at the Beginning of the Year</u>	<u>Historical Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 346 426	\$	\$ 346 426	\$
Buildings & Improvements	19 261 593	7 565 912	11 695 681	
Furniture & Equipment	2 302 004	1 608 061	693 943	
Construction in Progress	<u>3 276 926</u>		<u>3 276 926</u>	
Totals	<u>\$ 25 186 949</u>	<u>\$ 9 173 973</u>	\$	
Change in Net Position				<u>\$ 16 012 976</u>
<u>Long-term Liabilities at the Beginning of the Year</u>			<u>Payables at the Beginning of the Year</u>	
Bonds Payable			\$ 6 345 000	
Accretion Payable			446 217	
Premium on Issuance of Bonds			1 387 345	
Loans Payable			5 165 000	
Premium on Issuance of Loan			<u>242 366</u>	
Changes in Net Position				<u>(13 585 928)</u>
Net Adjustment to Net Position				<u>\$ 2 427 048</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

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>Adjustment to Net Position</u>
<u>Current Year Capital Outlay</u>			
Land	\$ 113 383	\$	\$
Buildings & Improvements	34 147		
Furniture & Equipment	213 271		
Construction in Progress	<u>1 891 919</u>		
Total Capital Outlay	<u>\$ 2 252 720</u>	<u>2 252 720</u>	<u>2 252 720</u>
<u>Debt Payments</u>			
Bond Principal	40 000		
Loan Principal	<u>260 000</u>		
Total Principal Payments	<u>300 000</u>	<u>300 000</u>	<u>300 000</u>
Total Adjustment to Net Position		<u>\$ 2 552 720</u>	<u>\$ 2 552 720</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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 Assets</u>	<u>Adjustments to Net Position</u>
Adjustments to Revenue and Deferred Revenue:			
Taxes Collected from Prior Year Levies	\$ 100 168	\$ (100 168)	\$
Uncollected taxes (assumed collectible) from Current Year Levy	149 507	149 507	149 507
Uncollected Taxes (assumed collectible) from Prior Year Levy	120 045		120 045
Accrued Interest on Debt:			
Prior Year	156 546	156 546	
Current Year	151 698	(151 698)	(151 698)
Accretion on Capital Appreciation Bonds:			
Current Year Accrued	131 068	(131 068)	(131 068)
Current Year Paid	285 000	285 000	285 000
Bond Premium Amortization:			
Current Year	282 966	282 966	282 966
Loan Premium Amortization:			
Current Year	<u>4 807</u>	<u>4 807</u>	<u>4 807</u>
Total		<u>\$ 495 892</u>	<u>\$ 559 559</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

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 September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to 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.

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 non-appropriated budget special revenue funds is as follows:

	<u>June 30, 2019</u> <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 0
Non-appropriated Budget Funds	<u>27 563</u>
All Special Revenue Funds	<u><u>\$ 27 563</u></u>

B. BUDGET VARIANCES

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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 2019-2020 budget.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

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 2018-2019 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 \$6,063,563, and occurred on February 1, 2019. The amount of bond or market value of securities pledged as of the date of the highest combined balance on deposit was \$7,881,408. 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.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

- 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, 2019, the amount of the District's cash balance in checking accounts was \$329,556. Cash on hand was \$1,000.

INVESTMENTS - CASH EQUIVALENTS

The District's investments - cash equivalents at June 30, 2019, are shown below:

<u>Investment Type</u>	<u>Costs</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of Deposit	\$ 1 315 057	\$ 1 315 057	.5206
MBIA Texas Class	3 028 938	3 028 938	.19452
First Public/Lone Star Investment Pool:			
Corporate Overnight	553 358	553 379	.09139
Government Overnight	<u>21 285</u>	<u>21 285</u>	.09139
Total Investments	<u>\$ 4 918 638</u>	<u>\$ 4 918 659</u>	

INVESTMENTS - OTHER

The District's investments - other at June 30, 2019, are shown below:

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

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
YEAR ENDED JUNE 30, 2019

The investment pools used by the District are organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The investment pools are public funds investment pools created to provide a safe environment for the placement of local government funds in authorized short-term investments.

The District's investment in investment pools, which are exempt from regulation by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of \$1.00. The book value of the position in the pools is the same as the number of the shares in each pool; the fair value of a share should approximately equal the book value of a share.

In accordance with state law and the District's investment policy, investments in investment pools must be rated at least AAA or have an equivalent rating, and obligations of states, agencies, counties and cities must be rated at least A or its equivalent. As of June 30, 2019, the District's investments in investment pools met or exceeded the ratings criteria.

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 personal property 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, 2018 upon which the levy for the 2018-2019 fiscal year was based, was \$191,255,873. The tax rates assessed for the year ended June 30, 2019 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, 2019 were 93.8% of the year end adjusted tax levy. As of June 30, 2019, property taxes receivable totaled \$ 246,536 and \$ 37,203 for the General and Debt Service Funds respectively.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

C. RECEIVABLES FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of June 30, 2019 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Receivables from Other Governments.

	General Fund	Debt Service Fund	Other Funds	Total
State Entitlements	\$ 963 462	\$	\$	\$ 963 462
State EDA & IFA		12 968		12 968
Federal Grants			67 857	67 857
State Grants				0
Total	\$ 963 462	\$ 12 968	\$ 67 857	\$ 1 044 287

D. INTERFUND BALANCES AND TRANSFERS

Interfund balances at June 30, 2019 consisted of the following individual fund receivables and payables:

Fund	Due From	Due to
General Fund:		
Special Revenue Fund	\$ _____	\$ _____
Special Revenue Fund:		
General Fund	_____	_____
Totals	\$ 0	\$ 0

Interfund transfers for the year ended June 30, 2019 consisted of the following individual fund amounts:

Fund	Transfer In	Transfer Out
General Fund:		
Special Revenue Fund	\$ _____	\$ 124 618
Special Revenue Fund:		
Special Revenue Fund	124 618	_____
Totals	\$ 124 618	\$ 124 618

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

E. RECEIVABLES AND PAYABLES

Receivables at June 30, 2019, were as follows:

	General Fund	Debt Service Fund	Other Funds	Total
Property Taxes (Net)	\$ 234 209	\$ 35 343	\$	\$ 269 552
Other Governments	963 462	12 968	67 857	1 044 287
Other Receivables	<u>12 800</u>	<u></u>	<u></u>	<u>12 800</u>
Totals	<u>\$ 1 210 471</u>	<u>\$ 48 311</u>	<u>\$ 67 857</u>	<u>\$ 1 326 639</u>

Payables at June 30, 2019, were as follows:

	General Fund	Debt Service Fund	Other Funds	Total
Accounts Payable	\$ 57 485	\$	\$	\$ 57 485
Accrued Wages	711 156		56 548	767 704
Payroll Deductions	9 864			9 864
Other Governments	<u></u>	<u></u>	<u>2 065</u>	<u>2 065</u>
Totals	<u>\$ 778 505</u>	<u>\$ 0</u>	<u>\$ 58 613</u>	<u>\$ 837 118</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

F. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended June 30, 2019, was as follows:

	Beginning Balance	Additions	Retirements/ Adjustments	Ending Balance
Nondepreciable Capital Assets				
Land	\$ 346 426	\$ 113 383	\$	\$ 459 809
Construction in Progress	3 276 926	1 891 919	(886 785)	4 282 060
Subtotal Nondepreciable Assets	<u>3 623 352</u>	<u>2 005 302</u>	<u>(886 785)</u>	<u>4 741 869</u>
Depreciable Capital Assets				
Building & Improvements	19 261 593	34 147	886 785	20 182 525
Furniture & Equipment	2 302 004	213 271		2 515 275
Subtotal Depreciable Assets	<u>21 563 597</u>	<u>247 418</u>	<u>886 785</u>	<u>22 697 800</u>
Total at Historical Cost	<u>25 186 949</u>	<u>2 252 720</u>	<u>0</u>	<u>27 439 669</u>
Less Accumulated Depreciation for:				
Buildings & Improvements	7 565 912	439 338		8 005 250
Furniture & Equipment	<u>1 608 061</u>	<u>105 893</u>		<u>1 713 954</u>
Total Accumulated Depreciation	<u>9 173 973</u>	<u>545 231</u>	<u>0</u>	<u>9 719 204</u>
Governmental Activities Capital Assets, Net	<u>\$ 16 012 976</u>	<u>\$ 1 707 489</u>	<u>\$ 0</u>	<u>\$ 17 720 465</u>

Depreciation expense was charged to governmental functions as follows:

11	Instruction	\$ 243 399
34	Student (Pupil) Transportation	62 222
35	Food Services	2 321
36	Cocurricular/Extracurricular Activities	97 380
51	Plant Maintenance and Operations	132 385
53	Data Processing/Technology	<u>7 524</u>
	Total Depreciation Expense	<u>\$ 545 231</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

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 bonds payable for the year ended June 30, 2019 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 8/31/18	Issued	Retired	Amounts Outstanding	Interest Current Year
Unlimited Tax Refunding Bonds Series 2012	3.25%	\$ 1 165 000	\$ 1 165 000	\$	\$	1 165 000	\$ 37 862
Unlimited Tax Refunding Bonds Series 2016	2.0% to 4.0%	\$ 5 225 000	\$ 5 180 000		\$ 40 000	5 140 000	\$ 459 700
Totals			<u>\$ 6 345 000</u>	<u>\$ 0</u>	<u>\$ 40 000</u>	<u>6 305 000</u>	<u>\$ 497 562</u>

Debt service requirements are as follows:

Year Ended June 30	<u>General Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	350 000	177 312	527 312
2025 - 2029	1 945 000	700 938	2 645 938
2030 - 2034	2 405 000	300 944	2 705 944
2035	<u>590 000</u>	<u>9 587</u>	<u>599 587</u>
Totals	<u>\$ 6 305 000</u>	<u>\$ 2 304 481</u>	<u>\$ 8 609 481</u>

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, 2019.

In prior years, 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, 2019, \$13,144,163 considered defeased in prior years are still outstanding.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

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, 2019 is as follows:

<u>Description</u>	<u>Interest Rate Payable</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 7/1/18</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	\$ 5 165 000	\$ 0	\$ 260 000	\$ 4 905 000	\$ 200 713
Totals			<u>\$ 5 165 000</u>	<u>\$ 0</u>	<u>\$ 260 000</u>	<u>\$ 4 905 000</u>	<u>\$ 200 713</u>

Debt service requirements are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
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	210 000	154 263	364 263
2025-2029	1 180 000	636 231	1 816 231
2030-2034	1 425 000	387 656	1 812 656
2035-2038	<u>1 335 000</u>	<u>102 281</u>	<u>1 437 281</u>
Totals	<u>\$ 4 905 000</u>	<u>\$ 1 984 656</u>	<u>\$ 6 889 656</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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	\$ 6 345 000	\$ _____	\$ 40 000	\$ 6 305 000	\$ 15 000
Accretion Payable:					
Capital Appreciation Bonds	446 217	131 068	285 000	292 286	310 000
Premium on Issuance of Bonds:					
Premium	1 387 345	_____	282 966	1 104 379	_____
Loans Payable:					
Maintenance Tax Notes	5 165 000	_____	260 000	4 905 000	180 000
Premium on Issuance of Loan:					
Premium	242 366	_____	4 807	237 559	_____
Total Governmental Activities Long-term Liabilities	<u>\$ 13 585 928</u>	<u>\$ 131 068</u>	<u>\$ 872 773</u>	<u>\$ 12 844 224</u>	<u>\$ 505 000</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

J. UNEARNED REVENUE AND UNAVAILABLE REVENUE

Unearned revenue at the fiscal year-end consisted of the following:

	General Fund	Debt Service Fund	Other Funds	Total
Tuition and Fees	\$ 4 250	\$	\$	\$ 4 250

Unavailable revenue at the fiscal year end consisted of the following:

Net Property Taxes	\$ 234 209	\$ 35 343	\$ 0	\$ 269 552
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SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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:				
Inventory	\$	\$	\$	\$
Prepaid Items				
Restricted:				
Child Nutrition				
Federal Grants				
State Grants			1 508	1 508
Debt Service		1 255 473		1 255 473
Committed:				
Construction	1 500 000			1 500 000
Assigned:				
Campus Activity			26 055	26 055
Unassigned	<u>2 522 320</u>	<u> </u>	<u> </u>	<u>2 522 320</u>
Total Fund Balances	<u>\$ 4 022 320</u>	<u>\$ 1 255 473</u>	<u>\$ 27 563</u>	<u>\$ 5 305 356</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

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	\$ 2 175 038	\$ 298 867	\$	\$ 2 473 905
Penalties, Interest & Other				
Tax Related Income	35 480	5 566		41 046
Investment Income	78 153	22 510		100 663
Food Sales			148 640	148 640
Co-curricular Student				
Activities	34 440		35 023	69 463
Other	<u>137 719</u>			<u>137 719</u>
	<u>\$ 2 460 830</u>	<u>\$ 326 943</u>	<u>\$ 183 663</u>	<u>\$ 2 971 436</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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) is 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.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 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
YEAR ENDED JUNE 30, 2019

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2018 thru 2019. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Contribution Rates		
	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Current Fiscal Year Employer Contributions		\$ 217 672
District's 2019 Current Fiscal Year Member Contributions		\$ 569 716
District's 2018 Measurement Year NECE On-Behalf Contributions		\$ 360 737

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

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, 2017 actuarial valuation rolled forward to June 30, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age, Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate	7.25%
Municipal Bond Rate as of August 2018	3.69%
Inflation	2.30%
Salary Increases	3.05% to 9.05%
Ad Hoc Post Employment Benefit Changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2017 and adopted in July, 2018.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 return, 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Real Rate of Return
As of August 31, 2018

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
U.S.	18%	5.7%	1.0%
Non-U.S. Developed	13%	6.9%	0.9%
Emerging Markets	9%	8.9%	0.8%
Directional Hedge Funds	4%	3.5%	0.1%
Private Equity	13%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11%	1.1%	0.1%
Absolute Return	0%	-	-
Stable Value Hedge Funds	4%	3.1%	0.1%
Cash	1%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.7%	0.0%
Real Assets	14%	5.2%	0.7%
Energy and Natural Resources	5%	7.5%	0.4%
Commodities	0%	-	-
Risk Parity			
Risk Parity	5%	3.7%	0.2%
Inflations Expectations			2.3%
Volatility Drag ³			-0.8%
Total	<u>100%</u>		<u>7.2%</u>

1 Target allocations are based on the FY 2016 policy model.

2 Capital market assumptions come from Aon Hewitt (2017 Q4)

3 The volatility drag results from the conversion between arithmetic and geometric mean returns.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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 (6.907%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the net pension liability:	<u>\$ 5 111 286</u>	<u>\$ 3 386 662</u>	<u>\$ 1 990 478</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the District reported a liability of \$3,386,662 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	\$ 3 386 662
State's proportionate share that is associated with the District	<u>5 897 798</u>
Total	<u>\$ 9 284 460</u>

The net pension liability was measured as of August 31, 2018 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 proportion 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was .0061528218%, which was an increase (decrease) of .0013318598% from its proportion measured as of August 31, 2017.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

Changes Since the Prior Actuarial Valuation - The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study preformed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, the District recognized pension expense of \$1,098,653 and revenue of \$583,725 for support provided by the State.

At June 30, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 21 110	\$ 83 095
Changes in actuarial assumptions	1 221 055	38 158
Difference between projected and actual investment earnings		64 260
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>676 957</u>	<u>64</u>
Total as of August 31, 2018 measurement date	1 919 122	
Contributions paid to TRS subsequent to the measurement date	184 459	
Total as of fiscal year end	<u>\$ 2 103 581</u>	<u>\$ 185 577</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:

<u>Year ended June 30:</u>	<u>Pension Expense Amount</u>
2020	\$ 429 855
2021	294 627
2022	258 154
2023	296 353
2024	274 902
Thereafter	179 654

Long Term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	<u>\$ 1 541 484</u>	<u>\$ 2 052 451</u>	<u>\$ 207 273</u>	<u>\$ 3 386 662</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

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 a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees
 January 1, 2018 thru December 31, 2018

	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1020	999
* or surviving spouse		

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

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 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .75% 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		
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
District’s 2019 Current Fiscal Year Employer Contributions		\$ 62 113
District’s 2019 Current Fiscal Year Member Contributions		\$ 49 069
District’s 2018 NECE On-behalf Contributions		\$ 82 761

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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

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 that was rolled forward to August 31, 2018:

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, rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69%
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation.
Ad hoc post-employment benefit changes	None

Other Information: None

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase .27 percent in the discount rate since the previous year. 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.

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 (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District’s proportionate share of the Net OPEB liability:	\$ <u>5 124 957</u>	\$ <u>4 305 443</u>	\$ <u>3 657 155</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 8.5% healthcare cost trend rate.

	1% Decrease Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District’s Proportionate share of net OPEB liability:	\$ <u>3 575 741</u>	\$ <u>4 305 443</u>	\$ <u>5 266 477</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2019

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB's

At June 30, 2019, the District reported a liability of \$4,305,443 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	\$	4 305 443
State's proportionate share that is associated with the District		<u>5 998 702</u>
Total		<u>\$ 10 304 145</u>

The Net OPEB Liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective Net OPEB Liability was .0086228007% which was an increase (decrease) of .0016458971% from its proportion measured as of August 31, 2017 .

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:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- the health care trend rate assumption was updated to reject the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumption were updated based on the experience study performed for TRS for the period ending June 30, 2017. This change increased the Total OPEB Liability.
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.
- Change of Benefit Terms Since the Prior Measurement Date

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescription for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and the eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

For the year ended June 30, 2019, the District recognized OPEB expense of \$428,653 and revenue of \$218,197. for support provided by the State.

At June 30, 2019, 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 form the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 228 474	\$ 67 946
Changes in actuarial assumptions	71 846	1 293 539
Difference between projected and actual investment earnings	753	
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	902 600	
Total as of August 31, 2018 measurement date	<u>1 203 673</u>	<u>1 361 485</u>
Contributions paid to TRS subsequent to the measurement date	52 471	
Total as of fiscal year end	<u>\$ 1 256 144</u>	<u>\$ 1 361 485</u>

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

<u>Year ended June 30:</u>	<u>OPEB Expense Amount</u>
2020	\$ (57 169)
2021	(57 169)
2022	(57 169)
2023	(57 312)
2024	(57 393)
Thereafter	128 400

Long-Term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	<u>\$ 3 033 994</u>	<u>\$ 1 330 934</u>	<u>\$ 59 485</u>	<u>\$ 4 305 443</u>

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

O. HEALTH CARE

During the year ended June 30, 2019, employees of the Scurry-Rosser Independent School District were covered by the state sponsored health insurance plan. The District paid premiums of \$250 per employee to the plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents.

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

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

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

P. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at www.trs.state.tx.us, 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, 2019 is estimated by TRS at \$27,669.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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.

R. SELF-INSURED WORKERS' COMPENSATION

During the year ended June 30, 2019 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 \$22,268, to the plan supervisor for administration of claims, loss control, record keeping, and the cost of excess insurance. The loss fund maximum set aside in a separate account for claims not covered by excess insurance was established to be \$68,896 for the fiscal year. The self insurance retention maximum was \$225,000.

During the fiscal year, the District paid net claims of \$23,884 covering plan periods ending June 30, 2019, and has accrued \$15,620 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, 2019 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.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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 2019 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. SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 12, 2019; the date which the financial statements were available for distribution. There were none noted.

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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,050,670	\$ 2,050,670	\$ 2,460,830	\$ 410,160
5800 State Program Revenues	8,236,600	8,236,600	8,206,214	(30,386)
5900 Federal Program Revenues	92,000	92,000	183,499	91,499
5020 Total Revenues	10,379,270	10,379,270	10,850,543	471,273
EXPENDITURES:				
Current:				
0011 Instruction	5,310,104	5,310,104	5,339,310	(29,206)
0012 Instructional Resources and Media Services	97,950	97,950	94,405	3,545
0013 Curriculum and Instructional Staff Development	130,374	130,374	127,172	3,202
0021 Instructional Leadership	96,425	96,425	95,208	1,217
0023 School Leadership	638,351	628,351	622,908	5,443
0031 Guidance, Counseling and Evaluation Services	229,626	229,626	227,924	1,702
0033 Health Services	146,092	146,092	142,776	3,316
0034 Student (Pupil) Transportation	455,945	455,945	446,661	9,284
0036 Extracurricular Activities	657,415	657,415	703,364	(45,949)
0041 General Administration	810,564	810,564	759,335	51,229
0051 Facilities Maintenance and Operations	1,358,099	1,358,099	1,378,237	(20,138)
0052 Security and Monitoring Services	111,194	111,194	108,128	3,066
0053 Data Processing Services	278,574	278,574	273,164	5,410
Debt Service:				
0071 Principal on Long-Term Debt	260,000	260,000	260,000	-
0072 Interest on Long-Term Debt	201,107	201,107	200,712	395
0073 Bond Issuance Cost and Fees	450	450	450	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,019,656	2,019,656	2,005,303	14,353
Intergovernmental:				
0099 Other Intergovernmental Charges	71,000	71,000	70,043	957
6030 Total Expenditures	12,872,926	12,862,926	12,855,100	7,826
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,493,656)	(2,483,656)	(2,004,557)	479,099
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(124,618)	(124,618)
8949 Other (Uses)	-	-	(3,970)	(3,970)
7080 Total Other Financing Sources (Uses)	-	-	(128,588)	(128,588)
1200 Net Change in Fund Balances	(2,493,656)	(2,483,656)	(2,133,145)	350,511
0100 Fund Balance - July 1 (Beginning)	6,155,465	6,155,465	6,155,465	-
3000 Fund Balance - June 30 (Ending)	\$ 3,661,809	\$ 3,671,809	\$ 4,022,320	\$ 350,511

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, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.006152822%	0.004820962%	0.004751431%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,386,662	\$ 1,541,484	\$ 1,795,495
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	5,897,798	3,358,073	3,967,753
Total	<u>\$ 9,284,460</u>	<u>\$ 4,899,557</u>	<u>\$ 5,763,248</u>
District's Covered Payroll	\$ 7,151,882	\$ 6,188,064	\$ 5,803,325
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	47.35%	24.91%	30.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

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, 2018 for year 2019, 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 five 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."

<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
	0.0046219%		0.0028557%
\$	1,633,780	\$	762,797
	3,781,419		3,260,620
<u>\$ 5,415,199</u>		<u>\$ 4,023,417</u>	
\$	5,592,035	\$	5,483,865
	29.22%		13.91%
	78.43%		83.25%

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 217,672	\$ 200,399	\$ 155,029
Contribution in Relation to the Contractually Required Contribution	(217,672)	(200,399)	(155,029)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 7,398,916	\$ 7,042,055	\$ 6,099,001
Contributions as a Percentage of Covered Payroll	2.94%	2.85%	2.54%

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 years.

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

<hr/>	
2016	2015
<hr/>	
\$ 141,106	\$ 124,201
(141,106)	(124,201)
<hr/>	
\$ -	\$ -
<hr/> <hr/>	
\$ 5,773,285	\$ 5,549,094
2.44%	2.24%

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, 2019

	FY 2019 <u>Plan Year 2018</u>	FY 2018 <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.008622801%	0.006976904%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 4,305,443	\$ 3,033,994
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	5,998,702	4,961,615
Total	<u>\$ 10,304,145</u>	<u>\$ 7,995,609</u>
District's Covered Payroll	\$ 7,151,882	\$ 6,188,064
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	60.20%	49.03%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	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 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years 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 2019

	2019	2018
Contractually Required Contribution	\$ 62,113	\$ 56,087
Contribution in Relation to the Contractually Required Contribution	(62,113)	(56,087)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered Payroll	\$ 7,398,916	\$ 7,042,055
Contributions as a Percentage of Covered Payroll	0.84%	1.39%

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, 2019

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

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumption including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the Long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

OTHER POST-EMPLOYMENT BENEFITS:

Changes of Benefit Term

The 85th Legislature, Regular Session,, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017.

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retirees on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependent to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan year 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

Changes of Assumptions

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability
- The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB Liability \$2.3 billion.

COMBINING STATEMENTS

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2019

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
ASSETS				
1110 Cash and Cash Equivalents	\$ (18,283)	\$ (6,110)	\$ -	\$ 27,332
1240 Due from Other Governments	49,393	9,383	-	-
1000 Total Assets	<u>\$ 31,110</u>	<u>\$ 3,273</u>	<u>\$ -</u>	<u>\$ 27,332</u>
LIABILITIES				
2160 Accrued Wages Payable	\$ 27,309	\$ 2,515	\$ -	\$ 23,746
2180 Due to Other Governments	-	-	-	-
2200 Accrued Expenditures	3,801	758	-	3,586
2000 Total Liabilities	<u>31,110</u>	<u>3,273</u>	<u>-</u>	<u>27,332</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	-
Assigned Fund Balance:				
3590 Other Assigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 31,110</u>	<u>\$ 3,273</u>	<u>\$ -</u>	<u>\$ 27,332</u>

255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Title IV Part A	410 State Instructional Materials	429 Other State Grants	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ (1,506)	\$ -	\$ (3,786)	\$ -	\$ 1,508	\$ -	\$ 28,120	\$ 27,275
5,295	-	3,786	-	-	-	-	67,857
<u>\$ 3,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,508</u>	<u>\$ -</u>	<u>\$ 28,120</u>	<u>\$ 95,132</u>
\$ 2,978	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,548
-	-	-	-	-	-	2,065	2,065
811	-	-	-	-	-	-	8,956
<u>3,789</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,065</u>	<u>67,569</u>
-	-	-	-	1,508	-	-	1,508
-	-	-	-	-	-	26,055	26,055
-	-	-	-	<u>1,508</u>	<u>-</u>	<u>26,055</u>	<u>27,563</u>
<u>\$ 3,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,508</u>	<u>\$ -</u>	<u>\$ 28,120</u>	<u>\$ 95,132</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, 2019

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
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 148,640
5800 State Program Revenues	-	-	-	2,207
5900 Federal Program Revenues	200,361	183,982	4,052	287,826
5020 Total Revenues	200,361	183,982	4,052	438,673
EXPENDITURES:				
Current:				
0011 Instruction	198,861	59,879	4,052	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	1,500	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	123,569	-	-
0034 Student (Pupil) Transportation	-	534	-	-
0035 Food Services	-	-	-	561,641
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	1,650
6030 Total Expenditures	200,361	183,982	4,052	563,291
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(124,618)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	124,618
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	270 ESEA VI, Pt B Rural & Low Income	289 Title IV Part A	410 State Instructional Materials	429 Other State Grants	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,023	\$ 183,663
-	-	-	-	43,909	2,193	-	48,309
25,125	1,717	3,786	8,400	-	-	-	715,249
25,125	1,717	3,786	8,400	43,909	2,193	35,023	947,221
25,125	1,717	3,786	8,400	43,909	-	20,854	366,583
-	-	-	-	-	-	391	391
-	-	-	-	-	2,193	-	3,693
-	-	-	-	-	-	358	358
-	-	-	-	-	-	3,529	127,098
-	-	-	-	-	-	-	534
-	-	-	-	-	-	-	561,641
-	-	-	-	-	-	20,730	20,730
-	-	-	-	-	-	1,667	1,667
-	-	-	-	-	-	-	1,650
25,125	1,717	3,786	8,400	43,909	2,193	47,529	1,084,345
-	-	-	-	-	-	(12,506)	(137,124)
-	-	-	-	-	-	-	124,618
-	-	-	-	-	-	(12,506)	(12,506)
-	-	-	-	1,508	-	38,561	40,069
\$ -	\$ -	\$ -	\$ -	\$ 1,508	\$ -	\$ 26,055	\$ 27,563

REQUIRED TEA SCHEDULES

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED JUNE 30, 2019

Last 10 Years	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	Various	Various	\$ Various
2011	1.040000	0.210000	158,021,561
2012	1.040000	0.210000	155,738,646
2013	1.040000	0.210000	149,101,999
2014	1.040000	0.210000	151,168,413
2015	1.040000	0.210000	151,699,325
2016	1.040000	0.210000	151,886,242
2017	1.170000	0.160000	154,752,826
2018	1.170000	0.160000	170,528,378
2019 (School year under audit)	1.170000	0.160000	191,255,873
1000 TOTALS			

(10) Beginning Balance 7/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 6/30/2019
\$ 44,034	\$ -	\$ 2,821	\$ 522	\$ (6,464)	\$ 34,227
6,271	-	712	144	(19)	5,396
7,743	-	1,668	337	(19)	5,719
7,692	-	2,043	413	(19)	5,217
11,434	-	4,562	921	643	6,594
13,482	-	3,796	766	1,420	10,340
17,667	-	6,995	1,412	1,476	10,736
29,035	-	10,457	1,430	(2,492)	14,656
94,446	-	50,609	6,921	(3,438)	33,478
-	2,543,703	2,091,375	286,000	(8,952)	157,376
<u>\$ 231,804</u>	<u>\$ 2,543,703</u>	<u>\$ 2,175,038</u>	<u>\$ 298,866</u>	<u>\$ (17,864)</u>	<u>\$ 283,739</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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 158,207	\$ 158,207	\$ 148,640	\$ (9,567)
5800 State Program Revenues	2,300	2,300	2,207	(93)
5900 Federal Program Revenues	278,000	278,000	287,826	9,826
5020 Total Revenues	438,507	438,507	438,673	166
EXPENDITURES:				
Current:				
0035 Food Services	433,007	433,007	561,641	(128,634)
0051 Facilities Maintenance and Operations	5,500	5,500	1,650	3,850
6030 Total Expenditures	438,507	438,507	563,291	(124,784)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(124,618)	(124,618)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	124,618	124,618
1200 Net Change in Fund Balances	-	-	-	-
0100 Fund Balance - July 1 (Beginning)	-	-	-	-
3000 Fund Balance - June 30 (Ending)	\$ -	\$ -	\$ -	\$ -

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, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 307,332	\$ 307,332	\$ 326,943	\$ 19,611
5800 State Program Revenues	230,231	230,231	289,502	59,271
5020 Total Revenues	537,563	537,563	616,445	78,882
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	325,000	325,000	40,000	285,000
0072 Interest on Long-Term Debt	212,563	212,563	497,562	(284,999)
0073 Bond Issuance Cost and Fees	-	-	950	(950)
6030 Total Expenditures	537,563	537,563	538,512	(949)
1200 Net Change in Fund Balances	-	-	77,933	77,933
0100 Fund Balance - July 1 (Beginning)	1,177,540	1,177,540	1,177,540	-
3000 Fund Balance - June 30 (Ending)	\$ 1,177,540	\$ 1,177,540	\$ 1,255,473	\$ 77,933

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, 2019 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 12, 2019.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 12, 2019

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards:

N/A

Internal control over major programs:

- Material weakness(es) identified? _____ yes _____ no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes _____ no

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

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a) _____ yes _____ no

Identification of major programs: N/A

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

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

Auditee qualified as low risk auditee? X yes _____ no

District Contact Person James Sanders
Superintendent

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

N/A

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2019

N/A

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	ESC Region 10	\$ 200,361
*IDEA - Part B, Formula	84.027	19-660001129910	183,982
*IDEA - Part B, Preschool	84.173	19-661001129910	4,052
Total Special Education Cluster (IDEA)			188,034
ESEA, Title VI, Part B - Rural & Low Income Prog.	84.358B	19-696001129910	3,786
Title III, Part A - English Language Acquisition	84.365A	ESC Region 10	1,717
ESEA, Title II, Part A, Teacher Principal Training	84.367A	ESC Region 10	25,125
Title IV, Part A	84.424A	ESC Region 10	8,400
Total Passed Through State Department of Education			427,423
TOTAL U.S. DEPARTMENT OF EDUCATION			427,423
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553		60,542
**National School Lunch Program - Cash Assistance	10.555		198,167
**National School Lunch Prog.-Non-Cash Assistance	10.555		29,117
Total CFDA Number 10.555			227,284
Total Child Nutrition Cluster			287,826
Total Passed Through the State Department of Agriculture			287,826
TOTAL U.S. DEPARTMENT OF AGRICULTURE			287,826
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 715,249
*Clustered Programs			
**Clustered Programs			

Note A - Funds received from the SHARS program of \$183,499 in the General Fund are not considered as federal financial assistance for purposes of this schedule.

SCURRY-ROSSER INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2019

- 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 \$	715 249
SHARS Revenue reported in the General Fund	183 499
Federal Program Revenue Reported on Exhibit C-3	\$ 898 748