

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**AUGUST 31, 2017**

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended August 31, 2017

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**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
For the Year Ended August 31, 2017

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**CERTIFICATE OF BOARD**

Sunray Independent School District  
Name of School District

Moore  
County

171902  
Co.-Dist. Number

We, the undersigned, certify that the attached Annual Financial Reports of the above-named school district were reviewed and (check one)   X   approved \_\_\_\_\_ disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the 13th day of November 2017.

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

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

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

# COY BARTON, C.P.A.

---

CERTIFIED PUBLIC ACCOUNTANT  
116 EAST SEVENTH  
P.O. BOX 800 – TELEPHONE 806-935-4188  
DUMAS, TEXAS 79029

MEMBER OF  
THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
THE AICPA'S PRIVATE COMPANIES  
PRACTICE SECTION  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

### *Unmodified Opinion on Basic Financial Statements Accompanied By Required Supplementary Information and Other Supplementary Information*

To the Board of Trustees  
Sunray Independent School District  
P.O. Box 240  
Sunray, Texas

Members of the Board:

#### **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 Sunray Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

The Administration 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 administration, 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 Sunray Independent School District as of August 31, 2017, and the respective changes in financial position 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 and budgetary comparison information on pages 5 through 13 and 62 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. The District has also included a Schedule of the District's Proportionate Share of the Net Pension Liability and Schedule of District Contributions – Teacher Retirement System in the required supplementary information. 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 administration about the methods of preparing the information and comparing the information for consistency with administration's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sunray Independent School District's basic financial statements. The TEA required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The TEA required schedules are the responsibility of administration 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 statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the TEA required schedules 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 October 31, 2017, on our consideration of Sunray Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Coy Barton, CPA*  
Dumas, Texas

October 31, 2017

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Introductory to Management's Discussion and Analysis**  
For the Year Ended August 31, 2017

To the Citizens and Taxpayers of Sunray Independent School District:

The Annual Financial Report of the Sunray Independent School District, for the year ended August 31, 2017, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

This report is presented in sections: Introductory, Management's Discussion and Analysis, Basic Financial Statements, Notes to the Financial Statements, Required Supplementary Information, Required TEA Schedules, and Reports on Internal Control and on Compliance and Other Matters. The Introductory section, which is unaudited, includes this transmittal letter. The Management's Discussion and Analysis provides information and discussion of the basic financial statements, their relationship to one another, and the significant differences in the information they provide. The Financial section includes basic financial statements, the auditor's report on the financial statements, and supplementary information.

State laws require that the District undergo an annual audit in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds of the District.

The Annual Financial Report is designed to provide parents, citizens, and taxpayers of our District with a general overview of our financial position.

Sunray Independent School District continues as a very progressive district. Fluctuating taxable values and changes in state funding has created challenges for the Administration and Sunray Independent School District Board of Trustees.

Sincerely,

*Marshall Harrison*

Marshall Harrison  
Superintendent



## **SUNRAY INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the administrators of Sunray Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with our transmittal letter on page 5, the Independent Auditor's Report on pages 2-4, and the District's Basic Financial Statements, which begin on page 14.

### **FINANCIAL HIGHLIGHTS**

The District's net position from our governmental activities increased by \$0.39 million as a result of this year's operations.

During the year, the District had expenses that were \$0.39 million less than the \$7.51 million generated in tax and other revenues for governmental programs. This compares to last year when expenses were less than revenues by \$0.19 million.

The General Fund ended the year with a fund balance of \$4.42 million. The General Fund committed \$2.00 million for construction and technology and \$2.42 million is unassigned.

The resources available for appropriation were \$0.03 million more than budgeted for the General Fund.

### **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 (on pages 14 and 15). 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 (starting on page 16) report the District's operations 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. 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.

Sunray Independent School District  
Management's Discussion and Analysis (continued)

The notes to the financial statements (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled Required TEA Schedules and Reports on Internal Control and on Compliance and Other Matters 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 analysis of the District's overall financial condition and operations begins on page 14. Its primary purpose 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 fiscal year, and the Statement of Activities includes all the revenues and expenses generated by the District's operations during the twelve month period. These apply the accrual basis of accounting which is the basis used by private sector companies.

The District takes into account all of the current year's revenues and expenses 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 U.S. Department of Education to assist children with disabilities or 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) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position is 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, the District has one kind of activity.

Sunray Independent School District  
Management's Discussion and Analysis (continued)

- Governmental activities – Most of the District's basic services are reported here, including 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 begin on page 16 and 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 U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's governmental funds use the following accounting approach:

- 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 the 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.

## **The District as Trustee**

### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in the Statement of Net Position – Fiduciary Funds on page 20. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District implemented GASB Statement No. 34 in prior years. We have presented both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Sunray Independent School District  
Management's Discussion and Analysis (continued)

Net position of the District's governmental activities increased from \$10.32 million to \$10.71 million. 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, was \$3.82 million at August 31, 2017. This increase in governmental net position was the result of three factors. First, the District's revenues exceeded the expenditures by about \$0.39 million. Second, the District paid bonds and other long-term debt in the amount of \$0.89 million and acquired capital assets in the amount of \$3.64 million. Third, the District recorded depreciation in the amount of \$0.56 million.

**Table I**  
**Sunray Independent School District**  
**NET POSITION**  
(in thousands)

	Governmental Activities 2017	<b>Total 2017</b>	Total 2016
Current and other assets	\$ 6,100	<b>\$ 6,100</b>	\$ 9,252
Capital assets	16,336	<b>16,336</b>	13,272
Total Assets	<u>22,436</u>	<u><b>22,436</b></u>	<u>22,524</u>
Deferred Outflows of Resources	<u>504</u>	<u><b>504</b></u>	<u>609</u>
Long-term liabilities	11,451	<b>11,451</b>	12,392
Other liabilities	574	<b>574</b>	322
Total Liabilities	<u>12,025</u>	<u><b>12,025</b></u>	<u>12,714</u>
Deferred Inflows of Resources	<u>203</u>	<u><b>203</b></u>	<u>98</u>
Net Position:			
Investment in capital assets	6,051	<b>6,051</b>	2,198
Restricted	845	<b>845</b>	4,484
Unrestricted	3,816	<b>3,816</b>	3,639
Total Net Position	<u>\$ 10,712</u>	<u><b>\$ 10,712</b></u>	<u>\$ 10,321</u>

Sunray Independent School District  
Management's Discussion and Analysis (continued)

**Table II**  
**Sunray Independent School District**  
**CHANGES IN NET POSITION**  
(in thousands)

	Governmental Activities 2017	<b>Total 2017</b>	Total 2016
Revenues:			
Program Revenues:			
Charges for services	\$ 256	\$ <b>256</b>	\$ 295
Operating grants and contributions	1,261	<b>1,261</b>	1,073
General Revenues:			
Maintenance and operations taxes	2,654	<b>2,654</b>	3,671
Debt service taxes	1,009	<b>1,009</b>	680
State aid - formula grants	2,265	<b>2,265</b>	1,491
Investment earnings	16	<b>16</b>	17
Miscellaneous - net	86	<b>86</b>	68
Total Revenues	7,547	<b>7,547</b>	7,295
Expenses:			
Instruction and instructional related services	3,633	<b>3,633</b>	3,674
Instructional and school leadership	571	<b>571</b>	582
Student support services	579	<b>579</b>	525
Child nutrition	194	<b>194</b>	195
Cocurricular activities	566	<b>566</b>	514
General administration	345	<b>345</b>	325
Facilities maintenance, security, and data processing	798	<b>798</b>	846
Debt services	341	<b>341</b>	267
Contracted instructional services	-	-	13
Payments related to shared services arrangements	58	<b>58</b>	68
Other intergovernmental charges	71	<b>71</b>	96
Total Expenses	7,156	<b>7,156</b>	7,105
Increase (decrease) in net position	391	<b>391</b>	190
Net Position at Beginning of Year	10,321	<b>10,321</b>	10,131
Net Position at End of Year	\$ 10,712	<b>\$ 10,712</b>	\$ 10,321

Sunray Independent School District  
Management's Discussion and Analysis (continued)

The District's total revenues increased by \$0.26 million (3.53%). The total cost of all programs and services was more than last year due to restructuring of some programs.

The District took actions this year to carefully monitor expenditures during the year.

The cost of all governmental activities this year was \$7.16 million. As shown in the Statement of Activities on page 15, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$5.64 million because some of the costs were paid by those who directly benefited from the programs (\$0.26 million) and by other governments and organizations that subsidized certain programs with grants and contributions (\$1.26 million).

## **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet on page 16) reported a combined fund balance of \$5.26 million, which is less than last year's total of \$8.70 million. Included in this year's total change in fund balance is an increase of \$0.20 million in the District's General Fund. The primary reasons for the General Fund's increase mirror the governmental activities analysis highlighted on page 15.

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 after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2016). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$4.42 million reported on page 16 is more than the General Fund's budgetary fund balance of \$4.13 million reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on page 62.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2017, the District had \$16.34 million 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 of \$3.06 million, or 23.08% from last year.

Sunray Independent School District  
Management's Discussion and Analysis (continued)

This year's major additions included (in thousands):

Buildings and improvements	\$	3,106
Vehicles		36
Furniture and equipment		29
Construction in progress		<u>472</u>
Total	\$	<u><u>3,643</u></u>

The District's fiscal year 2018 capital budget calls for \$0.85 additional expenditures in the General Fund. More detailed information about the District's capital assets is presented in Note III.G. to the financial statements.

### **Debt**

At year-end, the District had \$9.75 million in bonds and notes outstanding versus \$10.50 million last year – a decrease of 7.15%. The District's general obligation bond rating has been excellent for many years, according to national rating agencies.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The District's elected and appointed officials considered many factors when setting the fiscal year 2018 budget and tax rates. Those factors include the economy and the District's student population compared to the previous year. Class size, program design, and structure were evaluated to best utilize the District's resources.

These indicators were taken into account when adopting the General Fund budget for 2018. Amounts available for appropriation in the General Fund budget are \$6.23 million, an increase from the final 2017 budget of \$5.26 million. The District will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to increase nearly 18.50%. The District has added no major new programs or initiatives to the 2018 budget. This increase in expenditures is due to an increase in various expenditures.

If these estimates are realized, the District's budgetary General Fund balance is expected to remain the same by the close of 2018.

The District was under the requirements for a Chapter 41 School District subject to wealth equalization for the 2016-2017 school year. The District's taxpayers have approved Option 3, authorizing the Board of Trustees to purchase attendance credits from the State of Texas from local tax revenues and Option 4, authorizing the Board of Trustees to educate students of other school districts with local tax revenues. The District had no Chapter 41 expenditures for the year.

Sunray Independent School District  
Management's Discussion and Analysis (continued)

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and 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 Sunray Independent School District, 400 East 7th, Sunray, Texas, 79086.



## **BASIC FINANCIAL STATEMENTS**

SUNRAY INDEPENDENT SCHOOL DISTRICT  
Statement of Net Position  
August 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 4,490,703
1220 Property Taxes Receivable (Delinquent)	84,889
1230 Allowance for Uncollectible Taxes	(29,711)
1240 Due from Other Governments	1,551,619
1410 Prepayments	2,289
Capital Assets:	
1510 Land	143,000
1520 Buildings and Improvements, Net	15,241,955
1530 Furniture and Equipment, Net	36,804
1540 Vehicles, Net	442,167
1580 Construction in Progress	472,459
1000 Total Assets	22,436,174
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS	503,889
1700 Total Deferred Outflows of Resources	503,889
<b>LIABILITIES</b>	
2110 Accounts Payable	353,373
2140 Interest Payable	12,707
2160 Accrued Wages Payable	202,405
2200 Accrued Expenses	5,669
Noncurrent Liabilities	
2501 Due Within One Year	845,000
2502 Due in More Than One Year	9,440,692
2540 Net Pension Liability (District's Share)	1,165,463
2000 Total Liabilities	12,025,309
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	202,963
2600 Total Deferred Inflows of Resources	202,963
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	6,050,693
3820 Restricted for Federal and State Programs	28,470
3850 Restricted for Debt Service	453,536
3860 Restricted for Capital Projects	363,048
3900 Unrestricted	3,816,044
3000 Total Net Position	\$ 10,711,791

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

SUNRAY INDEPENDENT SCHOOL DISTRICT  
Statement of Activities  
For the Year Ended August 31, 2017

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	\$ 3,593,830	\$ 64,263	\$ 725,907	\$ (2,803,660)
12 Instructional Resources and Media Services	22,632	-	1,310	(21,322)
13 Curriculum and Staff Development	16,515	-	4,625	(11,890)
21 Instructional Leadership	199,370	105,849	8,268	(85,253)
23 School Leadership	371,247	-	17,873	(353,374)
31 Guidance, Counseling and Evaluation Services	458,202	27,816	279,344	(151,042)
33 Health Services	35,565	-	1,407	(34,158)
34 Student (Pupil) Transportation	85,405	-	1,770	(83,635)
35 Food Services	194,121	33,628	177,946	17,453
36 Extracurricular Activities	566,193	24,538	9,941	(531,714)
41 General Administration	344,628	-	14,033	(330,595)
51 Facilities Maintenance and Operations	720,435	-	18,285	(702,150)
53 Data Processing Services	77,797	-	-	(77,797)
72 Debt Service - Interest on Long-Term Debt	376,570	-	-	(376,570)
73 Debt Service - Bond Issuance Cost and Fees	(35,152)	-	-	35,152
93 Payments related to Shared Services Arrangements	57,737	-	263	(57,474)
99 Other Intergovernmental Charges	71,225	-	-	(71,225)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 7,156,320</u>	<u>\$ 256,094</u>	<u>\$ 1,260,972</u>	<u>(5,639,254)</u>

Data  
Control  
Codes

## General Revenues:

## Taxes:

MT	Property Taxes, Levied for General Purposes	2,654,277
DT	Property Taxes, Levied for Debt Service	1,008,591
GC	Grants and Contributions not Restricted	2,264,881
IE	Investment Earnings	15,671
MI	Miscellaneous Local and Intermediate Revenue	54,023
S1	Special Item - Chapter 313	34,384
S2	Special Item - (Use) Miscellaneous	(2,010)
TR	Total General Revenues and Special Items	<u>6,029,817</u>
CN	Change in Net Position	390,563
NB	Net Position - Beginning	<u>10,321,228</u>
NE	Net Position--Ending	<u>\$ 10,711,791</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT

Balance Sheet  
Governmental Funds  
August 31, 2017

Data Control Codes	10 General Fund	SSA Special Education	50 Debt Service Fund
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 3,132,717	\$ 222,571	\$ 452,637
1220 Property Taxes - Delinquent	61,625	-	23,264
1230 Allowance for Uncollectible Taxes (Credit)	(21,569)	-	(8,142)
1240 Receivables from Other Governments	1,425,186	-	1,300
1260 Due from Other Funds	95,442	-	-
1000 Total Assets	<u>\$ 4,693,401</u>	<u>\$ 222,571</u>	<u>\$ 469,059</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 51,836	\$ -	\$ 401
2160 Accrued Wages Payable	180,261	3,945	-
2170 Due to Other Funds	-	-	-
2200 Accrued Expenditures	3,884	169	-
2300 Unearned Revenues	-	218,457	-
2000 Total Liabilities	<u>235,981</u>	<u>222,571</u>	<u>401</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	40,056	-	15,122
2600 Total Deferred Inflows of Resources	<u>40,056</u>	<u>-</u>	<u>15,122</u>
<b>FUND BALANCES</b>			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	-
3480 Retirement of Long-Term Debt	-	-	453,536
Committed Fund Balance:			
3510 Construction	1,500,000	-	-
3545 Other Committed Fund Balance	500,000	-	-
3600 Unassigned Fund Balance	2,417,364	-	-
3000 Total Fund Balances	<u>4,417,364</u>	<u>-</u>	<u>453,536</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,693,401</u>	<u>\$ 222,571</u>	<u>\$ 469,059</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 641,056	\$ 41,722	\$ 4,490,703
-	-	84,889
-	-	(29,711)
-	125,133	1,551,619
-	-	95,442
<u>\$ 641,056</u>	<u>\$ 166,855</u>	<u>\$ 6,192,942</u>
\$ 278,008	\$ 23,128	\$ 353,373
-	18,199	202,405
-	95,442	95,442
-	1,616	5,669
-	-	218,457
<u>278,008</u>	<u>138,385</u>	<u>875,346</u>
-	-	55,178
-	-	55,178
-	28,470	28,470
363,048	-	363,048
-	-	453,536
-	-	1,500,000
-	-	500,000
-	-	2,417,364
<u>363,048</u>	<u>28,470</u>	<u>5,262,418</u>
<u>\$ 641,056</u>	<u>\$ 166,855</u>	<u>\$ 6,192,942</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Balance Sheet to the  
 Statement of Net Position  
 August 31, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$	5,262,418
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$19,312,676 and the accumulated depreciation was \$6,040,181. 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 net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		2,197,951
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase net position.		4,393,106
<b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB Statement No. 68 in the amount of \$1,165,463, a deferred resource inflow related to TRS in the amount of \$202,963 and a deferred resource outflow related to TRS in the amount of \$503,889. This resulted in a decrease in net position.		(864,537)
<b>4</b> The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(560,965)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		283,818
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>10,711,791</u>

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

SUNRAY INDEPENDENT SCHOOL DISTRICT  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended August 31, 2017

Data Control Codes	10 General Fund	SSA Special Education	50 Debt Service Fund
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 2,728,782	\$ 197,928	\$ 1,008,590
5800 State Program Revenues	2,775,141	-	7,351
5900 Federal Program Revenues	21,396	-	-
5020 Total Revenues	<u>5,525,319</u>	<u>197,928</u>	<u>1,015,941</u>
<b>EXPENDITURES:</b>			
<b>Current:</b>			
0011 Instruction	3,070,696	64,263	-
0012 Instructional Resources and Media Services	22,214	-	-
0013 Curriculum and Instructional Staff Development	11,891	-	-
0021 Instructional Leadership	89,668	105,849	-
0023 School Leadership	344,116	-	-
0031 Guidance, Counseling and Evaluation Services	148,383	27,816	-
0033 Health Services	34,709	-	-
0034 Student (Pupil) Transportation	58,815	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	370,737	-	-
0041 General Administration	335,578	-	-
0051 Facilities Maintenance and Operations	647,637	-	-
0053 Data Processing Services	61,100	-	-
<b>Debt Service:</b>			
0071 Principal on Long-Term Debt	-	-	750,000
0072 Interest on Long-Term Debt	-	-	382,857
0073 Bond Issuance Cost and Fees	-	-	3,700
<b>Capital Outlay:</b>			
0081 Facilities Acquisition and Construction	-	-	-
<b>Intergovernmental:</b>			
0093 Payments to Fiscal Agent/Member Districts of SSA	57,474	-	-
0099 Other Intergovernmental Charges	71,225	-	-
6030 Total Expenditures	<u>5,324,243</u>	<u>197,928</u>	<u>1,136,557</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>201,076</u>	<u>-</u>	<u>(120,616)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7912 Sale of Real and Personal Property	11,200	-	-
7915 Transfers In	-	-	-
7949 Other Resources	34,384	-	-
8911 Transfers Out (Use)	(41,487)	-	-
8949 Other (Uses)	(2,010)	-	-
7080 Total Other Financing Sources (Uses)	<u>2,087</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	203,163	-	(120,616)
0100 Fund Balance - September 1 (Beginning)	<u>4,214,201</u>	<u>-</u>	<u>574,152</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 4,417,364</u>	<u>\$ -</u>	<u>\$ 453,536</u>

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

60 Capital Projects	Other Funds	Total Governmental Funds
\$ 53	\$ 33,636	\$ 3,968,989
-	32,494	2,814,986
-	635,021	656,417
53	701,151	7,440,392
-	218,663	3,353,622
-	-	22,214
-	4,624	16,515
-	-	195,517
-	-	344,116
-	271,007	447,206
-	-	34,709
-	-	58,815
-	189,076	189,076
-	-	370,737
-	-	335,578
-	-	647,637
-	-	61,100
-	-	750,000
-	-	382,857
-	-	3,700
3,578,046	-	3,578,046
-	263	57,737
-	-	71,225
3,578,046	683,633	10,920,407
(3,577,993)	17,518	(3,480,015)
-	-	11,200
41,487	-	41,487
-	-	34,384
-	-	(41,487)
-	-	(2,010)
41,487	-	43,574
(3,536,506)	17,518	(3,436,441)
3,899,554	10,952	8,698,859
\$ 363,048	\$ 28,470	\$ 5,262,418



SUNRAY INDEPENDENT SCHOOL DISTRICT  
 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
 and Changes in Fund Balances to the Statement of Activities  
 For the Year Ended August 31, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(3,436,441)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase net position.		4,393,106
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.		(560,965)
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, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		53,606
The implementation of GASB Statement No. 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2016, caused the change in the ending net position to increase in the amount of \$108,373. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling \$97,992. The District's 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 \$69,124. The net result is to decrease the change in net position.		(58,743)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>390,563</b>

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

SUNRAY INDEPENDENT SCHOOL DISTRICT  
Statement of Net Position  
Fiduciary Funds  
August 31, 2017

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 109,532
Total Assets	<u>\$ 109,532</u>
LIABILITIES	
Due to Student Groups	\$ 109,532
Total Liabilities	<u>\$ 109,532</u>

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

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Sunray 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 (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 56**, and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

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

**A. Reporting Entity**

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

**B. Basis of Presentation, Basis of Accounting**

Basis of Presentation

Government-wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**B. Basis of Presentation, Basis of Accounting (continued)**

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the Statement of Activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

1. **General Fund** - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. **Shared Services Arrangements - Special Education (Part of Special Revenue Funds)** - This fund is used by the fiscal agent of the shared services arrangements to account for funds for special education. This fund does not have a legally adopted budget.
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.
4. **Capital Projects Fund** – This fund is used to account, on a project basis, for projects financed by the proceeds from bond issues or for capital projects otherwise mandated to be accounted for in this fund. The capital projects fund utilizes the modified accrual basis of accounting.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**B. Basis of Presentation, Basis of Accounting** (continued)

Additionally, the District reports the following fund type(s):

Governmental Funds:

1. **Special Revenue Funds (Except Shared Services Arrangements – Special Education)** - 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.

Fiduciary Funds:

1. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency funds are the Activity or Class Funds.

**C. Measurement Focus, Basis of Accounting**

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, the revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**C. Measurement Focus, Basis of Accounting** (continued)

Grant funds are considered 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.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources.

The fiduciary funds 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.

**D. Fund Balance Classification**

Non-spendable: This classification includes amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of bonds and are restricted by State statute. Capital projects are restricted by State statute and are legally segregated for funding of capital improvements.

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed.

Assigned: This classification includes amounts that do not meet the criteria to be classified as Restricted or Committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the superintendent may assign for specific purposes.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**D. Fund Balance Classification** (continued)

Unassigned: This classification includes the residual fund balance for the General Fund.

The District would typically use Restricted fund balances first, followed by Committed resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**E. Financial Statement Amounts**

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and State Treasurer's Investment Pools.

Investments for the District are reported at fair value.

2. Property Taxes

Property taxes are levied by October 1st on assessed value listed as of the prior January 1st for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of August 31, 2017, the amount deemed uncollectible by this estimate was \$29,711. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**E. Financial Statement Amounts (continued)**

3. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide. Certain payments to vendors reflect the cost applicable to future periods and are recorded as prepaid items. The District reports inventories of supplies at weighted average cost including consumable maintenance, instructional, office, athletic, transportation items, and food supplies. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market value supplied by the Texas Health and Human Services Commission. The District had no inventories at August 31, 2017.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	20-50
Buildings and improvements	20-50
Vehicles	5-10
Office equipment and furniture	3-10



**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**E. Financial Statement Amounts (continued)**

5. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line on the government-wide Statement of Net Position.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 premiums or discounts.

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.

7. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of administration's estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

8. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The Texas Education Agency requires the display of these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide database for policy development and funding plans.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**E. Financial Statement Amounts (continued)**

9. Contingent Liability

After one year of service, employees earn local vacation leave at the rate of two weeks for one to ten years of employment and three weeks after ten years of employment. 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 for compensated absences has been accrued in the financial statements. Employees of the District earn five days of local sick leave per year. Local sick leave may be accumulated up to thirty days but does not vest. Therefore, a liability for unused sick leave has not been recorded in the financial statements. This contingent liability is \$40,250.

10. Group Self-Insurance Pool

The District is a participant in a group self-insurance pool with TRS Active Care. The District has no risks or liabilities associated with the health insurance plan.

11. Chapter 41 District

The District was a Chapter 41 District for the school year 2016-2017. Chapter 41 of the Texas Education Code implicitly defines a high wealth district as a district with a tax base that exceeds the equalized wealth level of \$319,500 in property value per student in weighted average daily attendance. The District had \$-0- Chapter 41 costs for the 2016-2017 year.

12. New Financial Accounting Standards

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures* (GASB 77). The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. This Statement is effective for fiscal years beginning after December 15, 2015. Administration has evaluated the impact of this Statement on the District's financial statements and believes it has no impact.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**E. Financial Statement Amounts (continued)**

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants* (GASB 79). This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Administration is currently evaluating the impact of this Statement on the District's financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73* (GASB 82). The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Administration is currently evaluating the impact of this Statement on the District's financial statements.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Data**

The Board of Trustees adopts an “appropriated budget” for the General Fund, Food Service Fund of the special revenue funds, and Debt Service 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-2 and J-3.

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

1. Prior to August 20th, the District prepares a budget for the next succeeding fiscal year beginning September 1st. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1st, 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. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant:

General Fund -

Function 11 -	Payroll costs and equipment	\$ 98,000
Function 51 -	Facilities and equipment	\$ 90,000

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**A. Budgetary Data** (continued)

	August 31, 2017 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 28,470
Nonappropriated Budget Funds	-
All Special Revenue Funds	\$ 28,470

**B. Finance-Related Legal and Contractual Provisions**

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None Reported	Not Applicable

**III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. Cash, Cash Equivalents, and Investments**

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

During the year, the District's deposits were covered by depository insurance and collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. At August 31, 2017, the District's deposits were covered with depository insurance in the amount of \$500,000 and collateralized with securities held by the pledging financial institution's trust department or agent in the District's name in the amount of \$11,121,672.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**A. Cash, Cash Equivalents, and Investments (continued)**

Foreign Currency Risk

The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting all deposits denominated in a foreign currency. The District was not exposed to any foreign currency risk at August 31, 2017.

As of August 31, 2017, the following are the District's cash and cash equivalents with respective maturities and credit rating:

<u>Type of Deposit</u>	<u>Fair Value</u>	<u>Percent</u>	<u>Maturity in Less than 1 Year</u>	<u>Maturity in 1-10 Years</u>	<u>Maturity in Over 10 Years</u>	<u>Credit Rating</u>
Cash	\$ 40	100%	\$ 40	\$ -	\$ -	N/A
FDIC Insured Accounts	4,490,663	100%	4,490,663	-	-	N/A
<b>Total Cash and Cash Equivalents</b>	<b>\$ 4,490,703</b>	<b>100%</b>	<b>\$ 4,490,703</b>	<b>\$ -</b>	<b>\$ -</b>	

Investments

District Policies and Legal and Contractual Provisions Governing Investments

**Compliance with the Public Funds Investment Act**

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 a governmental entity 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.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**A. Cash, Cash Equivalents, and Investments (continued)**

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) no load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. Sunray Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for Sunray Independent School District are specified below:

Credit Risk

To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments that comply with the Public Funds Investment Act and all federal, state, and local statutes, rules, or regulations. As of August 31, 2017, the District had no investments.

Custodial Credit Risk for Investments

To limit the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of investment or collateral securities that are in possession of an outside party, the District requires counterparties to register the securities in the name of the District and hand them over to the District or its designated agent. This includes securities in securities lending transactions. The District had no investments at August 31, 2017.

Concentration of Credit Risk

To limit the risk of loss attributed to the magnitude of the District's investment in a single issuer, the District's investment policy emphasizes safety of principal and liquidity. The policy requires prudence with respect to single investments. The District was not exposed to any concentration of credit risk for the year ended August 31, 2017.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**A. Cash, Cash Equivalents, and Investments (continued)**

Interest Rate Risk

To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that internally created pool fund groups have a maximum dollar weighted maturity of 180 days and other investments shall not exceed one year from time of purchase unless specifically authorized by the Board for a given investment. The District was not exposed to any investment rate risk at August 31, 2017.

Foreign Currency Risk for Investments

The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not investing in foreign investments. The District was not exposed to any foreign currency risk for investments at August 31, 2017.

Other Credit Risk Exposure

The District had no other known credit risk exposure at August 31, 2017.

Defaults and Recovery of Prior Period Losses

The District had no defaults or prior period losses for the year ended August 31, 2017.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy. In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

As of August 31, 2017, Sunray Independent School District had no investments subject to the fair value measurement.



**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**B. Property Taxes**

Property taxes are levied by October 1st on the assessed value listed as of the prior January 1st for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 31st of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. The tax rates assessed for the year ended August 31, 2017, to finance General Fund operations and Debt Service Fund payments for principal and interest on general obligation long-term debt, were \$1.04 and \$0.39 per \$100 valuation, respectively, for a total of \$1.43 per \$100 valuation. At August 1, 2016, the assessed value of the property tax roll was \$285,133,792, which was subsequently decreased to a year-end assessed value of \$261,001,538.

**C. Delinquent Taxes Receivable**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**D. Interfund Balances and Transfers**

Interfund balances at August 31, 2017, consisted of the following amounts:

**Due to General Fund from:**

Nonmajor Governmental Funds	\$ <u>95,442</u>
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The purpose of these interfund balances is to allow for ease of funding of the daily operations of the District. These interfund balances are expected to be repaid in the next fiscal year.

Interfund transfers for the year ended August 31, 2017, consisted of the following amounts:

**Transfer to Nonmajor Governmental Funds from:**

Capital Projects Fund	\$ <u>41,487</u>
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**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**E. Disaggregation of Receivables and Payables**

Receivables at August 31, 2017, were as follows:

	Property Taxes (Net)	Other Governments	Due From Other Funds	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	\$ 40,056	\$ 1,425,186	\$ 95,442	\$ -	\$ 1,560,684
Major Special Revenue Fund - SSA - Special Education	-	-	-	-	-
Debt Service Fund	15,122	1,300	-	-	16,422
Capital Projects Fund	-	-	-	-	-
Nonmajor Governmental Funds	-	125,133	-	-	125,133
Total - Governmental Activities	<u>\$ 55,178</u>	<u>\$ 1,551,619</u>	<u>\$ 95,442</u>	<u>\$ -</u>	<u>\$ 1,702,239</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	General Fund	Major Special Revenue Fund - SSA Special Education	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
<b>Property Taxes (Net):</b>						
Delinquent taxes receivable (ad valorem)	\$ 61,625	\$ -	\$ 23,264	\$ -	\$ -	\$ 84,889
Allowance for uncollectible taxes	(21,569)	-	(8,142)	-	-	(29,711)
Total - Property Taxes (Net)	<u>\$ 40,056</u>	<u>\$ -</u>	<u>\$ 15,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,178</u>
<b>Receivable from Other Governments:</b>						
Receivable - State	\$ 1,421,876	\$ -	\$ -	\$ -	\$ 125,133	\$ 1,547,009
Receivable - Tax Assessor/Collector	3,310	-	1,300	-	-	4,610
Total - Receivable from Other Governments	<u>\$ 1,425,186</u>	<u>\$ -</u>	<u>\$ 1,300</u>	<u>\$ -</u>	<u>\$ 125,133</u>	<u>\$ 1,551,619</u>

The allowance for uncollectible taxes is calculated by the District at 35% of delinquent taxes receivable which appears reasonable. All receivables (net) are expected to be collected within one year.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**E. Disaggregation of Receivables and Payables (continued)**

Payables at August 31, 2017, were as follows:

	Accounts Payable	Loans, Leases, and Bonds Payable- Current Year	Salaries and Benefits	Due To Other Funds	Due To Other Governments	Other	Total Payables
<b>Governmental Activities:</b>							
General Fund	\$ 51,836	\$ -	\$ 180,261	\$ -	\$ -	\$ 3,884	\$ 235,981
Major Special Revenue Fund							
SSA - Special Education	-	-	3,945	-	-	218,626	222,571
Debt Service Fund	401	-	-	-	-	-	401
Capital Projects Fund	278,008	-	-	-	-	-	278,008
Nonmajor Governmental Funds	<u>23,128</u>	<u>-</u>	<u>18,199</u>	<u>95,442</u>	<u>-</u>	<u>1,616</u>	<u>138,385</u>
Total - Governmental Activities	<u>\$ 353,373</u>	<u>\$ -</u>	<u>\$ 202,405</u>	<u>\$ 95,442</u>	<u>\$ -</u>	<u>\$ 224,126</u>	<u>\$ 875,346</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**F. Deferred Outflows of Resources**

In addition to assets, the Statement of Net Position will sometimes 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, therefore, will *not* be recognized as an outflow of resources (expenditure/expense) until that time. The District has only one type of item, which arises only under a full accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *Deferred Outflows Related to TRS*, is reported only in the Government-wide Statement of Net Position. The Government-wide Statement of Net Position reports the District's share of the unrecognized plan deferred outflows of resources which TRS uses in calculating the ending net pension liability, as well as the District's contributions to TRS in the current fiscal year. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**G. Capital Asset Activity**

Capital asset activity for the District for the year ended August 31, 2017, was as follows:

	Primary Government				Ending Balance
	Beginning Balance	Additions	Retirements	Other Reclassifications	
Governmental Activities:					
Land	\$ 143,000	\$ -	\$ -	\$ -	\$ 143,000
Total Assets Not Being Depreciated	<u>143,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,000</u>
Buildings and improvements	17,483,384	3,105,587	-	444,811	21,033,782
Vehicles	1,120,537	36,316	165,066	(137,728)	854,059
Vehicles - Federal Funds	82,360	-	-	-	82,360
Furniture and equipment	262,371	28,744	-	(130,732)	160,383
Furniture and equipment - Federal Funds	29,503	-	-	910	30,413
Construction in progress	191,521	472,459	-	(191,521)	472,459
Total Assets Being Depreciated	<u>19,169,676</u>	<u>3,643,106</u>	<u>165,066</u>	<u>(14,260)</u>	<u>22,633,456</u>
Totals at Historical Cost	<u>19,312,676</u>	<u>3,643,106</u>	<u>165,066</u>	<u>(14,260)</u>	<u>22,776,456</u>
Less Accumulated Depreciation for:					
Buildings and improvements	5,243,458	483,147	-	65,222	5,791,827
Vehicles	534,973	61,736	165,066	(1,220)	430,423
Vehicles - Federal Funds	54,907	8,922	-	-	63,829
Furniture and equipment	180,856	5,584	-	(55,464)	130,976
Furniture and equipment - Federal Funds	25,987	1,576	-	(4,547)	23,016
Total Accumulated Depreciation	<u>6,040,181</u>	<u>560,965</u>	<u>165,066</u>	<u>3,991</u>	<u>6,440,071</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,272,495</u>	<u>\$ 3,082,141</u>	<u>\$ -</u>	<u>\$ (18,251)</u>	<u>\$ 16,336,385</u>

Construction in progress consists of the following:

Project	Total Estimated Costs	Construction in progress at 8/31/2017	Percent Complete at 8/31/2017	Estimated Completion Date
Campus renovation, improvement, and equipment	<u>\$ 600,000</u>	<u>\$ 472,459</u>	78.74%	August 2018

The District maintains separate records on the vehicles and furniture and equipment purchased with federal funds. The District appears to be in compliance with state and federal laws.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**G. Capital Asset Activity** (continued)

Depreciation expense was charged to functions in the General Fund as follows:

Data Control Codes	Expense	Amount
0010	Instruction and instructional - related services	\$ 205,874
0020	Instructional and school leadership	19,634
*0030	Support services - student (pupil)	239,532
0040	Administrative support services	4,488
0050	Support services - non-student based	91,437
	Total Depreciation Expense	<u>\$ 560,965</u>

\* - Includes depreciation on Capital outlay purchased with federal funds of \$10,498 in data control code 0030.

**H. Short-Term Debt 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 loans are shown in the financial statements as Other Sources and principal payments are shown as Other Uses. The District had no short-term debts payable at August 31, 2017.

**I. Deferred Inflows of Resources**

In addition to liabilities, both the Governmental Funds Balance Sheet and the Statement of Net Position will sometimes 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 of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category. One item, which arises only under a modified accrual basis of accounting, is *unavailable revenue*. Unavailable revenue is reported only in the Governmental Funds Balance Sheet. The governmental funds report unavailable revenue from property taxes. The next item is *Deferred Inflows Related to TRS*, which arises only under a full accrual basis of accounting, and is reported only in the Government-wide Statement of Net Position. The Government-wide Statement of Net Position reports the District's share of unrecognized plan deferred inflows of resources, which TRS uses in calculating the ending net pension liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**J. Bonds and Long-Term Debt Payable**

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

The Series 2011 Unlimited Tax School Building Bonds (\$7,325,000) dated July 1, 2011, were issued in August 2011, in conformity with the constitution and laws of the State of Texas, including Sections 45.001 and 45.003 (b)(1) of the Texas Education Code. The bonds are payable from proceeds of the ad valorem tax levied, without legal limitation as to rate or amount, against all Sunray Independent School District's taxable property. The bonds are guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. Proceeds from the sale of the bonds will be used for the construction, acquisition, renovation, and equipment of school buildings in the District and to pay costs associated with the issuance of the bonds. The principal is due each February 15 beginning in 2012 with a final payment in 2026. The interest is payable each February 15 and August 15 beginning in 2012 and a final payment in February 2026. The interest rate ranges from 2.0% to 3.4%. The current year interest paid was \$158,110. Current year requirements for principal and interest were accounted for in the Debt Service Fund. The bonds maturing on and after February 15, 2022, are subject to redemption at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2021, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption.

The Series 2016 Unlimited Tax School Building Bonds were issued pursuant to the constitution and laws of the State of Texas, including Sections 45.001 and 45.003 (b)(1) of the Texas Education Code, as amended, by an election held on November 3, 2015, and an order adopted by the Board of Trustees of the District on February 11, 2016, the date of the sale of the bonds. The bonds are a direct obligation payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on taxable property located within the District. The District has received approval from the Texas Education Agency for the bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program. Proceeds from the sale of the bonds will be used to acquire, construct, renovate, and equip school buildings in the District; purchase new school buses; and pay for the costs of issuance of the bonds. The principal is due each August 15, beginning August 15, 2017, with a final payment in 2031. The interest is payable each February 15 and August 15, beginning February 15, 2017, with a final payment in 2031. The interest rate ranges from 2% to 4%. The current year interest is \$224,747. Requirements for principal and interest are accounted for in the Debt Service Fund.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**J. Bonds and Long-Term Debt Payable (continued)**

The District provides retirement, disability, and death benefits for all its full-time employees through a defined benefit plan. The unfunded status of the plan as of August 31, 2017, was \$1,165,463. At the time of the audit, the latest information available from the actuaries was as of August 31, 2016. The unfunded liability is reported as a long-term liability in the Statement of Net Position (Exhibit A-1).

A summary of changes in general long-term debt for the year ended August 31, 2017, is as follows:

Governmental Activities Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/16	Issued	Retired/ Other	Amounts Outstanding 8/31/17
Series 2011 Unlimited Tax School Building Bonds	2.0% to 3.4%	\$7,325,000	\$ 158,110	\$ 5,980,000	\$ -	\$ 505,000	\$ 5,475,000
Series 2016 Unlimited Tax School Building Bonds	2.0% to 4.0%	4,515,000	224,747	4,515,000	-	245,000	4,270,000
Unamortized Premium on Bonds	N/A	602,124	N/A	579,544	-	38,852	540,692
Net Pension Liability (District's Share) Unfunded Defined Benefit Retirement Plan Obligation	N/A	1,317,021	N/A	<u>1,317,021</u>	<u>(53,566)</u>	<u>97,992</u>	<u>1,165,463</u>
Total Obligations of the District				<u>\$ 12,391,565</u>	<u>\$ (53,566)</u>	<u>\$ 886,844</u>	<u>\$11,451,155</u>

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The administration has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2017.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**K. Commitments Under Operating Leases**

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2017, as follows:

Year Ending August 31,	General Fund	Shared Services Arrangements - Special Education
2018	\$ 33,352	\$ 1,740
2019	33,352	1,740
2020	8,572	1,740
2021	2,212	1,740
2022	2,212	870
Total Minimum Rentals	<u>\$ 79,700</u>	<u>\$ 7,830</u>
Rental Expenditures in Fiscal Year 2017	<u>\$ 40,197</u>	<u>\$ 4,206</u>

The imputed interest on the leases is approximately 7%.

The District had no capital leases.

**L. Debt Service Requirements - Bonds, Long-Term Loans, Capital Leases, and Other Long-Term Debt**

Debt service requirements for bonds are as follows:

Year Ending August 31,	General Obligations		Total Requirements
	Principal	Interest	
2018	\$ 845,000	\$ 299,710	\$ 1,144,710
2019	860,000	282,390	1,142,390
2020	895,000	260,400	1,155,400
2021	925,000	235,945	1,160,945
2022	850,000	209,360	1,059,360
Thereafter	<u>5,370,000</u>	<u>957,895</u>	<u>6,327,895</u>
Total	<u>\$ 9,745,000</u>	<u>\$ 2,245,700</u>	<u>\$ 11,990,700</u>



**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**L. Debt Service Requirements - Bonds, Long-Term Loans, Capital Leases, and Other Long-Term Debt (continued)**

**Long-Term Loans**

The District had no long-term loans as of August 31, 2017.

**Capital Leases**

The District had no capital leases for the year ended August 31, 2017.

**Other Long-Term Debt**

The District had other long-term debt for the year ended August 31, 2017, as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	\$ -	\$ -	\$ -
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
Thereafter	1,165,463	-	1,165,463
Totals	<u>\$ 1,165,463</u>	<u>\$ -</u>	<u>\$ 1,165,463</u>

**M. Defined Benefit Pension Plan**

**Plan Description**

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

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

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**M. Defined Benefit Pension Plan** (continued)

**Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/TRS%20Documents/cafr\\_2016.pdf](http://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**Benefits Provided**

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

**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 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% 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.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**M. Defined Benefit Pension Plan** (continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>		<u>2016</u>		<u>2017</u>
Member			7.2%		7.7%
Non-Employer Contributing Entity (State)			6.7%		6.8%
Employers			6.8%		6.8%
District's FY 2017 Employer Contributions		\$			108,373
District's FY 2017 Member Contributions		\$			296,529
District's 2016 Measurement Year NECE On-Behalf Contributions		\$			212,119

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

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

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

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**M. Defined Benefit Pension Plan** (continued)

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

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

**Actuarial Assumptions**

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases Including Inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad Hoc Post Employment Benefit Changes	None

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

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**M. Defined Benefit Pension Plan (continued)**

**Discount Rate**

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

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

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

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**M. Defined Benefit Pension Plan (continued)**

**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1.0% less than and 1.0% greater than the discount rate that was used (8.0%) in measuring the 2016 Net Pension Liability.

	1.0% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1.0% Increase in Discount Rate (9.0%)
Sunray Independent School District's proportionate share of the Net Pension Liability:	\$ 1,803,745	\$ 1,165,463	\$ 624,072

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At August 31, 2017, Sunray Independent School District reported a liability of \$1,165,463 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to Sunray Independent School District. The amount recognized by Sunray Independent School 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 Sunray Independent School District were as follows:

Sunray ISD's proportionate share of the collective net pension liability	\$	1,165,463
State's proportionate share that is associated with the District		2,517,821
Total	\$	3,683,284

The net pension liability was measured as of August 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's 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 of September 1, 2015, through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0030842%, which was a decrease of 0.0006416% from its proportion measured as of August 31, 2015.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**M. Defined Benefit Pension Plan** (continued)

**Changes Since the Prior Actuarial Valuation**

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

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

For the year ended August 31, 2017, Sunray Independent School District recognized pension expense of \$261,290 and revenue of \$261,290 for support provided by the State in the Government-wide Statement of Activities.

At August 31, 2017, Sunray Independent School District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 18,274	\$ 34,800
Changes in actuarial assumptions	35,521	32,305
Differences between projected and actual investment earnings	98,689	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	243,032	135,858
Contributions paid to TRS subsequent to the measurement date	<u>108,373</u>	<u>-</u>
Total	<u>\$ 503,889</u>	<u>\$ 202,963</u>

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**M. Defined Benefit Pension Plan** (continued)

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>
2018	\$ 35,176
2019	35,176
2020	98,124
2021	30,341
2022	10,583
Thereafter	(16,847)

The District received \$34,384 for Chapter 313 reimbursements in fiscal year 2017.

**N. On-Behalf Payments – Teacher Retirement/ TRS-Care**

The revenues from “On-Behalf” payments of matching teacher retirement for active members of the District is in accordance with GASB. The District contributes matching funds for personnel funded from federal sources and, if applicable, statutory minimum funds for qualifying personnel. The State provides the matching funds on behalf of the members. The District’s on-behalf payments for the fiscal years ended August 31, 2017, 2016, and 2015 were \$267,165, \$260,568, and \$252,869 respectively. On-Behalf payments are reported as state revenue in the financial statements.

**O. Medicare Part D – On-Behalf Payments**

Federal Government Retiree Drug Subsidy – Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. Payments made on-behalf of the District for the years ended August 31, 2017, 2016, and 2015 were \$20,770, \$11,047, and \$15,940 respectively.

**P. Health Care Coverage**

During the year ended August 31, 2017, the employees of the District were covered by a health insurance plan (the Plan) with TRS Active Care. The District contributed premiums of \$275 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All contracts were paid to a third party administrator acting on behalf of the self-funded pool. The Plan was authorized by Section 21.922, Texas Education



**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**P. Health Care Coverage** (continued)

Code. The contract between Sunray Independent School District and the third party administrator is automatically renewed each year and terms of coverage and contribution costs are included in the contractual provisions. The District is only a participant in the self-funded pool and does not share in the risks and liabilities of the pool.

Because the District is only a participant, stop-loss coverage and unpaid claims do not apply to the District. Latest financial statements for the health insurance plan are available for the year ended August 31, 2017, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

**Q. Changes in Long-Term Liabilities**

Long-term activity for the year ended August 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
Bonds Payable:					
General obligation bonds	\$ 10,495,000	\$ -	\$ 750,000	\$ 9,745,000	\$ 845,000
Less deferred amount on refunding	-	-	-	-	-
Total Bonds Payable	<u>10,495,000</u>	<u>-</u>	<u>750,000</u>	<u>9,745,000</u>	<u>845,000</u>
Other Liabilities:					
Capital leases	-	-	-	-	-
Unfunded defined benefit retirement obligation	<u>1,317,021</u>	<u>(53,566)</u>	<u>97,992</u>	<u>1,165,463</u>	<u>-</u>
Total Other Liabilities	<u>1,317,021</u>	<u>(53,566)</u>	<u>97,992</u>	<u>1,165,463</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 11,812,021</u>	<u>\$ (53,566)</u>	<u>\$ 847,992</u>	10,910,463	<u>\$ 845,000</u>
Less amount due within one year				(845,000)	
Unamortized premium on bonds				<u>540,692</u>	
Long-Term Debt Due in More Than One Year Including Unamortized Premium on Bonds and Net Pension Liability (District's Share)				<u>\$ 10,606,155</u>	

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**R. Unearned Revenue**

Unearned revenue for the year ended August 31, 2017, consisted of the following:

	General Fund	Major Special Revenue Fund SSA - Special Education	Debt Service Fund	Capital Projects Fund	Other Nonmajor Funds	Total
Local Revenue	\$ -	\$ 218,457	\$ -	\$ -	\$ -	\$ 218,457
Total Unearned Revenue	<u>\$ -</u>	<u>\$ 218,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,457</u>

**S. Receivable 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 August 31, 2017, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Other	Total
General Fund	\$ 1,421,876	\$ -	\$ 3,310	\$ 1,425,186
Major Special Revenue Fund - SSA - Special Education	-	-	-	-
Debt Service Fund	-	-	1,300	1,300
Capital Projects Fund	-	-	-	-
Other Nonmajor Funds	-	125,133	-	125,133
Total	<u>\$ 1,421,876</u>	<u>\$ 125,133</u>	<u>\$ 4,610</u>	<u>\$ 1,551,619</u>

**T. Fund Balances – Governmental Funds**

As of August 31, 2017, fund balances of the governmental funds are classified as follows:

Non-spendable - amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**T. Fund Balances – Governmental Funds (continued)**

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the District’s Board of Trustees. The District’s Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the District’s Board of Trustees.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District’s adopted policy, only the Superintendent may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

As of August 31, 2017, fund balances are composed of the following:

	General Fund	Major Special Revenue Fund SSA - Special Education	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Restricted:						
Federal or State funds grant	\$ -	\$ -	\$ -	\$ -	\$ 28,470	\$ 28,470
Capital acquisition and contractual obligations	-	-	-	363,048	-	363,048
Retirement of long-term debt	-	-	453,536	-	-	453,536
<b>Total Restricted</b>	<b>-</b>	<b>-</b>	<b>453,536</b>	<b>363,048</b>	<b>28,470</b>	<b>845,054</b>
Committed:						
Construction	1,500,000	-	-	-	-	1,500,000
Other committed - technology	500,000	-	-	-	-	500,000
<b>Total Committed</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,000,000</b>
Assigned:	-	-	-	-	-	-
Unassigned funds	2,417,364	-	-	-	-	2,417,364
<b>Total Fund Balances</b>	<b>\$ 4,417,364</b>	<b>\$ -</b>	<b>\$ 453,536</b>	<b>\$ 363,048</b>	<b>\$ 28,470</b>	<b>\$ 5,262,418</b>

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**T. Fund Balances – Governmental Funds (continued)**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of the committed funds, then assigned funds, and finally unassigned funds, as needed, unless the District’s Board of Trustees has provided otherwise in its commitment or assignment actions.

**U. Revenue From Local and Intermediate Sources**

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

	General Fund	Major Special Revenue Fund SSA - Special Education	Debt Service Fund	Capital Projects Fund	Other Nonmajor Funds	Total
Property taxes	\$ 2,648,481	\$ -	\$ 999,827	\$ -	\$ -	\$ 3,648,308
Penalties, interest, and other tax- related income	21,073	-	6,776	-	-	27,849
Investment income	13,623	-	1,987	53	8	15,671
Food sales	-	-	-	-	33,628	33,628
Cocurricular student activities	24,538	-	-	-	-	24,538
Other	21,067	197,928	-	-	-	218,995
<b>Totals</b>	<b>\$ 2,728,782</b>	<b>\$ 197,928</b>	<b>\$ 1,008,590</b>	<b>\$ 53</b>	<b>\$ 33,636</b>	<b>\$ 3,968,989</b>

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**V. Joint Venture - Shared Services Arrangements**

The District is the fiscal agent for a Shared Services Arrangement (“SSA”) (Northwest Texas Education Services Cooperative) which provides diagnosticians for special education to member districts. In addition to the District, other member districts include Hartley Independent School District, Channing Independent School District, Texhoma Independent School District, Gruver Independent School District, Texline Independent School District, and Stratford Independent School District. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 437, Shared Services Arrangements - Special Education. Revenues and expenditures of the SSA are summarized as follows:

Fund 437 - Shared Services Arrangements - Special Education

Revenue

5722	SSA - local revenues from member districts	\$ 197,928
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Expenditures

11-6100	Payroll costs	\$ 55,046
11-6200	Professional and contracted services	2,693
11-6400	Other operating costs	6,524
21-6100	Payroll costs	74,124
21-6200	Professional and contracted services	9,815
21-6300	Supplies and materials	3,584
21-6400	Other operating costs	18,326
31-6100	Payroll costs	27,816

Total Expenditures		\$ 197,928
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**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**V. Joint Venture - Shared Services Arrangements (continued)**

Fund 313 - Shared Services Arrangements - IDEA - Part B, Formula  
(Part of Northwest Texas Education Services Cooperative)

Revenue

5929	Federal revenues distributed by Texas Education Agency	\$ <u><u>363,062</u></u>
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Expenditures

11-6100	Payroll costs	\$ 4,247
11-6200	Professional and contracted services	74,051
11-6300	Supplies and materials	12,815
11-6400	Other operating costs	679
31-6100	Payroll costs	241,215
31-6200	Professional and contracted services	14,020
31-6300	Supplies and materials	5,567
31-6400	Other operating costs	10,205
93-6493	Payment to Member District - SSA	<u>263</u>

Total Expenditures	\$ <u><u>363,062</u></u>
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Fund 314 - Shared Services Arrangements - IDEA - Part B, Preschool  
(Part of Northwest Texas Education Services Cooperative)

Revenue

5929	Federal revenues distributed by Texas Education Agency	\$ <u><u>6,596</u></u>
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Expenditures

11-6200	Professional and contracted services	\$ <u><u>6,596</u></u>
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**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**V. Joint Venture - Shared Services Arrangements (continued)**

The District's participation in the Northwest Texas Education Services Cooperative is presented below:

General Fund

Expenditures

93-6492	Payments to Fiscal Agent of Shared Services Arrangements	\$ <u>57,474</u>
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The District's participation is 23.9% of the shared services arrangement.

The District participates in a shared services arrangement for Migrant Co-op with the Region 16 Education Service Center with twenty-nine other school districts. Although 0.33% of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region 16 Education Service Center, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Sunray Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement.

Presented below are the revenue and expenditures attributable to the District's participation.

Revenue

5939	Federal Revenue Distributed by State of Texas Government Other than Texas Education Agency	\$ <u>2,607</u>
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Expenditures

6100	Payroll costs	\$ <u>2,607</u>
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**W. Federal Source Revenue – General Fund**

Federal financial programs are generally accounted for in the Special Revenue Funds of the District. The District expended federal source revenue in the General Fund from the School Health and Related Services (SHARS) Program in the amount of \$21,396 that is not considered federal financial assistance for inclusion in the Schedule of Federal Financial Assistance.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
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**X. Chapter 313 Agreement**

Sunray Independent School District and JD Wind 7 LLC, JD Wind 8 LLC, and JD Wind 9 LLC agreed to limitations on appraised value of property for school district maintenance and operations taxes for the purpose of renewable energy electric generation in accordance with the provisions of Texas Tax Code Section 313.024(b)(5). JD Wind 7 LLC, JD Wind 8 LLC, and JD Wind 9 LLC qualified for the valuation limitation agreement by meeting a series of requirements related to capital investment, job creation, and wages. The application, the agreements, and state reporting requirement documentation can be viewed at the Texas Comptroller's website: [www.comptroller.texas.gov/economy/local/ch313/agreements-docs.php](http://www.comptroller.texas.gov/economy/local/ch313/agreements-docs.php).

The Board of Trustees of the Sunray Independent School District approved the agreement on December 27, 2007.

The Tax Credit Amount is computed as the total amount of maintenance and operations *ad valorem* taxes that were imposed on the portion of the appraised value of the Qualified Property that exceeded the amount of the limitation agreed by the governing body of the school district under Texas Tax Code 313.027(a)(2) during the applicable Qualifying Time Period that the Company has paid to the District SIX HUNDRED SEVENTY NINE THOUSAND SIX HUNDRED SEVENTY NINE DOLLARS (\$679,679.00).

The Tax Credit Application filed by JD Wind 7 LLC, JD Wind 8 LLC, JD Wind 9/ Exelon Wind 7 LLC, Exelon Wind 8 LLC, Exelon Wind 9 LLC in accordance with Texas Tax Code § 313.103 in the amount of SIX HUNDRED SEVENTY NINE THOUSAND SIX HUNDRED SEVENTY NINE DOLLARS (\$679,679.00); was approved by the Board of Trustees and;

Beginning with the Tax Year 2011, which is the tax year following the tax year that the Tax Credit Application is approved, and in each of the subsequent six tax years (ending in Tax Year 2017), the District's collector of taxes is directed to credit against the *ad valorem* school taxes imposed on the Qualified Property by the District the lesser of: 1.) NINETY SEVEN THOUSAND NINETY SEVEN DOLLARS (\$97,097.00) (an amount equal to one-seventh of the total amount of tax credit to which JD Wind 7 LLC, JD Wind 8 LLC, JD Wind 9/ Exelon Wind 7 LLC, Exelon Wind 8 LLC, Exelon Wind 9 LLC is entitled under § 313.102); or 2.) Fifty Percent (50%) of the total amount of the *ad valorem* school tax levy on the Qualified Property by the District for each tax year. Additionally, for the three following tax years of 2018 to 2020, the District's collector of taxes is directed to credit against the *ad valorem* tax levy on the Qualified Property by the District the lesser of either: 1.) any remaining balance of tax credit not given during the first seven years of the tax credit settle-up; or, 2.) the total amount of the *ad valorem* school tax levy imposed on the Qualified Property by District for each tax year until all credits are given. Any tax credits that cannot be given by the above formula will be forfeited by the Company.



**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**X. Chapter 313 Agreement (continued)**

The assessed valuation, exemption, taxable value, M & D Taxes, and I & S Taxes were as follows:

<u>Year</u>	<u>Assessed Valuation</u>	<u>Exemption</u>	<u>Taxable Value</u>	<u>Tax Due M&amp;D</u>	<u>Tax Due I&amp;S</u>
2008	33,690,000	-	33,690,000	350,376	30,321
2009	41,663,750	-	41,663,750	433,303	34,164
2010	34,252,000	29,252,000	5,000,000	52,000	4,400
2011	41,260,510	36,260,510	5,000,000	52,000	36,009
2012	24,644,000	19,644,000	5,000,000	52,000	49,189
2013	21,572,000	16,572,000	5,000,000	52,000	49,961
2014	12,705,430	7,705,430	5,000,000	52,000	27,063
2015	11,621,000	6,621,000	5,000,000	52,000	22,045
2016	11,039,950	6,039,950	5,000,000	52,000	39,234

The total tax credit given for 2016 was \$45,617. The maintenance and operations tax rate for 2016 was \$1.04 per \$100.

The amount to be paid by the Company to compensate the District for loss of District Funding Revenues for each year under this Agreement shall be determined in accordance with School Finance Law and any such calculation to make the District whole for any losses shall be calculated in accordance with the Agreement. To the extent not included within the amounts calculated pursuant to the Agreement, Applicant, on an annual basis shall also indemnify the District for all non-reimbursed costs it incurs in paying or otherwise crediting amounts for the benefit of Applicant, including, but not limited to:

- 1) Any applicable tax credit to which the Applicant may be entitled pursuant to Chapter 313, Subchapter D of the Code, for which the District does not receive reimbursement from the State whether pursuant to TEC §42.2515, or otherwise.
- 2) Any loss incurred by the District which accrues to the District in the event of a successful judicial challenge to the Agreement.
- 3) Any attorney's fees or other costs incurred by the District while engaged in any legal defense of the Agreement, irrespective of whether or not the Agreement is ultimately determined to be valid. Prior to the District seeking reimbursement of its attorney's fees, the District shall notify the Company of the District's choice of counsel.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**X. Chapter 313 Agreement (continued)**

For years four through ten of the Agreement, in the event that payments by the Company to the District become limited in accordance with the provisions of the Agreement, the Company shall have the option to terminate the Agreement. The Company may exercise the option by notifying the District of its election in writing not later than July 31 of any year next following the tax year in which the annual limitation has been reached. The cancellation of this Agreement under the Agreement shall be effective as of the commencement of the second tax year next following the year in which the limitation giving rise to the option occurred.

In determining the amount of penalty and interest due under the Agreement in the event of a breach, the District shall determine the base amount of taxes owed less any credit under this Agreement for each of the three (3) years prior to the year in which the breach of the Agreement occurred. If payment is not made by the Company to the District for each year since the inception of the Agreement, then for each of the three (3) years the District shall calculate penalty and interest in accordance with the methodology set forth in Chapter 33 of the Code as if the base amount calculated for that year of this Agreement under Section 5.4.3, had become due and payable on January 31 of each applicable year. Penalties on said amounts shall be calculated in accordance with the methodology set forth in §33.01(a) of the Code, or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in §33.01(c) of the Code, or its successor statute.

**Y. 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 disasters. During the year ended August 31, 2017, the District purchased insurance to cover general liabilities. There were no significant reductions in coverage in the past year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**Z. Commitments and Contingencies**

The District participates in state and federal programs which are governed by 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, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the District's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded for such contingencies.

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Financial Statements**  
August 31, 2017

**AA. Debt Issuances and Defeased Debt**

The District had no debt issuances for the year ended August 31, 2017.

The District had no defeased debt for the year ended August 31, 2017.

**BB. Workers' Compensation**

The District participates in the Public Workers' Compensation Program (the "Program") self-insurance fund for workers' compensation insurance. The District, as a member of the Program, pays a contribution for the fund year to cover the servicing costs of program administration, claims handling, loss control, and stop-loss coverage, as well as all claims expenses. The District's required contribution for the year ended August 31, 2017, was \$16,241, and was recorded as an insurance expenditure.

The Public Workers' Compensation Program purchases aggregate excess and specific excess reinsurance for protection against losses in excess of applicable retentions. The Program carries the following excess coverages: (a) aggregate excess reinsurance - when total net losses exceed the established attachment point of \$3,109,591, the maximum coverage of \$2,000,000 takes effect; (b) specific excess reinsurance - when losses from an individual occurrence exceed the attachment point of \$450,000, the Program has purchased specific excess reinsurance coverage to pay further losses. Both aggregate excess and specific excess reinsurance is provided by Safety National Casualty Corporation. All risks and liabilities are not shared by Sunray Independent School District; they are the liability of the Public Workers' Compensation Program.

**CC. Litigation**

At August 31, 2017, Sunray Independent School District had no known or threatened pending litigations which would materially affect the District's financial condition.

**DD. Subsequent Events**

The District has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued (October 31, 2017), and there were the following material subsequent events to be disclosed:

- 1) The District issued \$595,000 for the Series 2017 Unlimited Tax School Building Bonds in September 2017 for the purpose of purchasing equipment and District improvements. The maturity date of the bonds is August 2032. The interest rate is 2.6%.
- 2) The District issued \$889,000 for the Series 2017 Time Warrants for the purpose of obtaining four ready built homes and other District improvements. The maturity date of the time warrants is September 2032. The interest rate is 2.9%.

**REQUIRED SUPPLEMENTARY INFORMATION**

SUNRAY INDEPENDENT SCHOOL DISTRICT  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
For the Year Ended August 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,824,337	\$ 2,824,337	\$ 2,728,782	\$ (95,555)
5800	State Program Revenues	2,376,712	2,671,712	2,775,141	103,429
5900	Federal Program Revenues	-	-	21,396	21,396
5020	Total Revenues	5,201,049	5,496,049	5,525,319	29,270
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	3,052,362	3,150,362	3,070,696	79,666
0012	Instructional Resources and Media Services	22,468	24,968	22,214	2,754
0013	Curriculum and Instructional Staff Development	12,282	14,282	11,891	2,391
0021	Instructional Leadership	91,520	97,520	89,668	7,852
0023	School Leadership	340,889	345,889	344,116	1,773
0031	Guidance, Counseling and Evaluation Services	145,011	151,011	148,383	2,628
0033	Health Services	33,089	37,089	34,709	2,380
0034	Student (Pupil) Transportation	88,944	88,944	58,815	30,129
0036	Extracurricular Activities	341,779	396,779	370,737	26,042
0041	General Administration	325,317	346,317	335,578	10,739
0051	Facilities Maintenance and Operations	585,918	675,918	647,637	28,281
0052	Security and Monitoring Services	2,650	2,650	-	2,650
0053	Data Processing Services	41,305	66,805	61,100	5,705
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	57,475	57,475	57,474	1
0099	Other Intergovernmental Charges	115,000	115,000	71,225	43,775
6030	Total Expenditures	5,256,009	5,571,009	5,324,243	246,766
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(54,960)	(74,960)	201,076	276,036
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	-	-	11,200	11,200
7949	Other Resources	25,000	25,000	34,384	9,384
8911	Transfers Out (Use)	(50,316)	(50,316)	(41,487)	8,829
8949	Other (Uses)	-	-	(2,010)	(2,010)
7080	Total Other Financing Sources (Uses)	(25,316)	(25,316)	2,087	27,403
1200	Net Change in Fund Balances	(80,276)	(100,276)	203,163	303,439
0100	Fund Balance - September 1 (Beginning)	4,214,201	4,214,201	4,214,201	-
3000	Fund Balance - August 31 (Ending)	\$ 4,133,925	\$ 4,113,925	\$ 4,417,364	\$ 303,439

## SUNRAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-2

Schedule of the District's Proportionate Share of the Net Pension Liability  
Teacher Retirement System of Texas  
For the Year Ended August 31, 2017

	2017	2016	2015
District's Proportion of the Net Pension Liability (Asset)	0.0030842%	0.0037258%	0.0024444%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,165,463	\$ 1,317,021	\$ 652,933
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,517,821	2,442,359	2,254,974
Total	<u>\$ 3,683,284</u>	<u>\$ 3,759,380</u>	<u>\$ 2,907,907</u>
District's Covered-Employee Payroll	\$ 3,769,491	\$ 3,866,156	\$ 3,977,044
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	30.92%	34.07%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

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

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

SUNRAY INDEPENDENT SCHOOL DISTRICT  
Schedule of District Contributions  
Teacher Retirement System of Texas  
For Fiscal Year 2017

EXHIBIT G-3

	2017	2016	2015
Contractually Required Contribution	\$ 108,373	\$ 97,992	\$ 110,199
Contribution in Relation to the Contractually Required Contribution	108,373	97,992	110,199
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 3,851,022	\$ 3,769,491	\$ 3,866,156
Contributions as a Percentage of Covered-Employee Payroll	2.81%	2.60%	2.85%

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

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

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Notes to the Required Supplementary Information**  
For the Year Ended August 31, 2017

*Changes of benefit terms.*

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

*Changes of assumptions.*

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



**REQUIRED TEA SCHEDULES**

SUNRAY INDEPENDENT SCHOOL DISTRICT  
Schedule of Delinquent Taxes Receivable  
Fiscal Year Ended August 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.040000	0.090000	400,026,195
2010	1.040000	0.082000	424,961,497
2011	1.040000	0.088000	394,714,273
2012	1.040000	0.088000	347,875,798
2013	1.040000	0.199600	384,832,123
2014	1.040000	0.231600	373,645,329
2015	1.040000	0.213000	366,098,164
2016	1.040000	0.189700	344,584,289
2017 (School year under audit)	1.040000	0.390000	261,001,538
1000 TOTALS			

MOORE COUNTY TAX ASSESSOR/COLLECTOR OCTOBER 1ST TAX ROLL CURRENT YEAR ADJUSTMENTS MUST BE APPLIED TO THE TAX LEVY AFTER OCTOBER 1ST DUE TO TAXPAYER PROTESTS AND VALUATION ADJUSTMENTS. TAX RATES ARE PER \$100 OF ASSESSED VALUATION.

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 10,484	\$ -	\$ 1,131	\$ 96	\$ (3,091)	\$ 6,166
2,531	-	170	14	-	2,347
1,675	-	137	11	3	1,530
1,976	-	159	14	2	1,805
2,200	-	116	10	5	2,079
4,112	-	85	16	9	4,020
5,491	-	1,045	233	13	4,226
5,908	-	1,486	304	9	4,127
28,113	-	18,381	3,353	10	6,389
-	3,732,322	2,625,771	995,776	(58,575)	52,200
<u>\$ 62,490</u>	<u>\$ 3,732,322</u>	<u>\$ 2,648,481</u>	<u>\$ 999,827</u>	<u>\$ (61,615)</u>	<u>\$ 84,889</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT  
 Schedule of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual - Child Nutrition Program  
 For the Year Ended August 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 30,000	\$ 30,000	\$ 33,636	\$ 3,636
5800 State Program Revenues	5,770	5,770	6,028	258
5900 Federal Program Revenues	93,500	118,500	166,930	48,430
5020 Total Revenues	<u>129,270</u>	<u>154,270</u>	<u>206,594</u>	<u>52,324</u>
<b>EXPENDITURES:</b>				
0035 Food Services	<u>179,586</u>	<u>204,586</u>	<u>189,076</u>	<u>15,510</u>
6030 Total Expenditures	<u>179,586</u>	<u>204,586</u>	<u>189,076</u>	<u>15,510</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,316)	(50,316)	17,518	67,834
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>50,316</u>	<u>50,316</u>	<u>-</u>	<u>(50,316)</u>
1200 Net Change in Fund Balances	-	-	17,518	17,518
0100 Fund Balance - September 1 (Beginning)	<u>10,952</u>	<u>10,952</u>	<u>10,952</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 10,952</u>	<u>\$ 10,952</u>	<u>\$ 28,470</u>	<u>\$ 17,518</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT  
Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Debt Service Fund  
For the Year Ended August 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 1,135,837	\$ 1,136,837	\$ 1,008,590	\$ (128,247)
5800	State Program Revenues	-	-	7,351	7,351
5020	Total Revenues	1,135,837	1,136,837	1,015,941	(120,896)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long-Term Debt	750,000	750,000	750,000	-
0072	Interest on Long-Term Debt	382,857	382,857	382,857	-
0073	Bond Issuance Cost and Fees	3,980	3,980	3,700	280
6030	Total Expenditures	1,136,837	1,136,837	1,136,557	280
1200	Net Change in Fund Balances	(1,000)	-	(120,616)	(120,616)
0100	Fund Balance - September 1 (Beginning)	574,152	574,152	574,152	-
3000	Fund Balance - August 31 (Ending)	\$ 573,152	\$ 574,152	\$ 453,536	\$ (120,616)

**REPORTS ON INTERNAL CONTROL AND  
ON COMPLIANCE AND OTHER MATTERS**

# COY BARTON, C.P.A.

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CERTIFIED PUBLIC ACCOUNTANT

116 EAST SEVENTH  
P.O. BOX 800 – TELEPHONE 806-935-4188  
DUMAS, TEXAS 79029

MEMBER OF

THE AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
THE AICPA'S PRIVATE COMPANIES  
PRACTICE SECTION  
TEXAS SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S 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*

To the Board of Trustees  
Sunray Independent School District  
P.O. Box 240  
Sunray, Texas

Members of the Board:

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 Sunray Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise Sunray Independent School District's basic financial statements, and have issued our report thereon dated October 31, 2017.

#### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow administration 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 entity'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 Sunray Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and 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.

*Coy Barton, CPA*  
Dumas, Texas

October 31, 2017



**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Findings and Responses**  
For the Year Ended August 31, 2017

**FINDINGS**

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None

**RESPONSES**

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None

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Schedule of Status of Prior Audit Findings**  
For the Year Ended August 31, 2017

<b><u>FINDING</u></b>	<b><u>STATUS OF PRIOR YEAR'S FINDING/NONCOMPLIANCE</u></b>
None	None

**SUNRAY INDEPENDENT SCHOOL DISTRICT**  
**Corrective Action Plan**  
For the Year Ended August 31, 2017

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**FINDING**

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**CORRECTIVE ACTION PLAN**

None

None