

SUNRAY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2018

**SUNRAY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2018**

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
Certificate of Board	1
Independent Auditor's Report	2-5
Management's Discussion and Analysis	6-13
 <u>BASIC FINANCIAL STATEMENTS</u>	
Government Wide Statements:	
A-1 Statement of Net Position	14
B-1 Statement of Activities	15
 Governmental Fund Financial Statements:	
C-1 Balance Sheet	16
C-2 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	17
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances	18
C-4 Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	19
 Fiduciary Fund Financial Statements:	
E-1 Statement of Net Position	20
Notes to the Financial Statements	21-71
 <u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
G-1 Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	72
G-2 Schedule of the District's Proportionate Share of the Net Pension Liability	73
G-3 Schedule of District Contributions for Pensions	74
G-4 Schedule of the District's Proportionate Share of the Net OPEB Liability	75
G-5 Schedule of District Contributions for Other Post-Employment Benefits (OPEB)	76
Notes to the Required Supplementary Information	77-78

SUNRAY INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2018

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
<u>REQUIRED TEA SCHEDULES</u>		
J-1	Schedule of Delinquent Taxes Receivable	79
J-2	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Child Nutrition Program	80
J-3	Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service Fund	81
<u>REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS</u>		
	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 <i>Government Auditing Standards</i>	82-83
	Schedule of Findings and Responses	84
	Schedule of Status of Prior Audit Findings	85
	Corrective Action Plan	86

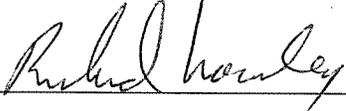
CERTIFICATE OF BOARD

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, 2018, at a meeting of the Board of Trustees of such school district on the 12th day of November 2018.



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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2018, 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.

Emphasis of Matter

As discussed in Note I to the Financial Statements, in 2018 the District adopted new accounting guidance prescribed by GASB Statement No. 75 for its other post-employment benefit (OPEB) plan that has a special funding situation. Because GASB Statement No. 75 implements new measurement criteria and reporting provisions, significant information has been added to the Government-wide statements. Exhibit A-1 discloses the District's Net OPEB Liability and some deferred resource outflows and deferred resource inflows related to the District's other post-employment benefit (OPEB) plan. Exhibit B-1 discloses the adjustment to the District's Beginning Net Position. Our opinion is not modified with respect to the matter.

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 6 through 13 and 72 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, Schedule of District Contributions for Pensions, Schedule of District's Proportionate Share of the Net OPEB Liability, and Schedule of the District Contributions for Other Post-Employment Benefits (OPEB) – Teacher Retirement System of Texas 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.

To the Board of Trustees
Sunray Independent School District
Page 4

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2018, 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.



Dumas, Texas

November 5, 2018

SUNRAY INDEPENDENT SCHOOL DISTRICT
Introductory to Management's Discussion and Analysis
For the Year Ended August 31, 2018

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, 2018, 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,

A handwritten signature in black ink, appearing to read 'M. Harrison', written over a horizontal line.

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, 2018. Please read it in conjunction with our transmittal letter on page 6, the Independent Auditor's Report on pages 2-5, and the District's Basic Financial Statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

The District's net position from our governmental activities decreased by \$3.66 million as a result of the prior period adjustment of \$4.15 million and change in net position of \$0.49 million.

During the year, the District had expenses that were \$0.49 million less than the \$8.29 million generated in tax and other revenues for governmental programs. This compares to last year when expenses were less than revenues by \$0.39 million.

The General Fund ended the year with a fund balance of \$3.82 million. The General Fund committed \$2.00 million for construction and \$1.82 million is unassigned.

The resources available for appropriation were \$0.04 million less 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 Every Student Succeeds 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 decreased from \$10.71 million to \$7.05 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 \$(0.62) million at August 31, 2018. This decrease in governmental net position was the result of four factors. First, the District's revenues exceeded the expenditures by about \$0.49 million. Second, the District paid bonds and other long-term debt in the amount of \$0.88 million and acquired capital assets in the amount of \$2.37 million. Third, the District recorded depreciation in the amount of \$0.51 million. Fourth, the District had a prior period adjustment due to implementation of GASB Statement No. 75.

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

	Governmental Activities 2018	Total 2018	Total 2017
Current and other assets	\$ 4,710	\$ 4,710	\$ 6,100
Capital assets	18,202	18,202	16,336
Total Assets	22,912	22,912	22,436
Deferred Outflows of Resources	499	499	504
Long-term liabilities	13,737	13,737	11,451
Other liabilities	1,361	1,361	574
Total Liabilities	15,098	15,098	12,025
Deferred Inflows of Resources	1,265	1,265	203
Net Position:			
Investment in capital assets	7,391	7,391	6,051
Restricted	281	281	845
Unrestricted	(624)	(624)	3,816
Total Net Position	\$ 7,048	\$ 7,048	\$ 10,712

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

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

	Governmental Activities 2018	Total 2018	Total 2017
Revenues:			
Program Revenues:			
Charges for services	\$ 300	\$ 300	\$ 256
Operating grants and contributions	2,055	2,055	1,261
General Revenues:			
Maintenance and operations taxes	2,618	2,618	2,654
Debt service taxes	961	961	1,009
State aid - formula grants	2,241	2,241	2,265
Investment earnings	22	22	16
Miscellaneous - net	97	97	86
Total Revenues	8,294	8,294	7,547
Expenses:			
Instruction and instructional related services	3,934	3,934	3,633
Instructional and school leadership	530	530	571
Student support services	540	540	579
Child nutrition	155	155	194
Cocurricular activities	717	717	566
General administration	460	460	345
Facilities maintenance, security, and data processing	962	962	798
Debt services	360	360	341
Payments related to shared services arrangements	62	62	58
Other intergovernmental charges	85	85	71
Total Expenses	7,805	7,805	7,156
Increase (decrease) in net positon	489	489	391
Net Position at Beginning of Year	10,712	10,712	10,321
Prior Period Adjustment - Implementation of GASB 75	(4,153)	(4,153)	-
Net Position at End of Year	\$ 7,048	\$ 7,048	\$ 10,712

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

The District's total revenues increased by \$0.75 million (9.90%). 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 \$7.80 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 \$5.45 million because some of the costs were paid by those who directly benefited from the programs (\$0.30 million) and by other governments and organizations that subsidized certain programs with grants and contributions (\$2.05 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 \$4.10 million, which is less than last year's total of \$5.26 million. Included in this year's total change in fund balance is a decrease of \$0.59 million in the District's General Fund. The primary reasons for the General Fund's decrease 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 2017). 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 \$3.82 million reported on page 16 is more than the General Fund's budgetary fund balance of \$3.78 million reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund on page 72.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$18.20 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 \$1.87 million, or 11.42% from last year.

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

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

Buildings and improvements	\$	2,293
Vehicles		55
Furniture and equipment		<u>26</u>
Total	\$	<u><u>2,374</u></u>

The District's fiscal year 2019 capital budget calls for \$0.03 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 \$10.81 million in bonds, loans, and notes outstanding versus \$9.75 million last year – an increase of 10.94%. 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 2019 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 2019. Amounts available for appropriation in the General Fund budget are \$5.79 million, an increase from the final 2018 budget of \$5.33 million. The District will use its revenues to finance programs we currently offer. Budgeted expenditures are expected to decrease nearly 19.17%. The District has added no major new programs or initiatives to the 2019 budget. This decrease in expenditures is due to a decrease in various expenditures.

If these estimates are realized, the District's budgetary General Fund balance is expected to decrease by \$0.15 million by the close of 2019.

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, 2018

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 4,513,715
1220 Property Taxes Receivable (Delinquent)	89,711
1230 Allowance for Uncollectible Taxes	(31,399)
1240 Due from Other Governments	135,576
1410 Prepayments	2,448
Capital Assets:	
1510 Land	143,000
1520 Buildings and Improvements, Net	17,567,077
1530 Furniture and Equipment, Net	61,385
1540 Vehicles, Net	430,693
1000 Total Assets	22,912,206
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	453,941
1706 Deferred Outflow Related to TRS OPEB	45,039
1700 Total Deferred Outflows of Resources	498,980
LIABILITIES	
2110 Accounts Payable	46,334
2140 Interest Payable	19,872
2160 Accrued Wages Payable	285,158
2200 Accrued Expenses	8,547
Noncurrent Liabilities	
2501 Due Within One Year	1,001,125
2502 Due in More Than One Year	10,311,590
2540 Net Pension Liability (District's Share)	1,057,292
2545 Net OPEB Liability (District's Share)	2,368,527
2000 Total Liabilities	15,098,445
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	273,954
2606 Deferred Inflow Related to TRS OPEB	990,760
2600 Total Deferred Inflows of Resources	1,264,714
NET POSITION	
3200 Net Investment in Capital Assets	7,391,280
3820 Restricted for Federal and State Programs	41,856
3850 Restricted for Debt Service	238,601
3900 Unrestricted	(623,710)
3000 Total Net Position	\$ 7,048,027

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, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,886,366	\$ 69,917	\$ 1,255,293	\$ (2,561,156)
12 Instructional Resources and Media Services	24,005	-	4,719	(19,286)
13 Curriculum and Staff Development	24,019	270	4,746	(19,003)
21 Instructional Leadership	121,606	130,622	-	9,016
23 School Leadership	407,980	-	66,532	(341,448)
31 Guidance, Counseling and Evaluation Services	395,864	32,802	350,514	(12,548)
33 Health Services	43,989	-	8,491	(35,498)
34 Student (Pupil) Transportation	100,451	-	7,630	(92,821)
35 Food Services	154,796	38,046	173,806	57,056
36 Extracurricular Activities	717,267	28,179	41,984	(647,104)
41 General Administration	460,024	-	56,353	(403,671)
51 Facilities Maintenance and Operations	905,420	-	74,902	(830,518)
52 Security and Monitoring Services	350	-	-	(350)
53 Data Processing Services	55,571	-	-	(55,571)
72 Debt Service - Interest on Long-Term Debt	331,569	-	-	(331,569)
73 Debt Service - Bond Issuance Cost and Fees	28,763	-	9,856	(18,907)
93 Payments related to Shared Services Arrangements	62,208	-	-	(62,208)
99 Other Intergovernmental Charges	84,612	-	-	(84,612)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 7,804,860	\$ 299,836	\$ 2,054,826	(5,450,198)

Data Control Codes	General Revenues:	
MT	Property Taxes, Levied for General Purposes	2,617,799
DT	Property Taxes, Levied for Debt Service	960,929
SF	State Aid - Formula Grants	2,240,657
IE	Investment Earnings	22,525
MI	Miscellaneous Local and Intermediate Revenue	73,825
S1	Special Item - Chapter 313	23,898
TR	Total General Revenues and Special Items	5,939,633
CN	Change in Net Position	489,435
NB	Net Position - Beginning	10,711,791
PA	Prior Period Adjustment-Implementation of GASB 75	(4,153,199)
NE	Net Position--Ending	\$ 7,048,027

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

SUNRAY INDEPENDENT SCHOOL DISTRICT
Balance Sheet
Governmental Funds
August 31, 2018

Data Control Codes	10 General Fund	SSA IDEA, Part B Formula	SSA Special Education
ASSETS			
1110 Cash and Cash Equivalents	\$ 4,032,875	\$ -	\$ 196,669
1220 Property Taxes - Delinquent	65,615	-	-
1230 Allowance for Uncollectible Taxes (Credit)	(22,965)	-	-
1240 Receivables from Other Governments	1,485	81,296	14,774
1260 Due from Other Funds	65,823	-	-
1000 Total Assets	<u>\$ 4,142,833</u>	<u>\$ 81,296</u>	<u>\$ 211,443</u>
LIABILITIES			
2110 Accounts Payable	\$ 29,249	\$ 4,876	\$ 99
2160 Accrued Wages Payable	242,612	28,015	5,746
2170 Due to Other Funds	-	45,564	-
2200 Accrued Expenditures	4,922	2,841	203
2300 Unearned Revenues	-	-	205,395
2000 Total Liabilities	<u>276,783</u>	<u>81,296</u>	<u>211,443</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	42,650	-	-
2600 Total Deferred Inflows of Resources	<u>42,650</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:			
3510 Construction	2,000,000	-	-
3600 Unassigned Fund Balance	1,823,400	-	-
3000 Total Fund Balances	<u>3,823,400</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,142,833</u>	<u>\$ 81,296</u>	<u>\$ 211,443</u>

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

50 Debt Service Fund	Other Funds	Total Governmental Funds
\$ 238,307	\$ 45,864	\$ 4,513,715
24,096	-	89,711
(8,434)	-	(31,399)
294	37,727	135,576
-	-	65,823
<u>\$ 254,263</u>	<u>\$ 83,591</u>	<u>\$ 4,773,426</u>
\$ -	\$ 12,110	\$ 46,334
-	8,785	285,158
-	20,259	65,823
-	581	8,547
-	-	205,395
<u>-</u>	<u>41,735</u>	<u>611,257</u>
15,662	-	58,312
<u>15,662</u>	<u>-</u>	<u>58,312</u>
-	41,856	41,856
238,601	-	238,601
-	-	2,000,000
-	-	1,823,400
<u>238,601</u>	<u>41,856</u>	<u>4,103,857</u>
<u>\$ 254,263</u>	<u>\$ 83,591</u>	<u>\$ 4,773,426</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT
 Reconciliation of the Governmental Funds Balance Sheet to the
 Statement of Net Position
 August 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	4,103,857
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$22,776,456 and the accumulated depreciation was \$6,440,071. 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.		6,591,385
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2018 capital outlays and debt principal payments is to increase net position.		3,249,998
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB Statement No. 68. The net position related to TRS included a deferred resource outflow in the amount of \$453,941, a deferred resource inflow in the amount of \$273,954, and a net pension liability in the amount of \$1,057,292. This resulted in a decrease in net position.		(877,305)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB Statement No. 75. The net position related to TRS included a deferred resource outflow in the amount of \$45,039, a deferred resource inflow in the amount of \$990,760, and a net OPEB liability in the amount of \$2,368,527. This resulted in a decrease in net position.		(3,314,248)
5 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(508,228)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(2,197,432)
19 Net Position of Governmental Activities	<u>\$</u>	<u>7,048,027</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2018

Data Control Codes	10 General Fund	SSA IDEA, Part B Formula	SSA Special Education
REVENUES:			
5700	\$ 2,745,553	\$ -	\$ 233,611
5800	2,511,805	-	-
5900	37,133	409,667	-
5020	<u>5,294,491</u>	<u>409,667</u>	<u>233,611</u>
EXPENDITURES:			
Current:			
0011	3,172,334	89,348	69,917
0012	21,188	-	-
0013	19,003	-	270
0021	5,941	-	130,622
0023	379,021	-	-
0031	155,221	320,319	32,802
0033	40,223	-	-
0034	68,730	-	-
0035	-	-	-
0036	542,762	-	-
0041	440,419	-	-
0051	896,586	-	-
0052	350	-	-
0053	51,346	-	-
Debt Service:			
0071	-	-	-
0072	11,029	-	-
0073	37,306	-	-
Capital Outlay:			
0081	1,271,097	-	-
Intergovernmental:			
0093	62,208	-	-
0099	84,612	-	-
6030	<u>7,259,376</u>	<u>409,667</u>	<u>233,611</u>
1100	(1,964,885)	-	-
OTHER FINANCING SOURCES (USES):			
7911	-	-	-
7914	1,346,875	-	-
7915	148	-	-
7949	23,898	-	-
8911	-	-	-
7080	<u>1,370,921</u>	<u>-</u>	<u>-</u>
1200	(593,964)	-	-
0100	<u>4,417,364</u>	<u>-</u>	<u>-</u>
3000	<u>\$ 3,823,400</u>	<u>\$ -</u>	<u>\$ -</u>

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

50 Debt Service Fund	Other Funds	Total Governmental Funds
\$ 967,484	\$ 38,194	\$ 3,984,842
9,856	109,642	2,631,303
-	332,781	779,581
977,340	480,617	7,395,726
-	265,440	3,597,039
-	-	21,188
-	4,746	24,019
-	-	136,563
-	-	379,021
-	-	508,342
-	-	40,223
-	-	68,730
-	196,911	196,911
-	-	542,762
-	-	440,419
-	-	896,586
-	-	350
-	-	51,346
876,000	-	876,000
313,375	-	324,404
2,900	27,409	67,615
-	930,625	2,201,722
-	-	62,208
-	-	84,612
1,192,275	1,425,131	10,520,060
(214,935)	(944,514)	(3,124,334)
-	595,000	595,000
-	-	1,346,875
-	-	148
-	-	23,898
-	(148)	(148)
-	594,852	1,965,773
(214,935)	(349,662)	(1,158,561)
453,536	391,518	5,262,418
\$ 238,601	\$ 41,856	\$ 4,103,857

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, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$	(1,158,561)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2018 capital outlays and debt principal payments is to increase net position.		3,249,998
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.		(508,228)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.		(1,919,957)
GASB Statement No. 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$130,905. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$108,373. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$35,300. The net result is a decrease in the change in net position.		(12,768)
GASB Statement No. 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$44,670. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$28,317. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$822,598. The net result is an increase in the change in net position.		838,951
Change in Net Position of Governmental Activities	\$	489,435

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, 2018

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 130,252
Total Assets	<u>\$ 130,252</u>
LIABILITIES	
Due to Student Groups	\$ 130,252
Total Liabilities	<u>\$ 130,252</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, 2018

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, 2018

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 – IDEA, Part B Formula (Part of Special Revenue Funds)** – This fund is used by the fiscal agent of a shared services arrangement to account for funds granted to operate educational programs for children with disabilities. This fund does not have a legally adopted budget.
3. **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.
4. **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.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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 – IDEA, Part B Formula and 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, 2018

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, 2018

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, 2018, the amount deemed uncollectible by this estimate was \$31,399. 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, 2018

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, 2018.

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, 2018

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, 2018

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 \$18,100.

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. Other Post-Employment Benefits

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

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

E. Financial Statement Amounts (continued)

12. New Financial Accounting Standards

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits other than Pensions* (GASB 75). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB) and improve information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability, an inter-period equity, and creating additional transparency. This Statement supersedes Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended*, and GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. This Statement is effective for fiscal years beginning after June 15, 2017. Administration is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of areas including issues related to postemployment benefits. This Statement addresses the following areas:

- a) Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus;
- b) Recognizing on-behalf payments for pensions or OPEB in employer financial statements;
- c) Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB;
- d) Classifying employer-paid member contributions for OPEB;
- e) Simplifying certain aspects of the alternative measurement method for OPEB;
- f) Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

E. Financial Statement Amounts (continued)

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Administration is currently evaluating the impact of the adoption of this Statement on the District's financial statements.

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 - Instruction	\$ 186,000
Function 36 - Extracurricular activities	157,000
Function 51 - Facilities maintenance and operations	301,639
Function 81 - Facilities acquisition and construction	431,930

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

A. Budgetary Data (continued)

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:

	August 31, 2018 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	\$ 41,856
Nonappropriated Budget Funds	-
All Special Revenue Funds	\$ 41,856

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.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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

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, 2018, 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 \$10,798,483.

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, 2018.

As of August 31, 2018, 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	4,513,675	100%	4,513,675	-	-	N/A
Total Cash and Cash Equivalents	<u>\$ 4,513,715</u>	<u>100%</u>	<u>\$ 4,513,715</u>	<u>\$ -</u>	<u>\$ -</u>	

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, 2018

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, 2018, 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, 2018.

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, 2018.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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, 2018.

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, 2018.

Other Credit Risk Exposure

The District had no other known credit risk exposure at August 31, 2018.

Defaults and Recovery of Prior Period Losses

The District had no defaults or prior period losses for the year ended August 31, 2018.

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, 2018, Sunray Independent School District had no investments subject to the fair value measurement.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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, 2018, to finance General Fund operations and Debt Service Fund payments for principal and interest on general obligation long-term debt, were \$1.04 and \$0.38 per \$100 valuation, respectively, for a total of \$1.42 per \$100 valuation. At August 1, 2017, the assessed value of the property tax roll was \$277,940,151, which was subsequently decreased to a year-end assessed value of \$255,280,775.

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, 2018, consisted of the following amounts:

Due to General Fund from:

SSA IDEA, Part B Formula	\$ 45,564
Nonmajor Governmental Funds	20,259
Total	<u>\$ 65,823</u>

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, 2018, consisted of the following amounts:

Transfer to General Fund from:

Nonmajor Governmental Funds	<u>\$ 148</u>
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SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

E. Disaggregation of Receivables and Payables

Receivables at August 31, 2018, were as follows:

	Property Taxes (Net)	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 42,650	\$ 1,485	\$ 65,823	\$ -	\$ 109,958
SSA IDEA, Part B Formula	-	81,296	-	-	81,296
Major Special Revenue Fund - SSA - Special Education	-	14,774	-	-	14,774
Debt Service Fund	15,662	294	-	-	15,956
Nonmajor Governmental Funds	-	37,727	-	-	37,727
Total - Governmental Activities	\$ 58,312	\$ 135,576	\$ 65,823	\$ -	\$ 259,711
Amounts not scheduled for collection during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -

	General Fund	SSA IDEA, Part B Formula	Major Special Revenue Fund - SSA Special Education	Debt Service Fund	Nonmajor Governmental Funds	Total
Property Taxes (Net):						
Delinquent taxes receivable (ad valorem)	\$ 65,615	\$ -	\$ -	\$ 24,096	\$ -	\$ 89,711
Allowance for uncollectible taxes	(22,965)	-	-	(8,434)	-	(31,399)
Total - Property Taxes (Net)	\$ 42,650	\$ -	\$ -	\$ 15,662	\$ -	\$ 58,312
Receivable from Other Governments:						
Receivable - State	\$ 734	\$ 81,296	\$ -	\$ -	\$ 37,727	\$ 119,757
Receivable - Tax Assessor/Collector	751	-	-	294	-	1,045
Receivable - SSA Entities	-	-	14,774	-	-	14,774
Total - Receivable from Other Governments	\$ 1,485	\$ 81,296	\$ 14,774	\$ 294	\$ 37,727	\$ 135,576

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, 2018

E. Disaggregation of Receivables and Payables (continued)

Payables at August 31, 2018, 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
Governmental Activities:							
General Fund	\$ 29,249	\$ -	\$ 242,612	\$ -	\$ -	\$ 4,922	\$ 276,783
SSA IDEA, Part B Formula	4,876	-	28,015	45,564	-	2,841	81,296
Major Special Revenue Fund							
SSA - Special Education	99	-	5,746	-	-	205,598	211,443
Debt Service Fund	-	-	-	-	-	-	-
Nonmajor Governmental Funds	12,110	-	8,785	20,259	-	581	41,735
Total - Governmental Activities	\$ 46,334	\$ -	\$ 285,158	\$ 65,823	\$ -	\$ 213,942	\$ 611,257
Amounts not scheduled for payment during the subsequent year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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 two types of these items, which arises only under a full accrual basis of accounting, that qualifies for reporting in this category. Accordingly, these items, *Deferred Outflows Related to TRS Pension* and *Deferred Outflows Related to TRS OPEB* are reported only in the Government-wide Statement of Net Position. The Government-wide Statement of Net Position reports the District's share of deferred charges for refunding bonds, 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, and the District's share of the unrecognized OPEB deferred outflows of resources which TRS uses in calculating the end net OPEB liability. 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, 2018

G. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2018, 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	21,033,782	2,293,083	-	472,459	23,799,324
Vehicles	854,059	55,000	27,388	-	881,671
Vehicles - Federal Funds	82,360	-	-	-	82,360
Furniture and equipment	160,383	25,915	-	-	186,298
Furniture and equipment - Federal Funds	30,413	-	-	-	30,413
Construction in progress	472,459	-	-	(472,459)	-
Total Assets Being Depreciated	<u>22,633,456</u>	<u>2,373,998</u>	<u>27,388</u>	<u>-</u>	<u>24,980,066</u>
Totals at Historical Cost	<u>22,776,456</u>	<u>2,373,998</u>	<u>27,388</u>	<u>-</u>	<u>25,123,066</u>
Less Accumulated Depreciation for:					
Buildings and improvements	5,791,827	440,420	-	-	6,232,247
Vehicles	430,423	58,924	27,388	-	461,959
Vehicles - Federal Funds	63,829	7,550	-	-	71,379
Furniture and equipment	130,976	-	-	-	130,976
Furniture and equipment - Federal Funds	23,016	1,334	-	-	24,350
Total Accumulated Depreciation	<u>6,440,071</u>	<u>508,228</u>	<u>27,388</u>	<u>-</u>	<u>6,920,911</u>
Governmental Activities Capital Assets, Net	<u>\$ 16,336,385</u>	<u>\$ 1,865,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,202,155</u>

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.

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

Data Control Codes	Expense	Amount
0010	Instruction and instructional - related services	\$ 209,664
0020	Instructional and school leadership	15,564
*0030	Support services - student (pupil)	229,458
0040	Administrative support services	168
0050	Support services - non-student based	53,374
	Total Depreciation Expense	<u>\$ 508,228</u>

* - Includes depreciation on Capital outlay purchased with federal funds of \$7,550 in data control code 0030.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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, 2018.

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 three 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 items are *Deferred Inflows Related to TRS Pension* and *Deferred Inflow Related to TRS OPEB*, which arises only under a full accrual basis of accounting, and are 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 and net other post-employment benefit liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

J. Bonds, Loans, and Other Long-Term Debt Payable

Long-term debt includes bonds (principal and interest expenditures are accounted for in the Debt Service Fund), loans (principal and interest are accounted for in the General Fund), and other long-term debt payable.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

J. Bonds, Loans, and Other Long-Term Debt Payable (continued)

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 \$147,810. 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 2.0% to 4.0%. The current year interest is \$151,900. Requirements for principal and interest are accounted for in the Debt Service Fund.

The Series 2017 Unlimited Tax School Building Bonds (\$595,000) dated September 1, 2017, were issued in September 2017, in conformity with the constitution and laws of the State of Texas, including particularly Chapter 45 of the Texas Education Code, as amended. The bonds were issued for the construction, acquisition, renovation and equipment of school buildings in the District, and paying the issuing costs of the bonds. Pursuant to the authority granted by the constitution and laws of the state, there is a levy for the current year and each succeeding year hereafter while any of the bonds or interest thereon is outstanding and unpaid, an ad valorem tax on each one hundred dollars valuation of taxable property within the District, at a rate sufficient,

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

J. Bonds, Loans, and Other Long-Term Debt Payable (continued)

without limit as to rate or amount, to pay debt service when due and payable, full allowance being made for delinquencies and costs of collection. The principal and interest is due each August 15 beginning August 15, 2018, and final maturity of August 15, 2032. The interest rate is 2.6%. The current year interest paid was \$13,665. Current requirements for principal and interest were accounted for in the Debt Service Fund.

The Series 2017 Time Warrants (\$889,000), dated September 1, 2017, were issued for the purpose of providing funds to design, acquire, construct, renovate, and equip school buildings in the District, to wit, teacherages to house teachers employed by the District, and pay costs of issuance relating to the warrants, pursuant to the authority conferred by and in conformity with the laws of the State of Texas, including Section 45.103 of the Texas Education Code, as amended. The interest is payable each March 1 and September 1, beginning March 1, 2018, until September 1, 2032. The interest rate is 2.9%. The current year interest paid is \$11,029. The principal is payable each September 1, beginning September 1, 2018, until September 1, 2032. The principal and interest were accounted for in the General Fund.

The Series 2018 Maintenance Tax Notes (\$457,875) dated April 27, 2018, were issued for the purpose of capital projects and protection of fund balance. The maintenance tax notes were issued in accordance with Texas Education Code, Section 45.108, as amended and all other laws of the State of Texas. The principal and interest are payable in the General Fund in seven payments of \$74,464 beginning April 27, 2019, with the final payment on April 27, 2025. The interest rate is 3.35%. The current year interest paid is \$-0-. If an "Event of Taxation" occurs, the rate of interest is increased by 3% per annum. All available current revenues of the District, including maintenance and operation tax revenues, are pledged to the payment of principal and interest while the notes remain outstanding.

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, 2018, was \$1,057,292. At the time of the audit, the latest information available from the actuaries was as of August 31, 2017. The unfunded liability is reported as a long-term liability in the Statement of Net Position (Exhibit A-1).

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). This program is a cost-sharing defined Other Post-Employment Benefit (OPEB) plan. The unfunded status of the plan as of August 31, 2018, was \$2,368,527. At the time of the audit, the latest information was as of August 31, 2017. The unfunded liability is reported as a long-term liability in the Statement of Net Position (Exhibit A-1).

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

J. Bonds, Loans, and Other Long-Term Debt Payable (continued)

The District is subject to arbitrage provisions under the Internal Revenue Code (IRC), which requires that excess earnings on invested proceeds from tax-exempt bond sales, over interest expense paid to bond holders be remitted to the Internal Revenue Service. The District did not have an arbitrage liability due and payable at August 31, 2018.

A summary of changes in general long-term debt for the year ended August 31, 2018, is as follows:

Governmental Activities Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Amounts Outstanding 9/1/17	Issued	Retired/ Other	Amounts Outstanding 8/31/18
General Obligation Bonds							
Series 2011 Unlimited Tax School Building Bonds	2.0% to 3.4%	\$ 7,325,000	\$ 147,810	\$ 5,475,000	\$ -	\$ 525,000	\$ 4,950,000
Series 2016 Unlimited Tax School Building Bonds	2.0% to 4.0%	4,515,000	151,900	4,270,000	-	320,000	3,950,000
Series 2017 Unlimited Tax School Building Bonds	2.6%	595,000	13,665	-	595,000	31,000	564,000
Total Bond Obligations				<u>9,745,000</u>	<u>595,000</u>	<u>876,000</u>	<u>9,464,000</u>
Unamortized Premium on Bonds							
Series 2011 Unlimited Tax School Building Bonds	N/A	4,981	N/A	2,934	-	332	2,602
Series 2016 Unlimited Tax School Building Bonds	N/A	597,143	N/A	537,758	-	38,520	499,238
Total Unamortized Premium on Bonds				<u>540,692</u>	<u>-</u>	<u>38,852</u>	<u>501,840</u>
Notes and Loans Payable							
Series 2017 Time Warrants	2.9%	889,000	11,029	-	889,000	-	889,000
Series 2018 Maintenance Tax Notes	3.35%	457,875	-	-	457,875	-	457,875
Total Notes and Loans Payable				<u>-</u>	<u>1,346,875</u>	<u>-</u>	<u>1,346,875</u>
Net Pension Liability (District's Share)							
Unfunded Defined Benefit Retirement Plan Obligation	N/A	1,317,021	N/A	1,165,463	202	108,373	1,057,292
Net OPEB Liability (District's Share)							
Other Post-Employment Benefit Obligation (Prior Period Adjustment)	N/A	4,181,516	N/A	4,181,516	(1,784,672)	28,317	2,368,527
Total Obligations of the District				<u>\$ 15,632,671</u>	<u>\$ 157,405</u>	<u>\$ 1,051,542</u>	<u>\$ 14,738,534</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, 2018.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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, 2018, as follows:

Year Ending August 31,	General Fund	Shared Services Arrangements - Special Education
2019	\$ 33,352	\$ 1,740
2020	8,572	1,740
2021	2,212	1,740
2022	2,212	870
2023	2,212	-
Total Minimum Rentals	<u>\$ 48,560</u>	<u>\$ 6,090</u>
Rental Expenditures in Fiscal Year 2018	<u>\$ 60,005</u>	<u>\$ 5,327</u>

The imputed interest on the leases is approximately 7%.

The District had no capital leases.

L. Debt Service Requirements - Bonds, Long-Term Loans and Notes, 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	
2019	\$ 894,000	\$ 297,054	\$ 1,191,054
2020	930,000	274,180	1,204,180
2021	961,000	248,815	1,209,815
2022	887,000	221,294	1,108,294
2023	918,000	194,907	1,112,907
Thereafter	<u>4,874,000</u>	<u>616,314</u>	<u>5,490,314</u>
Total	<u>\$ 9,464,000</u>	<u>\$ 1,852,564</u>	<u>\$ 11,316,564</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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

Long-Term Loans and Notes

The District had long-term loans and notes for the year ended August 31, 2018, as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ 107,125	\$ 40,424	\$ 147,549
2020	110,106	37,037	147,143
2021	114,153	33,540	147,693
2022	117,269	29,930	147,199
2023	121,455	26,207	147,662
Thereafter	<u>776,767</u>	<u>103,545</u>	<u>880,312</u>
Totals	<u>\$ 1,346,875</u>	<u>\$ 270,683</u>	<u>\$ 1,617,558</u>

Capital Leases

The District had no capital leases for the year ended August 31, 2018.

Other Long-Term Debt

The District had other long-term debt for the year ended August 31, 2018, as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2019	\$ -	\$ -	\$ -
2020	-	-	-
2021	-	-	-
2022	-	-	-
2023	-	-	-
Thereafter	<u>3,425,819</u>	<u>-</u>	<u>3,425,819</u>
Totals	<u>\$ 3,425,819</u>	<u>\$ -</u>	<u>\$ 3,425,819</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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.

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

M. Defined Benefit Pension Plan (continued)

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.

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

	<u>Contribution Rates</u>	<u>2017</u>	<u>2018</u>
Member		7.7%	7.7%
Non-Employer Contributing Entity (State)		6.8%	6.8%
Employers		6.8%	6.8%
District's FY 2018 Employer Contributions	\$	130,905	
District's FY 2018 Member Contributions	\$	307,638	
Measurement Year NECE On-Behalf Contributions	\$	207,042	

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).

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

M. Defined Benefit Pension Plan (continued)

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.

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
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

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

M. Defined Benefit Pension Plan (continued)

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.

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, 2017, are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
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%
Stable Value			
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%
Real Return			
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%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	<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, 2018

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 2017 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:	\$ 1,782,385	\$ 1,057,292	\$ 453,534

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

At August 31, 2018, Sunray Independent School District reported a liability of \$1,057,292 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	\$ 1,057,292
State's proportionate share that is associated with the District	2,024,160
Total	\$ 3,081,452

The net pension liability was measured as of August 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's 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, 2016, through August 31, 2017.

At August 31, 2017, the employer's proportion of the collective net pension liability was 0.003306659%, which was a decrease of 0.0002224860% from its proportion measured as of August 31, 2016.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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, 2018, Sunray Independent School District recognized pension expense of \$154,395 and revenue of \$154,395 for support provided by the State in the Government-wide Statement of Activities.

At August 31, 2018, 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	\$ 15,469	\$ 57,018
Changes in actuarial assumptions	48,161	27,571
Differences between projected and actual investment earnings	-	77,053
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	259,406	112,312
Contributions paid to TRS subsequent to the measurement date	<u>130,905</u>	<u>-</u>
Total	<u>\$ 453,941</u>	<u>\$ 273,954</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

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:

Year ended August 31:	Pension Expense Amount
2019	\$ 2,948
2020	70,437
2021	(2,236)
2022	(23,074)
2023	(6,598)
Thereafter	7,605

N. Defined Other Post-Employment Benefit Plans

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

Net OPEB Liability	Total
Total OPEB Liability	\$43,885,784,621
Less: plan fiduciary net position	399,535,986
Net OPEB liability	\$43,486,248,635
Net position as a percentage of total OPEB liability	0.91%

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

Benefits Provided

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

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

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

TRS-Care Plan Premium Rates
Effective September 1, 2016 - December 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

*or surviving spouse

Contributions

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

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding Remitted by Employers	1.00%	1.25%
District's FY 2018 Employer Contributions	\$	44,670
District's FY 2018 Member Contributions	\$	25,884
Measurement Year NECE On-Behalf Contributions	\$	35,460

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate of share of the \$212,000,000 received during the District's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions

The total OPEB liability in the August 31, 2017, actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% - 9.50%
Healthcare Trend Rates	4.50% - 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65.
Ad-hoc Post-Employment Benefit Changes	None

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. The Discount Rate can be found in the 2017 TRS CAFR on page 83. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of August 31, 2017.

Sensitivity of the Net OPEB Liability:

Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (2.42%)	Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
Sunray Independent School District's proportionate share of the net OPEB liability	\$ 2,795,450	\$ 2,368,527	\$ 2,025,378

Healthcare Cost Trend Rates Sensitivity Analysis

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Sunray Independent School District's proportionate share of the net OPEB liability	\$ 1,972,036	\$ 2,368,527	\$ 2,888,775

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

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

At August 31, 2018, Sunray Independent School District reported a liability of \$2,368,527 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with Sunray Independent School District were as follows:

District's proportionate share of the collective net OPEB liability	\$	2,368,527
State's proportionate share that is associated with the District		2,965,966
Total	\$	5,334,493

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

At August 31, 2017, the employer's proportion of the collective net OPEB liability was 0.005446612%.

Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

2. The August 31, 2016, valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017, valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98% as of August 31, 2016, to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

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

For the year ended August 31, 2018, Sunray Independent School District recognized OPEB expense of \$992,491 and revenue of \$992,491 for support provided by the State.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

N. Defined Other Post-Employment Benefit Plans (continued)

At August 31, 2018, Sunray Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actuarial experience	\$ -	\$ 49,445
Changes in actuarial assumptions	-	941,315
Net difference between projected and actual investment earnings	360	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	9	-
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	44,670	-
Total	\$ 45,039	\$ 990,760

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	\$ (130,682)
2020	(130,682)
2021	(130,682)
2022	(130,682)
2023	(130,773)
Thereafter	(336,890)

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

O. 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, 2018, 2017, and 2016 were \$248,034, \$267,165, and \$260,568, respectively. On-Behalf payments are reported as state revenue in the financial statements.

P. Medicare Part D and TRS-Care – 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, 2018, 2017, and 2016 were \$12,049, \$20,770, and \$11,047 respectively. The revenues from “On-Behalf” payments for other post-employment benefits (TRS-Care) for the year ended August 31, 2018, was \$11,547.

Q. Health Care Coverage

During the year ended August 31, 2018, the employees of the District were covered by a health insurance plan (the Plan) with TRS Active Care. The District contributed premiums of \$351 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 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, 2018, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

R. Changes in Long-Term Liabilities

Long-term activity for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 9,745,000	\$ 595,000	\$ 876,000	\$ 9,464,000	\$ 894,000
Less deferred amount on refunding	-	-	-	-	-
Total Bonds Payable	<u>9,745,000</u>	<u>595,000</u>	<u>876,000</u>	<u>9,464,000</u>	<u>894,000</u>
Other Liabilities:					
Capital leases	-	-	-	-	-
Loans and notes payable	-	1,346,875	-	1,346,875	107,125
Unfunded defined benefit retirement obligation	1,165,463	202	108,373	1,057,292	-
Unfunded OPEB Liability	<u>4,181,516</u>	<u>(1,784,672)</u>	<u>28,317</u>	<u>2,368,527</u>	<u>-</u>
Total Other Liabilities	<u>5,346,979</u>	<u>(437,595)</u>	<u>136,690</u>	<u>4,772,694</u>	<u>107,125</u>
Total Governmental Activities					
Long-term Liabilities	<u>\$ 15,091,979</u>	<u>\$ 157,405</u>	<u>\$ 1,012,690</u>	14,236,694	<u>\$ 1,001,125</u>
Less amount due within one year				(1,001,125)	
Unamortized premium on bonds				<u>501,840</u>	
Long-Term Debt Due in More Than One Year Including Unamortized Premium on Bonds, Net Pension Liability (District's Share), and Net OPEB Liability (District's Share)				<u>\$ 13,737,409</u>	

S. Unearned Revenue

Unearned revenue for the year ended August 31, 2018, consisted of the following:

	General Fund	SSA IDEA, Part B Formula	Major Special Revenue Fund SSA - Special Education	Debt Service Fund	Other Nonmajor Funds	Total
Local Revenue	\$ -	\$ -	\$ 205,395	\$ -	\$ -	\$ 205,395
Total Unearned Revenue	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,395</u>

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

T. 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, 2018, 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	\$ 734	\$ -	\$ 751	\$ 1,485
SSA IDEA, Part B Formula	-	81,296	-	81,296
Major Special Revenue Fund - SSA - Special Education	-	-	14,774	14,774
Debt Service Fund	-	-	294	294
Other Nonmajor Funds	8,054	29,673	-	37,727
Total	\$ 8,788	\$ 110,969	\$ 15,819	\$ 135,576

U. Fund Balances – Governmental Funds

As of August 31, 2018, 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.

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.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

U. Fund Balances – Governmental Funds (continued)

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, 2018, fund balances are composed of the following:

	General Fund	SSA IDEA, Part B Formula	Major Special Revenue Fund SSA - Special Education	Debt Service Fund	Other Nonmajor Funds	Total
Restricted:						
Federal or State funds grant	\$ -	\$ -	\$ -	\$ -	\$ 41,856	\$ 41,856
Retirement of long-term debt	-	-	-	238,601	-	238,601
Total Restricted	-	-	-	238,601	41,856	280,457
Committed:						
Construction	2,000,000	-	-	-	-	2,000,000
Total Committed	2,000,000	-	-	-	-	2,000,000
Assigned:	-	-	-	-	-	-
Unassigned funds	1,823,400	-	-	-	-	1,823,400
Total Fund Balances	\$ 3,823,400	\$ -	\$ -	\$ 238,601	\$ 41,856	\$4,103,857

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

U. 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 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.

V. Revenue From Local and Intermediate Sources

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

	General Fund	SSA IDEA, Part B Formula	Major Special Revenue Fund SSA - Special Education	Debt Service Fund	Other Nonmajor Funds	Total
Property taxes	\$ 2,615,205	\$ -	\$ -	\$ 960,389	\$ -	\$ 3,575,594
Penalties, interest, and other tax- related income	15,761	-	-	5,482	-	21,243
Investment income	20,764	-	-	1,613	148	22,525
Food sales	-	-	-	-	38,046	38,046
Cocurricular student activities	28,179	-	-	-	-	28,179
Other	65,644	-	233,611	-	-	299,255
Totals	\$ 2,745,553	\$ -	\$ 233,611	\$ 967,484	\$ 38,194	\$ 3,984,842

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

W. 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, Wildorado Independent School District, Adrian Independent School District, Vega 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	\$	233,611
			233,611

Expenditures

11-6100	Payroll costs	\$	62,042
11-6200	Professional and contracted services		1,912
11-6400	Other operating costs		5,963
13-6200	Professional and contracted services		270
21-6100	Payroll costs		104,302
21-6200	Professional and contracted services		13,732
21-6300	Supplies and materials		7,274
21-6400	Other operating costs		5,314
31-6100	Payroll costs		32,802
			32,802

Total Expenditures		\$	233,611
			233,611

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

W. 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	\$ 409,667
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Expenditures

11-6100	Payroll costs	\$ 2,409
11-6200	Professional and contracted services	80,161
11-6300	Supplies and materials	6,328
11-6400	Other operating costs	450
31-6100	Payroll costs	283,070
31-6200	Professional and contracted services	14,354
31-6300	Supplies and materials	7,239
31-6400	Other operating costs	15,656

Total Expenditures	\$ 409,667
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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	\$ 9,493
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Expenditures

11-6200	Professional and contracted services	\$ 9,493
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SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

W. 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>62,208</u>
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The District's participation is 26.6% 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 35 other school districts. Although 0.34% 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>1,618</u>
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Expenditures

6100	Payroll costs	\$ <u>1,618</u>
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X. 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 \$37,133 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
August 31, 2018

Y. 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.

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, 2018

Y. Chapter 313 Agreement (continued)

The assessed valuation, exemption, taxable value, M & O 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&O</u>	<u>Tax Due I&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
2017	10,487,952	5,487,952	5,000,000	52,000	29,127

The total tax credit given for 2017 was \$40,564. 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, 2018

Y. 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.

The District received \$23,898 for Chapter 313 reimbursements in fiscal year 2018.

Z. 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, 2018, 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.

AA. 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, 2018

BB. Debt Issuances and Defeased Debt

The District had the following debt issuance for the year ended August 31, 2018:

- 1) Series 2017 Unlimited Tax School Building Bonds (\$595,000)
- 2) Series 2017 Time Warrants (\$889,000)
- 3) Series 2018 Maintenance Tax Notes (\$457,875)

See Note III.J for additional details.

The District had no defeased debt for the year ended August 31, 2018.

CC. 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, 2018, was \$35,443, 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 \$3,162,205, 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.

DD. Litigation

At August 31, 2018, Sunray Independent School District had no known or threatened pending litigations which would materially affect the District's financial condition.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2018

EE. Change of Fiscal Year

The District received confirmation of Notification of Intent to change the fiscal year start date on March 8, 2018, beginning July 1, 2019. This notification was in accordance with Texas Education Code, Section 44.0011.

FF. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits other than Pensions*. With GASB Statement No. 75, the District must assume their proportionate share of the net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB Statement No. 75 required a prior period adjustment to report the effect of GASB Statement No. 75 retroactively. The prior period adjustment totaled \$(4,153,199) which resulted in a restated beginning net position balance of \$6,558,592.

GG. 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 (November 5, 2018), and had the following subsequent event that was required to be disclosed:

- 1) The District has filed the Notification of Intent to change the fiscal year starting July 1, 2019, with the Texas Education Agency.

REQUIRED SUPPLEMENTARY INFORMATION

SUNRAY INDEPENDENT SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended August 31, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,716,720	\$ 2,698,156	\$ 2,745,553	\$ 47,397
5800	State Program Revenues	2,568,608	2,609,172	2,511,805	(97,367)
5900	Federal Program Revenues	24,000	24,000	37,133	13,133
5020	Total Revenues	5,309,328	5,331,328	5,294,491	(36,837)
EXPENDITURES:					
Current:					
0011	Instruction	3,031,797	3,217,797	3,172,334	45,463
0012	Instructional Resources and Media Services	25,024	25,024	21,188	3,836
0013	Curriculum and Instructional Staff Development	13,555	21,055	19,003	2,052
0021	Instructional Leadership	6,034	6,034	5,941	93
0023	School Leadership	355,167	379,167	379,021	146
0031	Guidance, Counseling and Evaluation Services	161,318	157,318	155,221	2,097
0033	Health Services	39,476	41,476	40,223	1,253
0034	Student (Pupil) Transportation	73,529	73,529	68,730	4,799
0036	Extracurricular Activities	387,333	544,333	542,762	1,571
0041	General Administration	406,947	446,947	440,419	6,528
0051	Facilities Maintenance and Operations	598,025	899,664	896,586	3,078
0052	Security and Monitoring Services	250	750	350	400
0053	Data Processing Services	51,305	51,389	51,346	43
Debt Service:					
0072	Interest on Long-Term Debt	11,030	11,030	11,029	1
0073	Bond Issuance Cost and Fees	40,330	37,306	37,306	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	850,000	1,281,930	1,271,097	10,833
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of	62,208	62,208	62,208	-
0099	Other Intergovernmental Charges	115,000	86,246	84,612	1,634
6030	Total Expenditures	6,228,328	7,343,203	7,259,376	83,827
1100	Excess (Deficiency) of Revenues Over Expenditures	(919,000)	(2,011,875)	(1,964,885)	46,990
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	919,000	1,346,875	1,346,875	-
7915	Transfers In	-	-	148	148
7949	Other Resources	-	30,000	23,898	(6,102)
7080	Total Other Financing Sources (Uses)	919,000	1,376,875	1,370,921	(5,954)
1200	Net Change in Fund Balances	-	(635,000)	(593,964)	41,036
0100	Fund Balance - September 1 (Beginning)	4,417,364	4,417,364	4,417,364	-
3000	Fund Balance - August 31 (Ending)	\$ 4,417,364	\$ 3,782,364	\$ 3,823,400	\$ 41,036

SUNRAY INDEPENDENT SCHOOL DISTRICT
 Schedule of the District's Proportionate Share of the Net Pension Liability
 Teacher Retirement System of Texas
 For the Year Ended August 31, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year	FY 2016 Plan Year	FY 2015 Plan Year
District's Proportion of the Net Pension Liability (Asset)	0.003306659%	0.003084173%	0.0037258%	0.0024444%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,057,292	\$ 1,165,463	\$ 1,317,021	\$ 652,933
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,024,160	2,517,821	2,442,359	2,254,974
Total	\$ 3,081,452	\$ 3,683,284	\$ 3,759,380	\$ 2,907,907
District's Covered Payroll	\$ 3,851,022	\$ 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 Payroll	27.45%	30.92%	34.07%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

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

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

SUNRAY INDEPENDENT SCHOOL DISTRICT
Schedule of District Contributions for Pensions
Teacher Retirement System of Texas
For Fiscal Year 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 130,905	\$ 108,373	\$ 97,992	\$ 110,199
Contribution in Relation to the Contractually Required Contribution	(130,905)	(108,373)	(97,992)	(110,199)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 3,981,944	\$ 3,851,022	\$ 3,769,491	\$ 3,866,156
Contributions as a Percentage of Covered Payroll	3.29%	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 of the preceding year.

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

SUNRAY INDEPENDENT SCHOOL DISTRICT
 Schedule of the District's Proportionate Share of the Net OPEB Liability
 Teacher Retirement System of Texas
 For the Year Ended August 31, 2018

	<u>FY 2018 Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post-Employment Benefits	0.005446612%
District's Proportionate Share of Net Post-Employment Benefit Liability (Asset)	\$ 2,368,527
State's Proportionate Share of the Net Post-Employment Benefit Liability (Asset) associated with the District	2,965,966
Total	<u>\$ 5,334,493</u>
District's Covered Payroll	\$ 3,851,022
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	61.50%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

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

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

SUNRAY INDEPENDENT SCHOOL DISTRICT
 Schedule of District Contributions for Other Post-Employment Benefits (OPEB)
 Teacher Retirement System of Texas
 For Fiscal Year 2018

	2018
Contractually Required Contribution	\$ 44,670
Contribution in Relation to the Contractually Required Contribution	(44,670)
Contribution Deficiency (Excess)	\$ -0-
District's Covered Payroll	\$ 3,981,944
Contributions as a Percentage of Covered Payroll	1.12%

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

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

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended August 31, 2018

A. Notes to Schedules for the TRS Pension

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.

B. Notes to Schedules for the TRS OPEB Plan

Changes in benefit.

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

Changes in assumptions.

The following were changes to the actuarial assumptions or other inputs that affected measurement of Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016, valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017, valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

SUNRAY INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Year Ended August 31, 2018

3. The discount rate changed from 2.98% as of August 31, 2016, to 3.42% as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

REQUIRED TEA SCHEDULES

SUNRAY INDEPENDENT SCHOOL DISTRICT
Schedule of Delinquent Taxes Receivable
Fiscal Year Ended August 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.040000	0.08200	424,961,497
2011	1.040000	0.08800	394,714,273
2012	1.040000	0.08800	347,875,798
2013	1.040000	0.19960	384,832,123
2014	1.040000	0.23160	373,645,329
2015	1.040000	0.21300	366,098,164
2016	1.040000	0.18970	344,584,289
2017	1.040000	0.39000	261,001,538
2018 (School year under audit)	1.040000	0.38000	255,280,775
100 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 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 8,513	\$ -	\$ 51	\$ 4	\$ (38)	\$ 8,420
1,530	-	-	-	-	1,530
1,805	-	-	-	(37)	1,768
2,079	-	69	6	(37)	1,967
4,020	-	61	12	(40)	3,907
4,226	-	64	14	(51)	4,097
4,127	-	531	109	(49)	3,438
6,389	-	1,815	331	(49)	4,194
52,200	-	24,975	9,366	(558)	17,301
-	3,624,987	2,587,639	950,547	(43,712)	43,089
<u>\$ 84,889</u>	<u>\$ 3,624,987</u>	<u>\$ 2,615,205</u>	<u>\$ 960,389</u>	<u>\$ (44,571)</u>	<u>\$ 89,711</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, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 33,000	\$ 33,000	\$ 38,060	\$ 5,060
5800	State Program Revenues	5,975	5,975	1,563	(4,412)
5900	Federal Program Revenues	150,708	150,708	170,674	19,966
5020	Total Revenues	189,683	189,683	210,297	20,614
EXPENDITURES:					
0035	Food Services	189,683	199,683	196,911	2,772
6030	Total Expenditures	189,683	199,683	196,911	2,772
1200	Net Change in Fund Balances	-	(10,000)	13,386	23,386
0100	Fund Balance - September 1 (Beginning)	28,470	28,470	28,470	-
3000	Fund Balance - August 31 (Ending)	\$ 28,470	\$ 18,470	\$ 41,856	\$ 23,386

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, 2018

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 956,237	\$ 956,237	\$ 967,484	\$ 11,247
5800	State Program Revenues	-	-	9,856	9,856
5020	Total Revenues	956,237	956,237	977,340	21,103
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	876,000	876,000	876,000	-
0072	Interest on Long-Term Debt	313,375	315,478	313,375	2,103
0073	Bond Issuance Cost and Fees	5,403	3,300	2,900	400
6030	Total Expenditures	1,194,778	1,194,778	1,192,275	2,503
1200	Net Change in Fund Balances	(238,541)	(238,541)	(214,935)	23,606
0100	Fund Balance - September 1 (Beginning)	453,536	453,536	453,536	-
3000	Fund Balance - August 31 (Ending)	\$ 214,995	\$ 214,995	\$ 238,601	\$ 23,606

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

COY BARTON, C.P.A.

CERTIFIED PUBLIC ACCOUNTANT

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DUMAS, TEXAS 79029

MEMBER OF

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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, 2018, 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 November 5, 2018.

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.

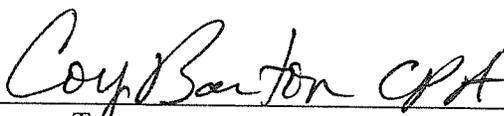
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



Dumas, Texas

November 5, 2018

SUNRAY INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Responses
For the Year Ended August 31, 2018

FINDINGS

None

RESPONSES

None

SUNRAY INDEPENDENT SCHOOL DISTRICT
Schedule of Status of Prior Audit Findings
For the Year Ended August 31, 2018

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

SUNRAY INDEPENDENT SCHOOL DISTRICT
Corrective Action Plan
For the Year Ended August 31, 2018

FINDING

CORRECTIVE ACTION PLAN

None

None