

SOMERVILLE  
INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2017*

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Somerville Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2017

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## *Introductory Section*

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CERTIFICATE OF BOARD

Somerville Independent School District  
Name of School District

Burleson  
County

026-902  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2017, at a meeting of the board of trustees of such school district on the 14<sup>th</sup> day of February, 2018.

Linda Pinkston  
Signature of Board Secretary

Bryan Crook  
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)

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*Financial Section*

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## **Independent Auditors' Report**

To the Board of Trustees of  
Somerville Independent School District:

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

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

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

### **Auditors' 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 auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and the schedule of required responses to selected school first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
February 14, 2018

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## *Management's Discussion and Analysis*

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# SOMERVILLE INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended August 31, 2017

This discussion and analysis of Somerville Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended August 31, 2017. It should be read in conjunction with the District's financial statements.

### FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2017 was \$3,166,956.
- For the fiscal year ended August 31, 2017, the District's general fund reported a total fund balance of \$968,801, of which all was unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds, the capital projects fund, and the debt service fund) reported combined ending fund balances of \$12,232,781.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets and liabilities. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets and liabilities and is one way to measure the District's financial health or position.

# SOMERVILLE INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended August 31, 2017

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base, staffing patterns, enrollment, and attendance.

The government-wide financial statements of the District include the *governmental activities*. Most of the District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operation and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

### FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities that are reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2017

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net position was \$3,166,956 at August 31, 2017. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2017. Table 1 indicates the overall net position of the District decreased slightly. Capital assets increased significantly with the addition of capital assets and construction in progress for ongoing construction projects of the District, while long-term liabilities increased significantly with the issuance of the Unlimited Tax School Building Bonds, Series 2017 and the resulting additions to debt obligations. Table 2 reflects the District reporting an increase in revenue from operating grants and contributions, property taxes, and investment earnings, with decreased revenue received from charges for services, the state foundation program, and miscellaneous sources when compared to the prior year. Additionally, the District spent more during the fiscal year with increased expenses related to instruction and interest on long-term debt.

**Table 1**  
**Net Position**

<u>Description</u>	<u>Governmental Activities</u>		<u>Total Change</u>
	<u>2017</u>	<u>2016</u>	<u>2017-2016</u>
Current assets	\$ 12,970,643	\$ 12,113,073	\$ 857,570
Capital assets	5,624,960	3,850,651	1,774,309
<b>Total Assets</b>	<b>18,595,603</b>	<b>15,963,724</b>	<b>2,631,879</b>
Deferred charges on refunding	86,883	95,572	(8,689)
Deferred outflows related to pensions	335,630	309,055	26,575
<b>Total Deferred Outflows of Resources</b>	<b>422,513</b>	<b>404,627</b>	<b>17,886</b>
Current liabilities	482,582	456,416	26,166
Long-term liabilities	15,323,661	12,499,810	2,823,851
<b>Total Liabilities</b>	<b>15,806,243</b>	<b>12,956,226</b>	<b>2,850,017</b>
Deferred inflows related to pensions	44,917	51,542	(6,625)
<b>Total Deferred Inflows of Resources</b>	<b>44,917</b>	<b>51,542</b>	<b>(6,625)</b>
<b>Net Position:</b>			
Net investment in capital assets	1,893,688	1,443,273	450,415
Restricted	452,558	395,783	56,775
Unrestricted	820,710	1,521,527	(700,817)
<b>Total Net Position</b>	<b>\$ 3,166,956</b>	<b>\$ 3,360,583</b>	<b>\$ (193,627)</b>

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended August 31, 2017

**Table 2**  
**Changes in Net Position**

	Governmental Activities		Total Change
	2017	2016	2017-2016
<b>Revenues</b>			
Program revenues:			
Charges for services	\$ 119,842	\$ 136,466	\$ (16,624)
Operating grants and contributions	1,168,022	819,519	348,503
General revenues:			
Property taxes	3,511,290	3,186,185	325,105
State foundation program	1,242,177	2,094,379	(852,202)
Investment earnings	100,136	16,376	83,760
Miscellaneous	373,155	442,481	(69,326)
<b>Total Revenue</b>	<u>6,514,622</u>	<u>6,695,406</u>	<u>(180,784)</u>
<b>Expenses</b>			
Instruction	3,311,569	3,200,173	111,396
Instructional resources and media services	60,600	62,554	(1,954)
Curriculum and staff development	24,497	20,923	3,574
Instructional leadership	126,150	105,500	20,650
School leadership	256,089	261,323	(5,234)
Guidance, counseling, and evaluation services	122,166	131,798	(9,632)
Health services	28,793	33,696	(4,903)
Student (pupil) transportation	187,647	226,682	(39,035)
Food services	349,568	366,038	(16,470)
Co-curricular/extracurricular activities	403,296	428,544	(25,248)
General administration	476,678	433,778	42,900
Plant maintenance and operations	655,887	675,948	(20,061)
Security and monitoring	13,971	6,362	7,609
Data processing services	87,389	108,386	(20,997)
Interest on long-term debt	320,774	56,431	264,343
Bond issuance costs and fees	121,847	165,298	(43,451)
Payments related to shared services arrangements	50,626	47,889	2,737
Other intergovernmental charges	110,702	81,687	29,015
<b>Total Expenses</b>	<u>6,708,249</u>	<u>6,413,010</u>	<u>295,239</u>
<b>Change in Net Position</b>	<u>(193,627)</u>	<u>282,396</u>	<u>(476,023)</u>
Beginning net position	3,360,583	3,078,187	282,396
<b>Ending Net Position</b>	<u>\$ 3,166,956</u>	<u>\$ 3,360,583</u>	<u>\$ (193,627)</u>

# **SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended August 31, 2017**

### **FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

At the close of the fiscal year ending August 31, 2017, the District's governmental funds reported a combined fund balance of \$12,232,781. This compares to a combined fund balance of \$11,451,714 at August 31, 2016. The fund balance in the general fund decreased due to a decrease in revenues received from local sources and state program revenue, combined with an increase in expenditures for the fiscal year when compared to last year. The debt service fund balance increased as a direct result of an increase in revenue received from local sources, particularly tax revenue resulting from an increase in the interest and sinking tax rate. The fund balance in the capital projects fund increased as a net result of an increase in investment earnings and proceeds received from the issuance of unlimited tax school building bonds, combined with the expenditures related to the start of construction projects to be funded out of the bond proceeds.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2017, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. There were no material changes between the original budget and the final amended budget. The general fund's actual revenues were less than budgeted revenues by \$597,483 due to the District receiving less local, state, and federal revenues than budgeted. In addition, the District's actual expenditures were less than budgeted expenditures by \$56,729 with the District spending less than budgeted in expenses associated with instruction, student transportation, general administration, and plant maintenance and operations.

### **CAPITAL ASSETS**

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2017, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2017, the District had a total of \$15,342,394 invested in capital assets such as land, buildings, and District equipment. This total includes \$2,160,593 invested during the fiscal year ended August 31, 2017. Significant additions included:

- Construction in progress – new elementary school and baseball field project
- Roofs for the high school and junior high school
- Softball field lighting

More detailed information about the District's capital assets can be found in the notes to the financial statements.

# **SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**For the Year Ended August 31, 2017**

### **LONG-TERM DEBT**

At year end, the District had \$13,601,081 in general obligation bonds, maintenance tax note, and loans outstanding versus \$10,949,507 last year. The net increase is due to the issuance of the Unlimited Tax School Building Bonds, Series 2017 in the amount of \$3,080,000, combined with principal payments paid this fiscal year totaling \$428,426.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

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

The following factors were considered in establishing the District's budget for 2017-2018:

- Student enrollment for 2017-2018 is expected to remain approximately the same when compared to 2016-2017. District officials anticipate no significant change in the rate of attendance for the 2018 school year compared to the year 2017; therefore, the refined daily attendance, which is a significant component of the formula upon which State Foundation Program entitlements are based, is not projected to change significantly for 2017-2018.
- The District's total tax rate increased from the previous year to \$1.35019 per \$100 valuation with the Maintenance and Operations tax rate at \$1.04 and the Interest and Sinking tax rate at \$0.31019. The entire increase in tax rate was in the Interest and Sinking portion.
- The District has construction and renovation projects currently in progress or planned for fiscal year 2018 which will be expended out of proceeds from the issuance of the Unlimited Tax School Building Bonds, Series 2016 and Series 2017.
- No new programs were added and no significant changes to existing programs occurred during the current year. No significant changes are planned for 2017-2018.
- District officials anticipate that the fund balance for the general fund will not materially change for 2017-2018 compared to 2016-2017.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Somerville Independent School District Administration office at (979) 596-2154.

## *Basic Financial Statements*

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**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2017**

1

Data Control Codes		Governmental Activities
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 1,405,506
1120	Current Investments	11,163,110
1220	Property Taxes Receivable (Delinquent)	528,349
1230	Allowance for Uncollectible Taxes	(161,010)
1240	Due from Other Governments	34,688
	Capital Assets:	
1510	Land	153,935
1520	Buildings and Improvements, Net	3,267,880
1530	Furniture and Equipment, Net	90,533
1530	Vehicles, Net	353,789
1580	Construction in Progress	1,758,823
1000	Total Assets	<u>18,595,603</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
1700	Deferred Charges on Refunding	86,883
1705	Deferred Outflows Related to Pensions	335,630
1700	Total Deferred Outflows of Resources	<u>422,513</u>
<b>LIABILITIES:</b>		
2120	Short-Term Debt Payable	84,902
2140	Interest Payable	22,694
2165	Accrued Liabilities	148,740
2180	Due to Other Governments	182,408
2400	Payable from Restricted Assets	43,838
	Noncurrent Liabilities:	
2501	Due Within One Year	375,000
2502	Due in More Than One Year	14,169,675
2540	Net Pension Liability	778,986
2000	Total Liabilities	<u>15,806,243</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2605	Deferred Inflows Related to Pensions	44,917
2600	Total Deferred Inflows of Resources	<u>44,917</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	1,893,688
	Restricted For:	
3820	Federal and State Programs	1,887
3850	Debt Service	276,076
3890	Other Purposes	174,595
3900	Unrestricted	820,710
3000	Total Net Position	<u>\$ 3,166,956</u>

The accompanying notes are an integral part of this statement.

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**SOMERVILLE INDEPENDENT SCHOOL DISTRICT****STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED AUGUST 31, 2017

		1	3	4	Net (Expense) Revenue and Changes in Net Position
Data Control Codes	Functions/Programs		Program Revenues		
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 3,311,569	\$ 5,299	\$ 649,870	\$ (2,656,400)
12	Instructional Resources and Media Services	60,600	--	26,067	(34,533)
13	Curriculum and Staff Development	24,497	--	22,739	(1,758)
21	Instructional Leadership	126,150	--	10,674	(115,476)
23	School Leadership	256,089	--	31,081	(225,008)
31	Guidance, Counseling, & Evaluation Services	122,166	--	13,801	(108,365)
33	Health Services	28,793	--	2,754	(26,039)
34	Student Transportation	187,647	--	14,175	(173,472)
35	Food Service	349,568	41,855	265,777	(41,936)
36	Cocurricular/Extracurricular Activities	403,296	71,923	22,943	(308,430)
41	General Administration	476,678	--	40,945	(435,733)
51	Facilities Maintenance and Operations	655,887	765	46,102	(609,020)
52	Security and Monitoring Services	13,971	--	665	(13,306)
53	Data Processing Services	87,389	--	12,097	(75,292)
72	Interest on Long-term Debt	320,774	--	5,894	(314,880)
73	Bond Issuance Costs and Fees	121,847	--	--	(121,847)
93	Payments Related to Shared Services Arrangements	50,626	--	2,438	(48,188)
99	Other Intergovernmental Charges	110,702	--	--	(110,702)
TG	Total Governmental Activities	6,708,249	119,842	1,168,022	(5,420,385)
TP	Total Primary Government	\$ 6,708,249	\$ 119,842	\$ 1,168,022	(5,420,385)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				2,718,394
DT	Property Taxes, Levied for Debt Service				792,896
IE	Investment Earnings				100,136
GC	Grants and Contributions Not Restricted to Specific Programs				1,242,177
MI	Miscellaneous				373,155
TR	Total General Revenues				5,226,758
CN	Change in Net Position				(193,627)
NB	Net Position - Beginning				3,360,583
NE	Net Position - Ending				\$ 3,166,956

The accompanying notes are an integral part of this statement.

# SOMERVILLE INDEPENDENT SCHOOL DISTRICT

## BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund
<b>ASSETS:</b>		
1110 <i>Cash and Cash Equivalents</i>	\$ 1,110,031	\$ 276,076
1120 <i>Current Investments</i>	146,258	--
1220 <i>Taxes Receivable, Delinquent</i>	462,319	66,030
1230 <i>Allowance for Uncollectible Taxes</i>	(146,275)	(14,735)
1240 <i>Due from Other Governments</i>	24,144	--
1260 <i>Due from Other Funds</i>	13,045	--
1000 <b>Total Assets</b>	<u>\$ 1,609,522</u>	<u>\$ 327,371</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2150 <i>Payroll Deductions &amp; Withholdings</i>	\$ 9,237	\$ --
2160 <i>Accrued Wages Payable</i>	132,682	--
2170 <i>Due to Other Funds</i>	1,050	--
2180 <i>Due to Other Governments</i>	181,708	--
2200 <i>Accrued Expenditures</i>	--	--
2400 <i>Payable from Restricted Assets</i>	--	--
2000 <b>Total Liabilities</b>	<u>324,677</u>	<u>--</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
2600 <i>Unavailable Revenue - Property Taxes</i>	316,044	51,295
2600 <b>Total Deferred Inflows of Resources</b>	<u>316,044</u>	<u>51,295</u>
<b>FUND BALANCES:</b>		
Restricted Fund Balances:		
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--
3480 <i>Retirement of Long-Term Debt</i>	--	276,076
3490 <i>Other Restrictions of Fund Balance</i>	--	--
3600 <i>Unassigned</i>	968,801	--
3000 <b>Total Fund Balances</b>	<u>968,801</u>	<u>276,076</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 1,609,522</u>	<u>\$ 327,371</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 2,628	\$ 16,771	\$ 1,405,506
10,852,632	164,220	11,163,110
--	--	528,349
--	--	(161,010)
--	10,544	34,688
--	1,050	14,095
<u>\$ 10,855,260</u>	<u>\$ 192,585</u>	<u>\$ 12,984,738</u>
\$ --	\$ --	\$ 9,237
--	2,008	134,690
--	13,045	14,095
--	700	182,408
--	350	350
43,838	--	43,838
<u>43,838</u>	<u>16,103</u>	<u>384,618</u>
--	--	367,339
<u>--</u>	<u>--</u>	<u>367,339</u>
--	1,887	1,887
--	--	276,076
10,811,422	174,595	10,986,017
--	--	968,801
<u>10,811,422</u>	<u>176,482</u>	<u>12,232,781</u>
<u>\$ 10,855,260</u>	<u>\$ 192,585</u>	<u>\$ 12,984,738</u>

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**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2017**

Total fund balances - governmental funds balance sheet	\$ 12,232,781
--	---------------

Amounts reported for governmental activities in the Statement of Net Position  
(SNP) are different because:

Capital assets used in governmental activities are not reported in the funds.	5,624,960
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	367,339
The liabilities for workers' compensation are included in governmental activities in the SNP.	(4,463)
Payables for bond principal which are not due in the current period are not reported in the funds.	(14,276,613)
Payables for bond interest which are not due in the current period are not reported in the funds.	(22,694)
Payables for notes which are not due in the current period are not reported in the funds.	(266,081)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(778,986)
Deferred inflows of resources related to the Teacher Retirement System (TRS) are not reported in the funds.	(44,917)
Deferred outflows of resources related to TRS are not reported in the funds.	335,630

Net position of governmental activities - Statement of Net Position	\$ <u>3,166,956</u>
---	---------------------

The accompanying notes are an integral part of this statement.

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Data Control Codes		10 General Fund	50 Debt Service Fund
<b>REVENUES:</b>			
5700	<i>Local and Intermediate Sources</i>	\$ 3,075,854	\$ 770,769
5800	<i>State Program Revenues</i>	1,476,604	5,894
5900	<i>Federal Program Revenues</i>	8,276	--
5020	Total Revenues	<u>4,560,734</u>	<u>776,663</u>
<b>EXPENDITURES:</b>			
Current:			
0011	<i>Instruction</i>	2,600,600	--
0012	<i>Instructional Resources and Media Services</i>	29,989	--
0013	<i>Curriculum and Staff Development</i>	880	--
0021	<i>Instructional Leadership</i>	114,923	--
0023	<i>School Leadership</i>	233,390	--
0031	<i>Guidance, Counseling, &amp; Evaluation Services</i>	111,275	--
0033	<i>Health Services</i>	27,787	--
0034	<i>Student Transportation</i>	111,542	--
0035	<i>Food Service</i>	--	--
0036	<i>Cocurricular/Extracurricular Activities</i>	246,565	--
0041	<i>General Administration</i>	444,626	--
0051	<i>Facilities Maintenance and Operations</i>	966,917	--
0052	<i>Security and Monitoring Services</i>	13,971	--
0053	<i>Data Processing Services</i>	79,086	--
0071	<i>Principal on Long-term Debt</i>	78,436	350,000
0072	<i>Interest on Long-term Debt</i>	12,692	347,619
0073	<i>Bond Issuance Costs and Fees</i>	--	800
0081	<i>Capital Outlay</i>	--	--
0093	<i>Payments to Shared Services Arrangements</i>	50,626	--
0099	<i>Other Intergovernmental Charges</i>	110,702	--
6030	Total Expenditures	<u>5,234,007</u>	<u>698,419</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>(673,273)</u>	<u>78,244</u>
Other Financing Sources and (Uses):			
7911	<i>Capital-Related Debt Issued (Regular Bonds)</i>	--	--
7915	<i>Transfers In</i>	--	--
7916	<i>Premium or Discount on Issuance of Bonds</i>	--	4,328
8911	<i>Transfers Out</i>	(15,850)	--
7080	Total Other Financing Sources and (Uses)	<u>(15,850)</u>	<u>4,328</u>
1200	Net Change in Fund Balances	<u>(689,123)</u>	<u>82,572</u>
0100	Fund Balances - Beginning	1,657,924	193,504
3000	Fund Balances - Ending	<u>\$ 968,801</u>	<u>\$ 276,076</u>

The accompanying notes are an integral part of this statement.



EXHIBIT C-2

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 93,596	\$ 99,981	\$ 4,040,200
--	52,630	1,535,128
--	630,219	638,495
<u>93,596</u>	<u>782,830</u>	<u>6,213,823</u>
--	355,763	2,956,363
--	22,582	52,571
--	22,689	23,569
--	87	115,010
--	4,580	237,970
--	--	111,275
--	--	27,787
--	3,394	114,936
--	337,870	337,870
--	67,940	314,505
--	1,772	446,398
--	--	966,917
--	--	13,971
--	7,800	86,886
--	--	428,436
--	--	360,311
121,047	--	121,847
1,780,181	--	1,780,181
--	--	50,626
--	--	110,702
<u>1,901,228</u>	<u>824,477</u>	<u>8,658,131</u>
<u>(1,807,632)</u>	<u>(41,647)</u>	<u>(2,444,308)</u>
3,080,000	--	3,080,000
--	15,850	15,850
141,047	--	145,375
--	--	(15,850)
<u>3,221,047</u>	<u>15,850</u>	<u>3,225,375</u>
1,413,415	(25,797)	781,067
9,398,007	202,279	11,451,714
<u>\$ 10,811,422</u>	<u>\$ 176,482</u>	<u>\$ 12,232,781</u>

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Net change in fund balances - total governmental funds	\$ 781,067
Amounts reported for governmental activities in the Statement of Activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	2,160,593
The depreciation of capital assets used in governmental activities is not reported in the funds.	(346,399)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	64,226
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	350,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	78,426
Bond premium and refunding differences are amortized in the SOA but not in the funds.	(102,880)
(Increase) decrease in accrued interest from beginning of period to end of period.	(2,949)
The loss on the disposal of capital assets is not reported in the funds.	(39,886)
The net expense of workers' compensation liability is reported with governmental activities.	(4,463)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(3,080,000)
GASB 68 required certain expenditures to be de-expended and recorded as deferred outflows of resources.	236,576
The District's share of the unrecognized deferred inflows and outflows for TRS was amortized.	(287,938)
Change in net position of governmental activities - Statement of Activities	\$ <u>(193,627)</u>

The accompanying notes are an integral part of this statement.

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**AUGUST 31, 2017**

		Agency Fund
Data Control Codes		Student Activity
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 47,094
1000	Total Assets	47,094
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	Due to Student Groups	\$ 47,094
2000	Total Liabilities	47,094
<b>NET POSITION:</b>		
3000	Total Net Position	\$ --

The accompanying notes are an integral part of this statement.

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# **SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

## **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2017**

### **A. Summary of Significant Accounting Policies**

The basic financial statements of Somerville Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

#### **1. Reporting Entity**

The Board of School Trustees ( the "Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

#### **2. Basis of Presentation, Basis of Accounting**

##### **a. Basis of Presentation**

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

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:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This fund is used to account for tax revenues and for the payment for principal, interest, and related costs on long-term debt for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the debt obligations have been met.

## **SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2017**

**Capital Projects Fund:** This fund is used to account for revenues and expenditures related to projects financed by the proceeds of bond issues or for capital projects otherwise mandated to be accounted for in this fund. This fund is not required to be budgeted on an annual basis, rather expenditures of this fund are controlled by project budget.

In addition, the District reports the following fund types:

**Special Revenue Funds:** These funds are used to account for revenues and expenditures related to grant awards or entitlements from federal, state, and local agencies. These funds are primarily on a reimbursement basis and have a program year that does not always coincide with the District's fiscal year. Nearly all of these funds cannot carry a fund balance and, other than the food service fund, none of these funds are legally required to have an adopted budget.

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

#### **b. Measurement Focus and Basis of Accounting**

**Government-wide and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time 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. Revenue from grants, entitlements, and donations is 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, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

### **3. Financial Statement Amounts**

#### **a. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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 1 of the year following the year in which imposed. On January 1 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.

## SOMERVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon 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.

b. 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 costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at acquisition value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend 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 following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	50
Building Improvements	20
Vehicles	2-15
Equipment	3-15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial 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 one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has six items that qualify for reporting in this category in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges have been recognized as a result of the difference between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of the pension plan members. A deferred charge has been recognized for employer pension plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year. This amount is deferred and recognized as a reduction to the net pension liability during the measurement period in which the contributions were made. Deferred outflows of resources are recognized for the difference between the projected and actual investment earnings on the pension plan assets. This amount is deferred and amortized over a period of five years. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members.

## SOMERVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

In addition to liabilities, the statement of financial 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category in the government-wide Statement of Net Position. Deferred charges have been recognized as a result of the difference between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension plan. These amounts are deferred and amortized over the average of the expected service lives of the pension plan members. Another deferral is recognized for the changes in proportion and difference between the employer's contributions and the proportionate share of contributions related to the District's defined benefit pension plan. This amount is deferred and amortized over the average of the expected service lives of pension plan members. At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. 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 of the government-wide statement of net position.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).



## SOMERVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

l. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

## **SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2017**

#### **4. 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' 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.

#### **B. Deposits and Investments**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

##### **1. Cash Deposits:**

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$1,452,600 and the bank balance was \$1,516,520. The District's cash deposits at August 31, 2017, and during the year ended August 31, 2017, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

##### **2. Investments:**

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "Act"), 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.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers' acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

## SOMERVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

The District's investments at August 31, 2017 are shown below:

<u>Investment or Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
LOGIC Investment Pool	\$ 10,852,632	-
TexPool Investment Pool	131,228	-
T Rowe Price Mutual Fund	104,470	-
Certificates of Deposit	74,780	0.184
Total Investments	<u>\$ 11,163,110</u>	
Certificates of Deposit	1,417	0.001
Portfolio weighted average maturity		0.001

#### Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value establishing a three-level fair value hierarchy that describes the inputs used to measure assets and liabilities:

- \* Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- \* Level 2 inputs are inputs other than quoted prices within Level 1 that are observable for an asset or liability, either directly or indirectly.
- \* Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Fair value is measured in a manner consistent with one of the three approaches: market approach, cost approach, and the income approach. The valuation methodology used is based upon whichever technique is the most appropriate and provides the best representation of fair value for that particular asset or liability. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or groups of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts, such as cash flows, to a single current (discounted) amount.

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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As of August 31, 2017, the District had the following recurring investments subject to fair value measurements:

Investments by Fair Value Level	Fair Value Measurements Using	
	August 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)
<u>Mutual Funds</u>		
GNMA	\$ 4,205	\$ 4,205
Spectrum Income	100,265	100,265
Total	<u>\$ 104,470</u>	<u>\$ 104,470</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2017, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment or Investment Type</u>	<u>Administrator</u>	<u>Rating</u>
LOGIC Investment Pool	First Southwest and JP Morgan Chase	AAA *
TexPool Investment Pool	Federated Investors, Inc	AAAm *

\* Rated by Standard and Poor's Investor Services

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool, 2) maintain a continuous rating of no lower than 'AAA' or 'AAA-m' or an equivalent rating by at least one nationally recognized rating service, and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

LOGIC

The District invests in the Local Government Investment Cooperative (LOGIC), which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member board of directors comprised of employees, officers, or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day to day administration of LOGIC are First Southwest Company and J. P. Morgan Investment Management, Inc. LOGIC is rated at a 'AAA' or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
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TexPool

The District invests in the Texas Local Government Investment Pool ("TexPool"), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board (the "Board") to advise with respect to TexPool. The Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool and are qualified to advise in respect to TexPool. The Advisory Board members review the investment policy and management fee structure. TexPool is rated 'AAAm' by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at [www.ttstc.org](http://www.ttstc.org).

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 153,935	\$ --	\$ --	\$ 153,935
Construction in progress	101,250	1,657,573	--	1,758,823
Total capital assets not being depreciated	255,185	1,657,573	--	1,912,758
<i>Capital assets being depreciated:</i>				
Buildings and improvements	11,289,252	503,020	147,362	11,644,910
Equipment	879,855	--	14,345	865,510
Vehicles	933,716	--	14,500	919,216
Total capital assets being depreciated	13,102,823	503,020	176,207	13,429,636
Less accumulated depreciation for:				
Buildings and improvements	(8,259,369)	(231,114)	(113,453)	(8,377,030)
Equipment	(737,099)	(46,247)	(8,369)	(774,977)
Vehicles	(510,889)	(69,038)	(14,500)	(565,427)
Total accumulated depreciation	(9,507,357)	(346,399)	(136,322)	(9,717,434)
Total capital assets being depreciated, net	3,595,466	156,621	39,885	3,712,202
Governmental activities capital assets, net	\$ 3,850,651	\$ 1,814,194	\$ 39,885	\$ 5,624,960

Depreciation was charged to functions as follows:

Instruction	\$ 118,952
Instructional Resources and Media Services	2,983
Curriculum and Staff Development	928
School Leadership	1,194
Guidance, Counseling, & Evaluation Services	715
Health Services	557
Student Transportation	69,765
Food Services	8,342
Extracurricular Activities	72,826
General Administration	4,443
Plant Maintenance and Operations	65,191
Data Processing Services	503
	<u>\$ 346,399</u>

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**D. Interfund Balances and Activities**

**1. Due To and From Other Funds**

Balances due to and due from other funds at August 31, 2017 consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Funds	\$ 13,045	Short-term loans
Special Revenue Fund	General Fund	1,050	Short-term loans
	Total	<u>\$ 14,095</u>	

All amounts due are scheduled to be repaid within one year.

**2. Transfers To and From Other Funds**

Transfers to and from other funds at August 31, 2017 consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Child Nutrition Fund	\$ 15,850	Supplement other funds sources

**E. Long-Term Obligations**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2017 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due Within One Year
<b><u>Governmental activities:</u></b>					
<b>Bonds, notes and other payables:</b>					
Tax refunding bonds, 2010	\$ 1,745,000	\$ --	\$ 130,000	\$ 1,615,000	\$ 140,000
School building bonds, 2016	8,860,000	--	220,000	8,640,000	235,000
School building bonds, 2017	--	3,080,000	--	3,080,000	--
Maintenance tax note, 2007	210,000	--	30,000	180,000	35,000
Maintenance loan	29,153	--	14,361	14,792	14,792
Maintenance loan	105,354	--	34,065	71,289	35,110
	<u>10,949,507</u>	<u>3,080,000</u>	<u>428,426</u>	<u>* 13,601,081</u>	<u>459,902</u>
<b><u>Other liabilities:</u></b>					
Bond premium	934,304	145,375	51,183	* 1,028,496	--
Net pension liability	694,425	84,561	--	778,986	--
Total governmental activities	<u>\$ 12,578,236</u>	<u>\$ 3,309,936</u>	<u>\$ 479,609</u>	<u>\$ 15,408,563</u>	<u>\$ 459,902</u>

Long-term liabilities due in more than one year \$ 14,948,661

\* Debt associated with capital assets \$ 14,629,577

# SOMERVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. These bonds were issued as school tax refunding bonds and school building bonds and the interest rates on the bonds ranged from 2.000 percent to 4.000 percent for Tax Refunding Bonds, Series 2010; 3.000 percent to 4.000 percent for School Building Bonds, Series 2016; and 3.000 percent to 3.750 percent for School Building Bonds, Series 2017. Interest expense was \$353,152 for the year ended August 31, 2017.

Notes payable of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the General Fund. The District approved the maintenance tax note at an interest rate of 4.410 percent for the acquisition and maintenance of facilities and equipment. Interest expense was \$8,600 for the year ended August 31, 2017.

Loans payable of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the General Fund. The District approved the maintenance loans at interest rates of 3 percent for the acquisition and maintenance of facilities, vehicles and equipment. Interest expense was \$4,092 for the year ended August 31, 2017.

Proceeds from the Unlimited Tax School Building Bonds, Series 2017 are for the purpose of construction, renovation, acquisition, and equipment of school buildings in the District, including a new elementary school; the purchase of necessary sites for school buildings; and the costs of issuing the bonds. These bonds are guaranteed under the State of Texas Permanent School Fund Guarantee Program.

## 2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2017 are as follows:

Year Ending August 31,	Bonds Payable		
	Principal	Interest	Total
2018	\$ 375,000	\$ 445,107	\$ 820,107
2019	475,000	420,688	895,688
2020	490,000	403,763	893,763
2021	510,000	385,463	895,463
2022	530,000	365,663	895,663
2023-2027	2,980,000	1,503,713	4,483,713
2027-2031	2,465,000	1,046,088	3,511,088
2032-2036	2,870,000	643,375	3,513,375
2037-2041	2,640,000	171,369	2,811,369
Totals	<u>\$ 13,335,000</u>	<u>\$ 5,385,226</u>	<u>\$ 18,720,226</u>

Year Ending August 31,	Notes Payable		
	Principal	Interest	Total
2018	\$ 35,000	\$ 7,166	\$ 42,166
2019	35,000	5,623	40,623
2020	35,000	4,079	39,079
2021	35,000	2,536	37,536
2022	40,000	882	40,882
Totals	<u>\$ 180,000</u>	<u>\$ 20,286</u>	<u>\$ 200,286</u>

Year Ending August 31,	Loans Payable		
	Principal	Interest	Total
2018	\$ 49,903	\$ 2,618	\$ 52,521
2019	36,178	1,100	37,279
Totals	<u>\$ 86,081</u>	<u>\$ 3,719</u>	<u>\$ 89,800</u>



## SOMERVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

#### F. Commitments Under Noncapitalized Leases

The District has various operating lease agreements for copiers. Rental expenditures recognized by the District for the fiscal year are as follows:

Rental Expenditures in 2017	\$ <u>18,422</u>
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#### G. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

#### H. Pension Plan

##### 1. Plan Description

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

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

##### 2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' 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 <https://www.trs.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.

##### 3. 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% (multiplier) times the average of the 5 highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the 3 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 cost-of-living adjustments (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 (1.) above.

## SOMERVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

#### 4. Contributions

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

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

<u>Contribution Rates</u>		
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2017 Employer Contributions	\$ 65,497	
District's 2017 Member Contributions	\$ 60,682	
NECE 2017 On-Behalf Contributions to District	\$ 192,056	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational, and general or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

## SOMERVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

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

- When employing a retiree of TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school 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.

#### 5. Actuarial Assumptions

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term Expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post-Employment Benefit Changes	None

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

#### 6. Discount Rate

The discount rate used to measure the total pension liability was 8%. 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.

# SOMERVILLE INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2016 are summarized below:

<b>Teacher Retirement System of Texas</b> <b>Asset Allocation and Long-Term Expected Real Rate of Return</b> <b>As of August 31, 2016</b>			
<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-term Portfolio Returns *</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	-	1.8%	-
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	-
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	-
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	-	1.2%	-
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation	-	-	2.2%
Alpha	-	-	1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

### 7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 net pension liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 1,205,607	\$ 778,986	\$ 417,124

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

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

At August 31, 2017, the District reported a liability of \$778,986 for its proportionate share of TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 778,986
State's proportionate share that is associated with the District	<u>2,279,680</u>
Total	<u>\$ 3,058,666</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 through August 31, 2016.

At August 31, 2016, the District's proportion of the collective net pension liability was 0.0020614%, which was an increase of 0.0000969% from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$236,576 and revenue of \$236,576 for support provided by the State.

At August 31, 2017, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,214	\$ 23,260
Changes in actuarial assumptions	23,742	21,592
Difference between projected and actual investment earnings	65,963	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	159,530	65
Contributions paid to TRS subsequent to the measurement date	<u>74,181</u>	<u>--</u>
Total	<u>\$ 335,630</u>	<u>\$ 44,917</u>

## SOMERVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

The net amounts of the District'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
2018	\$ 37,117
2019	37,117
2020	79,191
2021	33,883
2022	21,714
Thereafter	7,510
Total	\$ 216,532

#### I. Retiree Health Care Plans

##### 1. TRS-Care

###### a. Plan Description

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

###### b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal years 2017, 2016, and 2015. The active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016, and 2015. For the years ended August 31, 2017, 2016, and 2015, the State's contributions to TRS-Care were \$2,711, \$1,904, and \$1,852, respectively; the active member contributions were \$22,256, \$21,340, and \$20,173, respectively; and the District's contributions were \$18,832, \$18,057, and \$17,070, respectively; which equaled the required contributions each year.

##### 2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016, and 2015, the subsidy payments received by TRS-Care on behalf of the District were \$10,196, \$12,381, and \$12,316, respectively.

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

**J. Employee Health Care Coverage**

During the year ended August 31, 2017, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator is renewable September 1, 2017, and terms of coverage and premium costs are included in the contractual provisions.

**K. Commitments and Contingencies**

**1. Contingencies**

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

**2. Litigation**

No reportable litigation was pending against the District at August 31, 2017.

**L. Shared Services Arrangements**

The District participates in a shared services arrangement (SSA) for resource education with other participating independent school districts. 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, Rockdale Independent School District, 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 the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in an SSA for migrant services under the Title I, Part C grant with other participating independent school districts. 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, Education Service Center, Region VI, 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 the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in an SSA for career and technology education services with other participating independent school districts. 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, Education Service Center, Region VI, 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 the District. The fiscal agent manager is responsible for all financial activities of the SSA.

## SOMERVILLE INDEPENDENT SCHOOL DISTRICT

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2017

The District participates in an SSA for the improvement of the education of limited English proficient children funded under ESEA Title III, Part A, English Language Acquisition and Language Enhancement. 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, Education Service Center, Region VI, 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 the District. The fiscal agent manager is responsible for all financial activities of the SSA.

The District participates in an SSA for a regional program for the deaf with other participating independent school districts. 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, Bryan Independent School District, 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 the District. The fiscal agent manager is responsible for all financial activities of the SSA.

#### M. Workers' Compensation

##### Claims Administrative Services

During the year ended August 31, 2017, employees of the District were covered by a Workers' Compensation Plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator, Claims Administrative Services (CAS), acting on behalf of the self-funded pool, is renewable September 1, 2017, and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in the state of Texas in accordance with Texas Insurance Code. Reinsurance coverage was in effect for individual claims exceeding \$750,000 and for aggregate claims with a statutory limit of \$3,000,000. According to CAS, the unfunded claim benefit obligation of \$4,463 included \$471 in estimated claims incurred, but not reported.

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate of claims in which have been incurred, but not reported based on historical experience. Changes in the claims liability for workers' compensation benefits for the current and prior fiscal year are summarized below:

	Fiscal Year	
	2017	2016
Claims liability at beginning of year	\$ 6,075	\$ 7,093
Current year claims and estimated changes	(1,281)	(85)
Claims payments	(331)	(933)
Claims liability at year end	\$ 4,463	\$ 6,075



## **SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED AUGUST 31, 2017**

#### TASB Risk Management Fund

During the year ended August 31, 2017, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The District participates in the Fund's reimbursable aggregate deductible program. As such, the member is responsible for a certain amount of claims liability as outlined on the member's Contribution and Coverage Summary document. After the member's deductible has been met, the Fund is responsible for additional claims liability.

The Fund and its members are protected against higher than expected costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2017, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

#### N. Unemployment Compensation

During the year ended August 31, 2017, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation Pool. For the year ended August 31, 2017, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

# SOMERVILLE INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 2,699,876	\$ 3,084,646	\$ 3,075,854	\$ (8,792)
5800	State Program Revenues	2,063,571	2,063,571	1,476,604	(586,967)
5900	Federal Program Revenues	10,000	10,000	8,276	(1,724)
5020	Total Revenues	4,773,447	5,158,217	4,560,734	(597,483)
	EXPENDITURES:				
	Current:				
	Instruction & Instructional Related Services:				
0011	Instruction	2,621,985	2,612,996	2,600,600	12,396
0012	Instructional Resources and Media Services	33,716	33,716	29,989	3,727
0013	Curriculum and Staff Development	1,000	1,000	880	120
	Total Instruction & Instr. Related Services	2,656,701	2,647,712	2,631,469	16,243
	Instructional and School Leadership:				
0021	Instructional Leadership	104,820	115,120	114,923	197
0023	School Leadership	222,826	233,726	233,390	336
	Total Instructional & School Leadership	327,646	348,846	348,313	533
	Support Services - Student (Pupil):				
0031	Guidance, Counseling, and Evaluation Services	125,903	111,475	111,275	200
0033	Health Services	29,639	29,639	27,787	1,852
0034	Student (Pupil) Transportation	144,849	130,001	111,542	18,459
0036	Cocurricular/Extracurricular Activities	231,572	250,824	246,565	4,259
	Total Support Services - Student (Pupil)	531,963	521,939	497,169	24,770
	Administrative Support Services:				
0041	General Administration	372,461	453,155	444,626	8,529
	Total Administrative Support Services	372,461	453,155	444,626	8,529
	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	577,231	972,231	966,917	5,314
0052	Security and Monitoring Services	15,000	14,204	13,971	233
0053	Data Processing Services	103,265	80,190	79,086	1,104
	Total Support Services - Nonstudent Based	695,496	1,066,625	1,059,974	6,651
	Debt Service:				
0071	Principal on Long-Term Debt	89,711	78,437	78,436	1
0072	Interest on Long-Term Debt	--	12,692	12,692	--
	Total Debt Service	89,711	91,129	91,128	1
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	53,245	50,627	50,626	1
0099	Other Intergovernmental Charges	94,024	110,703	110,702	1
	Total Intergovernmental Charges	147,269	161,330	161,328	2
6030	Total Expenditures	4,821,247	5,290,736	5,234,007	56,729
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(47,800)	(132,519)	(673,273)	(540,754)

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
	Other Financing Sources (Uses):				
8911	Transfers Out	(18,000)	(18,000)	(15,850)	2,150
7080	Total Other Financing Sources and (Uses)	(18,000)	(18,000)	(15,850)	2,150
1200	Net Change in Fund Balance	(65,800)	(150,519)	(689,123)	(538,604)
0100	Fund Balance - Beginning	1,657,924	1,657,924	1,657,924	--
3000	Fund Balance - Ending	\$ 1,592,124	\$ 1,507,405	\$ 968,801	\$ (538,604)

## Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT****EXHIBIT G-2**

*SCHEDULE OF THE DISTRICT'S PROPORTIONATE  
SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)  
LAST TEN FISCAL YEARS  
For the Year Ended August 31, 2017*

	Measurement Year*		
	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0020614%	0.0019645%	0.0013849%
District's proportionate share of the net pension liability (asset)	\$ 778,986	\$ 694,425	\$ 369,926
State's proportionate share of the net pension liability (asset) associated with the District	2,279,680	2,199,153	1,820,146
Total	<u>\$ 3,058,666</u>	<u>\$ 2,893,578</u>	<u>\$ 2,190,072</u>
District's covered employee payroll **	\$ 3,283,037	\$ 3,103,562	\$ 3,025,331
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	23.73%	22.38%	12.23%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

\* Only three years' worth of information is currently available.

\*\* As of measurement date

**Notes to Required Supplementary Information:***Changes in Assumptions*

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

*Changes of Benefits*

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

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT****EXHIBIT G-3**

*SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS)  
LAST TEN FISCAL YEARS  
For the Year Ended August 31, 2017*

	Fiscal Year*			
	2017	2016	2015	2014
Contractually required contribution	\$ 74,181	\$ 65,497	\$ 58,171	\$ 35,110
Contributions in relation to the contractually required contributions	74,181	65,497	58,171	35,110
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --
District's covered employee payroll	\$ 3,423,938	\$ 3,283,037	\$ 3,103,562	\$ 3,025,331
Contributions as a percentage of covered employee payroll	2.17%	2.00%	1.87%	1.16%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

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### *Combining Statements as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2017

Data Control Codes		Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds (See Exhibit C-1)
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 14,630	\$ 2,141	\$ 16,771
1120	Current Investments	--	164,220	164,220
1240	Due from Other Governments	10,544	--	10,544
1260	Due from Other Funds	1,050	--	1,050
1000	Total Assets	<u>\$ 26,224</u>	<u>\$ 166,361</u>	<u>\$ 192,585</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 2,008	\$ --	\$ 2,008
2170	Due to Other Funds	10,544	2,501	13,045
2180	Due to Other Governments	700	--	700
2200	Accrued Expenditures	350	--	350
2000	Total Liabilities	<u>13,602</u>	<u>2,501</u>	<u>16,103</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	1,887	--	1,887
3490	Other Restrictions of Fund Balance	10,735	163,860	174,595
3000	Total Fund Balances	<u>12,622</u>	<u>163,860</u>	<u>176,482</u>
4000	Total Liabilities and Fund Balances	<u>\$ 26,224</u>	<u>\$ 166,361</u>	<u>\$ 192,585</u>

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 94,076	\$ 5,905	\$ 99,981
5800 <i>State Program Revenues</i>	52,630	--	52,630
5900 <i>Federal Program Revenues</i>	630,219	--	630,219
5020 <i>Total Revenues</i>	<u>776,925</u>	<u>5,905</u>	<u>782,830</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	355,763	--	355,763
0012 <i>Instructional Resources and Media Services</i>	22,582	--	22,582
0013 <i>Curriculum and Staff Development</i>	22,689	--	22,689
0021 <i>Instructional Leadership</i>	87	--	87
0023 <i>School Leadership</i>	4,580	--	4,580
0034 <i>Student Transportation</i>	3,394	--	3,394
0035 <i>Food Service</i>	337,870	--	337,870
0036 <i>Cocurricular/Extracurricular Activities</i>	62,320	5,620	67,940
0041 <i>General Administration</i>	1,772	--	1,772
0053 <i>Data Processing Services</i>	7,800	--	7,800
6030 <i>Total Expenditures</i>	<u>818,857</u>	<u>5,620</u>	<u>824,477</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(41,932)</u>	<u>285</u>	<u>(41,647)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	15,850	--	15,850
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>15,850</u>	<u>--</u>	<u>15,850</u>
1200 <i>Net Change in Fund Balances</i>	<u>(26,082)</u>	<u>285</u>	<u>(25,797)</u>
0100 <i>Fund Balances - Beginning</i>	38,704	163,575	202,279
3000 <i>Fund Balances - Ending</i>	<u>\$ 12,622</u>	<u>\$ 163,860</u>	<u>\$ 176,482</u>

# SOMERVILLE INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2017

Data Control Codes	201 Environmental Education	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	240 National School Breakfast/Lunch Program
<b>ASSETS:</b>				
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ --	\$ --	\$ 3,895
1240 <i>Due from Other Governments</i>	--	7,068	--	--
1260 <i>Due from Other Funds</i>	--	--	--	--
1000 <b>Total Assets</b>	<u>\$ --</u>	<u>\$ 7,068</u>	<u>\$ --</u>	<u>\$ 3,895</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2160 <i>Accrued Wages Payable</i>	\$ --	\$ --	\$ --	\$ 2,008
2170 <i>Due to Other Funds</i>	--	7,068	--	--
2180 <i>Due to Other Governments</i>	--	--	--	--
2200 <i>Accrued Expenditures</i>	--	--	--	--
2000 <b>Total Liabilities</b>	<u>--</u>	<u>7,068</u>	<u>--</u>	<u>2,008</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	--	1,887
3490 <i>Other Restrictions of Fund Balance</i>	--	--	--	--
3000 <b>Total Fund Balances</b>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,887</u>
4000 <b>Total Liabilities and Fund Balances</b>	<u>\$ --</u>	<u>\$ 7,068</u>	<u>\$ --</u>	<u>\$ 3,895</u>

242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	289 Rural Education Achievement Program	410 State Textbook Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	2,297	--	1,179
--	--	--	--	--
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,297</u>	<u>\$ --</u>	<u>\$ 1,179</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	2,297	--	1,179
--	--	--	--	--
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>--</u>	<u>--</u>	<u>2,297</u>	<u>--</u>	<u>1,179</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
--	--	--	--	--
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>--</u>	<u>--</u>	<u>2,297</u>	<u>--</u>	<u>1,179</u>
<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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**SOMERVILLE INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

AUGUST 31, 2017

Data Control Codes	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
<b>ASSETS:</b>			
1110 <i>Cash and Cash Equivalents</i>	\$ --	\$ 10,735	\$ 14,630
1240 <i>Due from Other Governments</i>	--	--	10,544
1260 <i>Due from Other Funds</i>	1,050	--	1,050
1000 <i>Total Assets</i>	<u>\$ 1,050</u>	<u>\$ 10,735</u>	<u>\$ 26,224</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2160 <i>Accrued Wages Payable</i>	\$ --	\$ --	\$ 2,008
2170 <i>Due to Other Funds</i>	--	--	10,544
2180 <i>Due to Other Governments</i>	700	--	700
2200 <i>Accrued Expenditures</i>	350	--	350
2000 <i>Total Liabilities</i>	<u>1,050</u>	<u>--</u>	<u>13,602</u>
<b>FUND BALANCES:</b>			
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	1,887
3490 <i>Other Restrictions of Fund Balance</i>	--	10,735	10,735
3000 <i>Total Fund Balances</i>	<u>--</u>	<u>10,735</u>	<u>12,622</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 1,050</u>	<u>\$ 10,735</u>	<u>\$ 26,224</u>

# SOMERVILLE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	201 Environmental Education	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	240 National School Breakfast/Lunch Program
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ --	\$ 41,920
5800 <i>State Program Revenues</i>	--	--	--	10,665
5900 <i>Federal Program Revenues</i>	1,533	314,339	3,280	247,709
5020 <i>Total Revenues</i>	<u>1,533</u>	<u>314,339</u>	<u>3,280</u>	<u>300,294</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	--	288,363	3,280	--
0012 <i>Instructional Resources and Media Services</i>	--	22,582	--	--
0013 <i>Curriculum and Staff Development</i>	--	--	--	--
0021 <i>Instructional Leadership</i>	--	--	--	--
0023 <i>School Leadership</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	3,394	--	--
0035 <i>Food Service</i>	1,533	--	--	330,639
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0053 <i>Data Processing Services</i>	--	--	--	--
6030 <i>Total Expenditures</i>	<u>1,533</u>	<u>314,339</u>	<u>3,280</u>	<u>330,639</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	--	(30,345)
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	--	15,850
7080 <i>Total Other Financing Sources and (Uses)</i>	--	--	--	15,850
1200 <i>Net Change in Fund Balances</i>	--	--	--	(14,495)
0100 <i>Fund Balances - Beginning</i>	--	--	--	16,382
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 1,887</u>



242 Summer Feeding Program	244 Career and Tech Basic Grant	255 ESEA Title II Training & Recruiting	289 Rural Education Achievement Program	410 State Textbook Fund
\$ --	\$ --	\$ --	\$ --	\$ --
111	--	--	--	26,439
5,587	2,100	29,816	25,855	--
5,698	2,100	29,816	25,855	26,439
--	2,100	2,140	25,855	18,639
--	--	--	--	--
--	--	22,689	--	--
--	--	87	--	--
--	--	4,580	--	--
--	--	--	--	--
5,698	--	--	--	--
--	--	320	--	--
--	--	--	--	7,800
5,698	2,100	29,816	25,855	26,439
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --

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**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	429 State Funded Special Revenue Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 52,156	\$ 94,076
5800 <i>State Program Revenues</i>	15,386	29	52,630
5900 <i>Federal Program Revenues</i>	--	--	630,219
5020 <i>Total Revenues</i>	<u>15,386</u>	<u>52,185</u>	<u>776,925</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	15,386	--	355,763
0012 <i>Instructional Resources and Media Services</i>	--	--	22,582
0013 <i>Curriculum and Staff Development</i>	--	--	22,689
0021 <i>Instructional Leadership</i>	--	--	87
0023 <i>School Leadership</i>	--	--	4,580
0034 <i>Student Transportation</i>	--	--	3,394
0035 <i>Food Service</i>	--	--	337,870
0036 <i>Cocurricular/Extracurricular Activities</i>	--	62,320	62,320
0041 <i>General Administration</i>	--	1,452	1,772
0053 <i>Data Processing Services</i>	--	--	7,800
6030 <i>Total Expenditures</i>	<u>15,386</u>	<u>63,772</u>	<u>818,857</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	--	(11,587)	(41,932)
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	--	15,850
7080 <i>Total Other Financing Sources and (Uses)</i>	--	--	15,850
1200 <i>Net Change in Fund Balances</i>	--	(11,587)	(26,082)
0100 <i>Fund Balances - Beginning</i>	--	22,322	38,704
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ 10,735</u>	<u>\$ 12,622</u>

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

COMBINING BALANCE SHEET

NONMAJOR PERMANENT FUNDS

AUGUST 31, 2017

Data Control Codes	477 Trust Scholarship Fund	478 Senior Scholarships	806 Junior High Benevolence	Total Nonmajor Permanent Funds (See Exhibit H-1)
<b>ASSETS:</b>				
1110 <i>Cash and Cash Equivalents</i>	\$ 1,471	\$ 260	\$ 410	\$ 2,141
1120 <i>Current Investment</i>	164,220	--	--	164,220
1000 <i>Total Assets</i>	<u>\$ 165,691</u>	<u>\$ 260</u>	<u>\$ 410</u>	<u>\$ 166,361</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2170 <i>Due to Other Funds</i>	\$ 2,501	\$ --	\$ --	\$ 2,501
2000 <i>Total Liabilities</i>	<u>2,501</u>	<u>--</u>	<u>--</u>	<u>2,501</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3490 <i>Other Restrictions of Fund Balance</i>	163,190	260	410	163,860
3000 <i>Total Fund Balances</i>	<u>163,190</u>	<u>260</u>	<u>410</u>	<u>163,860</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 165,691</u>	<u>\$ 260</u>	<u>\$ 410</u>	<u>\$ 166,361</u>

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR PERMANENT FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes		477 Trust Scholarship Fund	478 Senior Scholarships	806 Junior High Benevolence	Total Nonmajor Permanent Funds (See Exhibit H-2)
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ 5,905	\$ --	\$ --	\$ 5,905
5020	Total Revenues	<u>5,905</u>	<u>--</u>	<u>--</u>	<u>5,905</u>
<b>EXPENDITURES:</b>					
Current:					
0036	Cocurricular/Extracurricular Activities	5,620	--	--	5,620
6030	Total Expenditures	<u>5,620</u>	<u>--</u>	<u>--</u>	<u>5,620</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	285	--	--	285
1200	Net Change in Fund Balances	<u>285</u>	<u>--</u>	<u>--</u>	<u>285</u>
0100	Fund Balances - Beginning	162,905	260	410	163,575
3000	Fund Balances - Ending	<u>\$ 163,190</u>	<u>\$ 260</u>	<u>\$ 410</u>	<u>\$ 163,860</u>

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### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
FOR THE YEAR ENDED AUGUST 31, 2017*

Year Ended August 31	1		2	3	
	Tax Rates			Assessed/Appraised Value For School Tax Purposes	
	Maintenance	Debt Service			
2008 and Prior Years	Various	Various		Various	
2009	\$ 1.04	\$ .1039	\$	195,175,807	
2010	\$ 1.04	\$ .1065	\$	194,255,037	
2011	\$ 1.04	\$ .1023	\$	209,132,975	
2012	\$ 1.04	\$ .1005	\$	202,477,298	
2013	\$ 1.04	\$ .0997	\$	202,162,606	
2014	\$ 1.04	\$ .0997	\$	204,909,582	
2015	\$ 1.04	\$ .0944	\$	216,610,950	
2016	\$ 1.04	\$ .0727	\$	280,433,153	
2017 (School Year Under Audit)	\$ 1.04	\$ .2954	\$	262,437,622	

1000 Totals

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code



10 Beginning Balance 9/1/16	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/17
\$ 125,169	\$ --	\$ 1,078	\$ 1,052	\$ (7,026)	\$ 116,013
14,086	--	293	29	(71)	13,693
14,824	--	325	33	(72)	14,394
16,235	--	526	52	(154)	15,503
20,993	--	2,211	214	160	18,728
30,187	--	4,296	412	(154)	25,325
40,935	--	7,557	725	(330)	32,323
56,821	--	11,441	179	(1,351)	43,850
136,741	--	24,480	1,711	(23,547)	87,003
--	3,504,592	2,574,372	760,641	(8,062)	161,517
<u>\$ 455,991</u>	<u>\$ 3,504,592</u>	<u>\$ 2,626,579</u>	<u>\$ 765,048</u>	<u>\$ (40,607)</u>	<u>\$ 528,349</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2017

EXHIBIT J-2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts		Actual	Final Budget
		Original	Final		Positive (Negative)
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 64,045	\$ 64,045	\$ 41,920	\$ (22,125)
5800	State Program Revenues	10,400	10,400	10,665	265
5900	Federal Program Revenues	248,000	248,000	247,709	(291)
5020	Total Revenues	322,445	322,445	300,294	(22,151)
	<b>EXPENDITURES:</b>				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	340,445	333,739	330,639	3,100
	Total Support Services - Student (Pupil)	340,445	333,739	330,639	3,100
6030	Total Expenditures	340,445	333,739	330,639	3,100
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(18,000)	(11,294)	(30,345)	(19,051)
	Other Financing Sources (Uses):				
7915	Transfers In	18,000	18,000	15,850	(2,150)
7080	Total Other Financing Sources and (Uses)	18,000	18,000	15,850	(2,150)
1200	Net Change in Fund Balance	--	6,706	(14,495)	(21,201)
0100	Fund Balance - Beginning	16,382	16,382	16,382	--
3000	Fund Balance - Ending	\$ 16,382	\$ 23,088	\$ 1,887	\$ (21,201)

# SOMERVILLE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1		2		3	Variance with Final Budget Positive (Negative)				
	Budgeted Amounts									
	Original	Final	Actual							
<b>REVENUES:</b>										
5700	Local and Intermediate Sources		\$	750,815	\$	750,815	\$	770,769	\$	19,954
5800	State Program Revenues			10,464		10,464		5,894		(4,570)
5020	Total Revenues			761,279		761,279		776,663		15,384
<b>EXPENDITURES:</b>										
Debt Service:										
0071	Principal on Long-Term Debt			350,000		350,000		350,000		--
0072	Interest on Long-Term Debt			353,152		353,152		347,619		5,533
0073	Bond Issuance Costs and Fees			1,000		1,000		800		200
	Total Debt Service			704,152		704,152		698,419		5,733
6030	Total Expenditures			704,152		704,152		698,419		5,733
1100	Excess (Deficiency) of Revenues Over (Under)									
1100	Expenditures			57,127		57,127		78,244		21,117
Other Financing Sources (Uses):										
7916	Premium or Discount on Issuance of Bonds			--		--		4,328		4,328
7080	Total Other Financing Sources and (Uses)			--		--		4,328		4,328
1200	Net Change in Fund Balance			57,127		57,127		82,572		25,445
0100	Fund Balance - Beginning			193,504		193,504		193,504		--
3000	Fund Balance - Ending		\$	250,631	\$	250,631	\$	276,076	\$	25,445

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*Compliance Section*

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Independent Auditors' 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 of  
Somerville Independent School District:

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 Somerville Independent School District (the "District"), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 14, 2018.

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

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

### **Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
February 14, 2018



**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*  
*FOR THE YEAR ENDED AUGUST 31, 2017*

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

       Yes        X   No

One or more significant deficiencies identified that  
are not considered to be material weaknesses?

       Yes        X   None Reported

Noncompliance material to financial  
statements noted?

       Yes        X   No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NONE NOTED		

**SOMERVILLE INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2017*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 778,986

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