

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
Pineland, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2017

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INTRODUCTORY SECTION

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2017

West Sabine Independent School District  
Name of School District

Sabine  
County

202-905  
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 22<sup>nd</sup> day of January, 2018.

  
Signature of Board Secretary

  
Signature of Board President

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

FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees  
West Sabine Independent School District  
Pineland, Texas

### **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 West Sabine 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of 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, and the general and capital project funds schedules of revenues, expenditures, and changes in fund balance - budgetary comparison, and pension schedules as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other 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 combining funds financial statements and other supplementary information, including the schedule of required responses to selected school first indicators, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part 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 funds financial statements and other supplementary information, including the schedule of required responses to selected school first indicators and the schedule of expenditures of federal awards, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 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 the District's internal control over financial reporting and compliance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 22, 2018

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of West Sabine Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

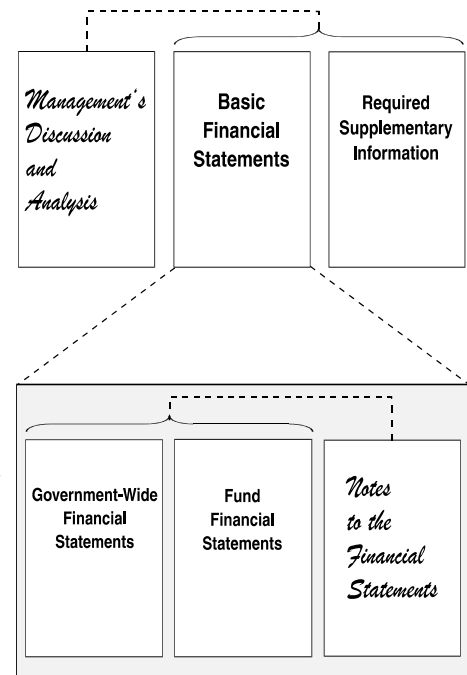
- The District's total combined net position was \$8,998,065 at August 31, 2017.
- During the year, the District's expenses were \$499,560 more than the \$7,433,709 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$7,933,270; \$200,299 less than last year.
- The general fund reported a fund balance at the end of this year of \$3,883,293.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts - *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial 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 resources in question belong.

**Figure A-1, Required Components of the District's Annual Financial Report**



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.



## Government-wide 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 government's assets, liabilities, deferred inflows, and deferred outflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position (the difference between the District's assets, liabilities, deferred inflows, and deferred outflows) is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is 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, or changes in student enrollment numbers.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these 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 accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that is properly using certain taxes and grants.

### ***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 explain the relationship (or differences) between them.

**Fiduciary Funds** - The District is the trustee, or *fiduciary*, for certain 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 are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The District's fiduciary funds consist only of money held on behalf of student organizations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As year to year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of the District as a whole.

The District's combined net position at August 31, 2017 was \$8,998,065. This is a \$499,560 decrease from last year's combined net assets of \$9,497,625. The following table provides a comparative summary of the District's net position:

### Summary of Net Position

	GOVERNMENTAL ACTIVITIES			
	AUGUST 31,		AMOUNT OF CHANGE	% CHANGE
	2017	2016		
Current and other assets	\$ 4 732 900	\$ 4 653 472	\$ 79 428	1.71%
Capital and long-term assets	13 588 035	14 281 137	(693 102)	(4.85)%
<b>TOTAL ASSETS</b>	<b>18 320 935</b>	<b>18 934 609</b>	<b>(613 674)</b>	<b>(3.24)%</b>
Deferred outflows	1 300 585	1 277 766	22 819	1.79%
Current liabilities	602 121	387 009	215 112	55.58%
Long-term liabilities	9 817 631	10 179 575	(361 944)	(3.56)%
<b>TOTAL LIABILITIES</b>	<b>10 419 752</b>	<b>10 566 584</b>	<b>(146 832)</b>	<b>(1.39)%</b>
Deferred inflows	203 703	148 166	55 537	37.48%
Net Position:				
Invested in capital assets	5 501 566	6 356 441	(854 875)	(13.45)%
Restricted	298 116	149 804	148 312	99.00%
Unrestricted	3 198 383	2 991 380	207 003	6.92%
<b>TOTAL NET POSITION</b>	<b>\$ 8 998 065</b>	<b>\$ 9 497 625</b>	<b>\$ (499 560)</b>	<b>(5.26)%</b>

Net position of the District's governmental activities decreased 5.26% to \$8,998,065 during the year ending August 31, 2017. Some of the net position is either restricted as to the purposes it can be used for, or is invested in capital assets (buildings, vehicles, equipment, and so on). Unrestricted net position increased by \$207,003 and totaled \$3,198,383 at year end.

### Governmental Activities

- The cost of all *governmental* activities this year was \$7,933,270.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,255,693.
- Some of the cost was paid by charges for services of \$94,322, or by operating grants and contributions of \$501,111.
- Property tax rate was \$1.30 per \$100 valuation in 2017 and \$1.3101 per \$100 valuation in 2016. The District's appraised values increased, along with the tax rate reduction, which led to property tax revenues increasing \$89,123 to \$1,255,693 from \$1,166,570 in the prior year.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's operational activities and changes in net position:

## Summary of Activities and Changes in Net Position

	GOVERNMENTAL ACTIVITIES			
	AUGUST 31,		AMOUNT OF CHANGE	%
	2017	2016		
Revenues:				
Program Revenues:				
Charges for services	\$ 94 322	\$ 109 124	\$ (14 802)	(13.56)%
Operating grants and contributions	501 111	759 941	(258 830)	(34.06)%
General Revenues:				
Property taxes	1 255 693	1 166 570	89 123	7.64%
Investment earnings	28 042	8 635	19 407	224.75%
Unrestricted grants and programs	5 465 680	5 708 662	(242 882)	(4.26)%
Other general revenues	88 862	96 334	(7 472)	(7.76)%
TOTAL REVENUES	<u>7 433 710</u>	<u>7 849 266</u>	<u>(415 556)</u>	(5.29)%
Expenses:				
Instruction	4 197 452	4 323 926	(126 474)	(2.92)%
Instructional resources and media services	60 629	60 103	526	0.88%
Curriculum and staff development	75 535	92 220	(16 685)	(18.09)%
Instructional leadership	58 034	47 748	10 286	21.54%
School leadership	382 283	395 664	(13 381)	(3.38)%
Guidance, counseling and evaluation services	148 964	163 339	(14 375)	(8.80)%
Social work services	497	285	212	74.39%
Health services	84 334	88 824	(4 490)	(5.05)%
Student transportation	193 760	214 295	(20 535)	(9.58)%
Food service	468 280	471 063	(2 783)	(0.59)%
Cocurricular and extracurricular activities	607 501	571 475	36 026	6.30%
General administration	419 280	428 404	(9 124)	(2.13)%
Plant maintenance and operations	714 306	719 132	(4 826)	(0.67)%
Security and monitoring services	7 264	6 509	755	11.60%
Data processing services	100 611	101 535	(924)	(0.91)%
Interest on long-term debt	255 925	298 356	(42 431)	(14.22)%
Bond issuance cost and fees	1 500	750	750	100.00%
Payments to shared services arrangements	120 089	115 800	4 289	3.70%
Other intergovernmental charges	37 026	34 141	2 885	8.45%
TOTAL EXPENSES	<u>7 933 270</u>	<u>8 133 569</u>	<u>(200 299)</u>	(2.46)%
CHANGE IN NET POSITION	(499 560)	(284 303)	(215 257)	75.71%
Prior period adjustment	-	29 859	(29 859)	(100.00)%
Net position - Beginning	9 497 625	9 752 069	(254 444)	(2.61)%
NET POSITION - ENDING	<u>\$ 8 998 065</u>	<u>\$ 9 497 625</u>	<u>\$ (499 560)</u>	(5.26)%

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Revenues totaled \$6,284,284 compared with \$6,445,397 in the prior year, a decrease of \$161,113 under the prior year. This was primarily a result of decreased state foundation allotment due to a decrease in average daily attendance (ADA). General Fund Expenditures totaled \$6,321,340 compared with \$6,150,128 in the prior year, an increase of \$171,212. Areas with the greatest fluctuation were increases in instruction and extracurricular costs.

Comparative data for the District's fund balances of its Governmental Funds are presented in the following table to assist analysis:

### Summary of the District's Fund Balances

	GOVERNMENTAL FUNDS			
	AUGUST 31,		AMOUNT OF CHANGE	%
	2017	2016		
General Fund	\$ 3 883 293	\$ 4 012 378	\$ (129 085)	(3.22)%
Capital Projects Fund	91 804	20 378	71 426	350.51%
Debt Service Fund	140 214	124 610	15 604	12.52%
Food Service Fund	66 098	95 204	(29 106)	(30.57)%
TOTAL GOVERNMENTAL	<u>\$ 4 181 409</u>	<u>\$ 4 252 570</u>	<u>\$ (71 161)</u>	(1.67)%

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$257,007 below final budget amounts. Significant positive variances resulted in the following functions: instruction and transportation.

Resources available were \$145,925 below the final budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At August 31, 2017, the District had invested \$22.2 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. The \$59,126 increase is due to the purchase of a new score board, lawn mowers, and ongoing construction.

**Summary of the District's Capital Assets**

	GOVERNMENTAL ACTIVITIES		AMOUNT OF CHANGE	% CHANGE
	AUGUST 31,			
	2017	2016		
Land	\$ 283 918	\$ 283 918	\$ -	- %
Construction in process	37 032	-	37 032	100.00%
Buildings and improvements	20 053 332	20 045 738	7 594	0.04%
Equipment	718 775	704 275	14 500	2.06%
Vehicles	1 078 546	1 078 546	-	- %
SUBTOTAL	22 171 603	22 112 477	59 126	0.27%
Less accumulated depreciation	(8 583 568)	(7 831 340)	(752 228)	9.61%
NET CAPITAL ASSETS	\$ 13 588 035	\$ 14 281 137	\$ (693 102)	(4.85)%

**Debt**

At August 31, 2017, the District had \$7,754,999 in bonds payable.

**Summary of the District's Debt**

	AUGUST 31,	
	2017	2016
Balance of debt, beginning of year	\$ 8 034 999	\$ 8 304 999
New bonds issued	-	-
Principal payments on bonds	(280 000)	(270 000)
BALANCE OF DEBT, END OF YEAR	\$ 7 754 999	\$ 8 034 999

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

- Appraised taxable values used for the 2018 budget preparation are projected to be \$111.486 million, which is a 10.9% increase from the taxable values of \$100.493 million for the 2017 tax year. These values primarily increased due to changes in commercial property valuations.
- General operating fund spending is expected to increase \$910,382 from \$6,413,340 actual expenditures and actual other financing uses in 2017 to \$7,323,752 budgeted for 2018. This increase is due to one major new initiative in the 2018 general fund budget for the elementary campus cafeteria expansion.
- The District's 2018 refined ADA is expected to be 621, which is not a change from the refined ADA of 621 for 2017.

These indicators were taken into account when adopting the general fund budget for 2018. Amounts available for appropriation in the general fund budget are \$6.526 million, an increase of approximately \$242,000 when compared to the actual 2017 revenues of \$6.284 million.

If these estimates are realized, the District's general fund balance is expected to decrease by \$798,000 at the close of fiscal year 2018.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

BASIC FINANCIAL STATEMENTS

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
August 31, 2017

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 4 562 202
1225	Property taxes receivable (net)	26 995
1240	Due from other governments	127 825
1290	Other receivables	15 878
1510	Land	283 918
1520	Building, net	12 769 318
1530	Furniture and equipment, net	497 767
1580	Construction in process	<u>37 032</u>
1000	TOTAL ASSETS	<u>18 320 935</u>
	DEFERRED OUTFLOWS	
1700	Deferred outflows related to debt refunding	579 656
1700	Deferred pension outflow	<u>720 929</u>
1700	TOTAL DEFERRED OUTFLOWS	<u>1 300 585</u>
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>19 621 520</u>
	LIABILITIES	
2140	Interest payable	11 519
2165	Accrued liabilities	240 962
2180	Due to other governments	215 760
2210	Other accrued expense	67 774
2501	Due within one year	66 106
2502	Due in more than one year	8 588 500
2540	Net pension liability	<u>1 229 131</u>
2000	TOTAL LIABILITIES	<u>10 419 752</u>
	Deferred Inflows:	
2605	Deferred pension inflows	<u>203 703</u>
2600	TOTAL DEFERRED INFLOWS	<u>203 703</u>
	NET POSITION	
3200	Invested in capital assets, net of related debt	5 501 566
3880	Restricted for debt service	140 214
3860	Restricted for construction	91 804
3820	Restricted for federal and state programs	66 098
3900	Unrestricted	<u>3 198 383</u>
3000	TOTAL NET POSITION	<u>\$ 8 998 065</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2017

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
			3 CHARGES FOR SERVICES	4 OPERATING GRANTS AND CONTRIBUTIONS	
	Governmental Activities:				
11	Instruction	\$ 4 197 452	\$ -	\$ 140 545	\$ (4 056 907)
12	Instruction resources and media services	60 629	-	-	(60 629)
13	Curriculum and staff development	75 535	-	14 184	(61 351)
21	Instructional leadership	58 034	-	2 544	(55 490)
23	School leadership	382 283	-	720	(381 563)
31	Guidance, counseling, and evaluation services	148 964	-	549	(148 415)
32	Social work services	497	-	497	-
33	Health services	84 334	-	-	(84 334)
34	Student transportation	193 760	-	-	(193 760)
35	Food services	468 280	72 788	336 352	(59 140)
36	Cocurricular/extracurricular activities	607 501	21 534	-	(585 967)
41	General administration	419 280	-	-	(419 280)
51	Facilities maintenance and operations	714 306	-	5 720	(708 586)
52	Security and monitoring services	7 264	-	-	(7 264)
53	Data processing services	100 611	-	-	(100 611)
72	Interest on long-term debt	255 925	-	-	(255 925)
73	Bond issuance costs and fees	1 500	-	-	(1 500)
93	Payments related to shared services arrangements	120 089	-	-	(120 089)
99	Other intergovernmental charges	37 026	-	-	(37 026)
TG	TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>7 933 270</u>	\$ <u>94 322</u>	\$ <u>501 111</u>	<u>(7 337 837)</u>
	General Revenues:				
MT	Property taxes, levied for general purposes				1 003 435
DT	Property taxes, levied for debt service				252 258
GC	Grants and contributions not restricted				5 465 680
IE	Investment earnings				28 042
MI	Miscellaneous				88 862
TR	TOTAL GENERAL REVENUES				<u>6 838 277</u>
CN	CHANGE IN NET POSITION				(499 560)
NB	Net position - Beginning				9 497 625
NE	NET POSITION - ENDING				<u>\$ 8 998 065</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2017

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND
	ASSETS		
1110	Cash and cash equivalents	\$ 4 234 772	\$ 154 107
1225	Taxes receivable, net	21 893	5 102
1240	Due from other governments	117 703	1 703
1260	Due from other funds	7 000	-
1290	Other receivables	14 862	-
1000	TOTAL ASSETS	<u>\$ 4 396 230</u>	<u>\$ 160 912</u>
	LIABILITIES		
	Current Liabilities:		
2160	Accrued wages payable	\$ 232 398	\$ -
2170	Due to other funds	-	-
2180	Due to other governments	200 164	15 596
2200	Other accrued expense	58 482	-
2000	TOTAL LIABILITIES	<u>491 044</u>	<u>15 596</u>
	Deferred Inflows:		
2600	Unavailable revenue	21 893	5 102
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>512 937</u>	<u>20 698</u>
	FUND BALANCES		
	Restricted Fund Balances:		
3450	Federal/state funds grant restrictions	-	-
3480	Retirement of long-term debt	-	140 214
	Committed Fund Balances:		
3510	Construction	1 908 042	-
3530	Capital expenditures for equipment	350 000	-
3600	Unassigned	1 625 251	-
3000	TOTAL FUND BALANCE	<u>3 883 293</u>	<u>140 214</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 4 396 230</u>	<u>\$ 160 912</u>

The accompanying notes are an integral part of this statement.



60 CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ 91 804	\$ 81 519	\$ 4 562 202
-	-	26 995
-	8 419	127 825
-	-	7 000
-	1 016	15 878
<u>\$ 91 804</u>	<u>\$ 90 954</u>	<u>\$ 4 739 900</u>
\$ -	\$ 8 564	\$ 240 962
-	7 000	7 000
-	-	215 760
-	9 292	67 774
<u>-</u>	<u>24 856</u>	<u>531 496</u>
-	-	26 995
<u>-</u>	<u>24 856</u>	<u>558 491</u>
-	66 098	66 098
-	-	140 214
91 804	-	1 999 846
-	-	350 000
-	-	1 625 251
<u>91 804</u>	<u>66 098</u>	<u>4 181 409</u>
<u>\$ 91 804</u>	<u>\$ 90 954</u>	<u>\$ 4 739 900</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS  
 BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 August 31, 2017

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$	4 181 409
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.		13 588 035
Property taxes receivable unavailable to pay for current period expenditures are recorded as unavailable in the funds.		26 995
Payables for bond principal which are not due in the current period are not reported in the funds.		(7 754 999)
Payables for bond interest which are not due in the current period are not reported in the funds.		(11 519)
Accumulated accretion of interest on capital appreciation bonds is not reported in the funds.		(456 903)
Bond premiums amortized in the Statement of Net Position but not in the funds.		(442 704)
Deferred resource outflows related to bond refundings are not reported in the funds.		579 656
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(1 229 131)
Deferred resource outflows related to the pension plan are not reported in the funds.		720 929
Deferred resource inflows related to the pension plan are not reported in the funds.		<u>(203 703)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$	<u>8 998 065</u>

The accompanying notes are an integral part of this statement.

WEST SABINE 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
	Revenues:		
5700	Local and intermediate sources	\$ 1 140 461	\$ 251 972
5800	State program revenues	5 043 139	321 857
5900	Federal program revenues	100 684	-
5020	TOTAL REVENUES	<u>6 284 284</u>	<u>573 829</u>
	Expenditures:		
	Current:		
0011	Instruction	3 443 462	-
0012	Instructional resources and media services	60 384	-
0013	Curriculum and staff development	61 039	-
0021	Instructional leadership	55 189	-
0023	School leadership	379 356	-
0031	Guidance, counseling, and evaluation services	147 454	-
0032	Social work services	-	-
0033	Health services	83 931	-
0034	Student transportation	116 024	-
0035	Food service	-	-
0036	Cocurricular/extracurricular activities	588 417	-
0041	General administration	408 128	-
0051	Facilities maintenance and operations	716 166	-
0052	Security and monitoring services	7 264	-
0053	Data processing services	80 911	-
0071	Principal on long-term debt	-	280 000
0072	Interest on long-term debt	-	276 725
0073	Bond issuance costs and fees	-	1 500
0081	Capital outlay	16 500	-
0093	Payments to shared service arrangements	120 089	-
0099	Other governmental charges	37 026	-
6030	TOTAL EXPENDITURES	<u>6 321 340</u>	<u>558 225</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(37 056)</u>	<u>15 604</u>
	Other Financing Sources (Uses):		
7915	Transfers in	-	-
8911	Transfers out	(92 029)	-
	TOTAL OTHER FINANCING SOURCES (USES)	<u>(92 029)</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(129 085)	15 604
0100	Fund balances - Beginning	<u>4 012 378</u>	<u>124 610</u>
3000	FUND BALANCES - ENDING	<u>\$ 3 883 293</u>	<u>\$ 140 214</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
\$ -	\$ 72 788	\$ 1 465 221
-	36 699	5 401 695
-	464 412	565 096
<u>-</u>	<u>573 899</u>	<u>7 432 012</u>
-	140 616	3 584 078
-	-	60 384
-	14 184	75 223
-	2 544	57 733
-	720	380 076
-	549	148 003
-	497	497
-	-	83 931
-	-	116 024
-	438 246	438 246
-	-	588 417
-	-	408 128
-	5 720	721 886
-	-	7 264
-	-	80 911
-	-	280 000
-	-	276 725
-	-	1 500
20 532	-	37 032
-	-	120 089
-	-	37 026
<u>20 532</u>	<u>603 076</u>	<u>7 503 173</u>
<u>(20 532)</u>	<u>(29 177)</u>	<u>(71 161)</u>
91 958	71	92 029
-	-	(92 029)
<u>91 958</u>	<u>71</u>	<u>-</u>
71 426	(29 106)	(71 161)
<u>20 378</u>	<u>95 204</u>	<u>4 252 570</u>
\$ <u>91 804</u>	\$ <u>66 098</u>	\$ <u>4 181 409</u>

WEST SABINE 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

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (71 161)
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	72 101
The depreciation of capital assets used in governmental activities is not reported in the funds.	(765 203)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1 698
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	280 000
(Increase) decrease in accrued interest from beginning of period to end of period.	(115)
Bond premiums are amortized in the SOA but not in the funds.	26 650
The accretion of interest on capital appreciation bonds is not reported in the funds.	(5 734)
Pension contributions made after the measurement date but in current fiscal year are recognized as deferred outflows in the SOA.	104 311
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized in the SOA.	(65 747)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(76 360)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$ <u><u>(499 560)</u></u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
August 31, 2017

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUND
	ASSETS	
1110	Cash and cash equivalents	\$ 109 582
1000	TOTAL ASSETS	\$ 109 582
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	\$ 109 582
2000	TOTAL LIABILITIES	109 582
	NET POSITION	
3000	TOTAL NET POSITION	\$ -

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of West Sabine 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.

A. Reporting Entity

The Board of School Trustees ("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 judgement 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 concluded within the District's reporting entity.

B. Basis of Presentation and Basis of Accounting

1. 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.

2. 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 accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund: This fund accounts for resources segregated for construction and maintenance of school buildings and equipment.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In addition, the District reports the following fund types:

**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.

**Special Revenue Funds:** These Funds account for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of the specified project periods.

C. 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.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

D. Financial Statement Amounts

1. 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.



WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. The allowance for uncollectible tax receivables was \$107,980 at August 31, 2017.

2. 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.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair 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:

ASSET CLASS	ESTIMATED USEFUL LIVES
Buildings	15-30
Building improvements	15-30
Vehicles	5-10
Equipment	5-10

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements 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 period and so will *not* be recognized as an inflow of resources (revenue) until that time.

5. 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 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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Interfund Activity

Interfund activity 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.

7. Use of Estimates

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

8. 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.

9. 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).

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 services 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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

10. 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 and proprietary 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 net position to have been depleted before unrestricted net position is applied.

11. 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.

E. 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.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions

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

Violation	Action Taken
None reported	Not applicable

B. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
None reported	Not applicable	Not applicable

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS

A. 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.

*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 \$4,671,784 and the bank balance was \$4,730,375. 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.

*Investments*

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

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

INVESTMENT OR INVESTMENT TYPE	MATURITY	FAIR VALUE
Brokered certificates of deposit	Less than a year	\$ 3 095 000
Federated money market	N/A	987 122
<b>TOTAL INVESTMENTS</b>		<b>\$ 4 082 122</b>

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:

1. Credit Risk

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

2. 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 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.

3. 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 a concentration of credit risk.

4. Interest Rate Risk

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

5. 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 investment 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. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

B. Interfund Balances and Activity

*Due to and from other funds*

The District's interfund balances at August 31, 2017 consisted of the following:

DUE TO	DUE FROM	AMOUNT	REASON
General fund	Other Government Funds:	\$ 7 000	Supplement other funds sources
	TOTAL	\$ <u>7 000</u>	

*Transfer 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	Other Government Funds	\$ 91 958	Supplement other funds sources
General fund	Other Government Funds	71	Supplement other funds sources
	TOTAL	\$ <u>92 029</u>	

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital Assets

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

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Capital assets not being depreciated:				
Land	\$ 283 918	\$ -	\$ -	\$ 283 918
Construction in process	-	37 032	-	37 032
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>283 918</u>	<u>37 032</u>	<u>-</u>	<u>320 950</u>
Capital assets being depreciated:				
Buildings and improvements	20 045 738	20 569	(12 975)	20 053 332
Equipment	704 275	14 500	-	718 775
Vehicles	1 078 546	-	-	1 078 546
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>21 828 559</u>	<u>35 069</u>	<u>(12 975)</u>	<u>21 850 653</u>
Less accumulated depreciation for:				
Buildings and improvements	(6 663 460)	(620 554)	12 975	(7 271 039)
Equipment	(412 118)	(66 368)	-	(478 486)
Vehicles	(755 762)	(78 281)	-	(834 043)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 831 340)</u>	<u>(765 203)</u>	<u>12 975</u>	<u>(8 583 568)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>13 997 219</u>	<u>(730 134)</u>	<u>-</u>	<u>13 267 085</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 14 281 137</u>	<u>\$ (693 102)</u>	<u>\$ -</u>	<u>\$ 13 588 035</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:		
11	Instruction	\$ 591 160
34	Student transportation	77 512
35	Food service	26 835
36	Extracurricular activities	36 131
41	General administration	8 840
51	Plant maintenance and operations	5 406
53	Data processing services	19 319
	TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 765 203</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long-term Obligation Activity

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

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
General obligation bonds	\$ 8 034 999	\$ -	\$ 280 000	\$ 7 754 999	\$ 66 106
Bond premiums	469 354	-	26 650	442 704	-
Accreted interest CABs	451 169	5 734	-	456 903	-
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 8 955 522</u>	<u>\$ 5 734</u>	<u>\$ 306 650</u>	<u>\$ 8 654 606</u>	<u>\$ 66 106</u>

Long - term debt consisted of the following individual issues:

	INTEREST RATES	ORIGINAL ISSUE	MATURITY	BALANCE
Governmental Activities:				
Current Interest Bonds:				
2008 Unlimited Tax School Bldg Bonds	4.00 - 5.00%	\$ 9 500 000	2017	\$ -
2015 Unlimited Tax Refunding Bonds	3.00 - 5.00%	7 860 000	2038	7 645 000
Capital appreciation bonds (CABs)				
2015 Unlimited Tax Refunding Bonds	0.00%	109 999	2038	109 999

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

YEAR ENDING AUGUST 31	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2018	\$ 66 106	\$ 483 819	\$ 549 925
2019	43 893	516 032	559 925
2020	300 000	264 925	564 925
2021	310 000	249 925	559 925
2022	325 000	234 425	559 425
2023 - 2027	1 800 000	938 375	2 738 375
2028 - 2032	2 030 000	633 875	2 663 875
2033 - 2037	2 360 000	310 613	2 670 613
2038 - 2042	520 000	16 900	536 900
TOTALS	<u>\$ 7 754 999</u>	<u>\$ 3 648 889</u>	<u>\$ 11 403 888</u>

E. Commitments Under Noncapitalized Leases

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

YEAR ENDING AUGUST 31	
2018	\$ 19 860
TOTAL MINIMUM RENTALS	<u>\$ 19 860</u>
RENTAL EXPENDITURES IN 2017	<u>31 177</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omission, injuries to employees, and natural disasters. During 2017, the District purchased commercial insurance to cover general liabilities. The District participates in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. Under the terms of this plan, the District pays its share of administrative fees plus its actual claims, up to a predetermined maximum loss figure. Member districts share in claim costs for individual claims that exceed their individual maximum loss amount, but total payments for any District will not exceed their individual maximum loss amount. The maximum loss per individual claim for the pool is \$250,000 of which the District's share is \$27,939 for the year ended August 31, 2017. The risk pool does maintain catastrophic insurance coverage for individual claims that exceed \$250,000 up to \$5,000,000 in total coverage. The risk pool estimates each District's aggregate liability for each year based on the number of claims, types of claims and other relevant information. The District accounts for workers compensation activity in the general fund. Liabilities include an estimated undiscounted amount for claims that have been incurred but not reported. Changes in the balances of workers' compensation claim liabilities during the past three years are as follows:

		BEGINNING BALANCE		INCURRED CLAIMS		CLAIMS PAID		ENDING BALANCE
Year Ended August 31, 2015	\$	33 296	\$	(4 451)	\$	3 643	\$	25 202
Year Ended August 31, 2016	\$	25 202	\$	(1 227)	\$	4 161	\$	19 814
Year Ended August 31, 2017	\$	19 814	\$	11 354	\$	8 828	\$	22 340

G. Pension Plan

1. Plan Description

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



WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

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 thru 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.

	CONTRIBUTION RATES	
	2016	2017
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2017 Employer Contributions	\$	104 311
2017 Member Contributions	\$	306 862
NECE 2017 On-behalf Contributions	\$	228 579

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district 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	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN</u>	<u>EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS*</u>
<b>Global Equity</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	(0.2)%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<u>100.0%</u>		<u>8.7%</u>

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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 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	\$ 1 902 977	\$ 1 229 581	\$ 658 405

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

At August 31, 2017, the District reported a liability of \$1,229,581 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1 229 581
State's proportionate share of the net pension liability associated with the District	<u>2 713 198</u>
TOTAL	<u>\$ 3 942 779</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 employer's proportion of the collective net pension liability was 0.0032538% which was a decrease of 0.0002090% 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 expenses of \$281,565 and revenue of \$281,565 for support provided by the State

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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	\$ 19 280	\$ 36 715
Changes in actuarial assumptions	37 475	34 082
Difference between projected and actual investment earnings	236 942	132 824
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	322 921	82
District contributions paid to the TRS subsequent to the measurement date	104 311	-
TOTAL	\$ 720 929	\$ 203 703

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended August 31	Pension Expense Amount
2018	\$ 75 403
2019	\$ 75 903
2020	\$ 141 815
2021	\$ 70 301
2022	\$ 48 189
Thereafter	\$ 1 804

H. Retiree Health Care Plans

*TRS - Care*

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS - Care), a cost-sharing multiple - employer defined benefit postemployment health care plan administered by the Teachers Retirement System of Texas (TRS). TRS - Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that included 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 the Teacher Retirement System of Texas at 100 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2017

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

2. 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 contributions 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 \$39,852, \$36,266, and \$36,984, respectively, the active member contributions were \$25,904, \$25,307, and \$25,292, respectively, and the District's contributions were \$21,919, \$21,413, and \$21,403, respectively, which equaled the required contributions each year.

3 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 Texas Public School Retired Employee Group Insurance Program (TRS - Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS - Care participants. For the fiscal years ending August 31, 2017, 2016, and 2015, the subsidy payments received by TRS - Care on behalf of the District were \$18,233, \$14,749, and \$16,087, respectively.

NOTE 4 - SHARED SERVICES ARRANGEMENTS

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education services with the following school districts:

Member Districts  
Broaddus ISD  
Brookeland ISD  
Hemphill ISD - Fiscal Agent  
West Sabine ISD

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, Hemphill ISD, 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.

NOTE 5 - NEW ACCOUNTING PRONOUNCEMENTS

**GASB Statement No. 73: Accounting and Financial Reporting for Pensions and Related Assets that are not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.** Statement 73 was issued in June 2015. This Statement clarifies the accounting for pensions not within the scope of Statement 68, and amends certain provisions of Statement 67. This standard became effective for the District's fiscal year 2017. The implementation had no significant effect on the District's financial statements.

**GASB Statement No. 74: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.** Statement 74 was issued in June 2015. This Statement establishes financial and reporting standards for postemployment benefit plans other than pension plans and agent multiple-employer plans replacing Statements 43 and 57. This standard became effective for the District's fiscal year 2017. The implementation had no significant effect on the District's financial statements.

**GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.** Statement 75 was issued in June 2015. This Statement establishes new accounting and financial reporting standards for postemployment benefit plans. This standard becomes effective for the District's fiscal year 2018. The District has not yet determined the impact of this statement.

**GASB Statement No. 77: Tax Abatement Disclosures.** Statement 77 was issued in August 2015. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients
2. The gross dollar amount of taxes abated during the period
3. Commitments made by a government, other than to abate taxes , as part of a tax abatement agreement

This standard became effective for the District in fiscal year 2017. This District does not have any abatements at this time, therefore, the implementation had no effect on the District's financial statements.

**GASB Statement No. 78: Pensions Provided through Certain Multiple-Employer Defined Benefit Plans.** Statement 78 was issued in December 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefits pensions both to employees of state or local governmental employers, and (3) has not predominate state or local governmental employers that provide pensions through the pension that have the characteristics described above. This standard became effective for the District's fiscal year 2017. The implementation had no significant effect on the District's financial statements.

NOTE 5 - NEW ACCOUNTING PRONOUNCEMENTS - CONTINUED

**GASB Statement No. 80: Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14.** Statement 80 was issued in January 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all states and local governments. This standard became effective for the District's fiscal year 2017. The implementation had no significant effect on the District's financial statements.

**GASB Statement No. 81: Irrevocable Split-Interest Agreements.** Statement 81 was issued in March 2016. This Statement establishes guidance on the financial reporting and account for irrevocable split-interest agreements. This standard becomes effective for the District's fiscal year 2018. The District has not yet determined the impact of this statement.

**GASB Statement No. 82: Pension Issues - an amendment of GASB Statements No. 67, No. 68 and No. 73.** Statement 82 was issued in March 2016. This Statement clarifies issues related to (1) the presentation of payroll-related measures in the required supplementary information, (2) selection of assumptions, and (3) classification of payments made by employers from Statements 67, 68 and 73. This standard became effective for the District's fiscal year 2017. The implementation had no significant effect on the District's financial statements.

**GASB Statement No. 83: Certain Asset Retirement Obligations.** Statement 83 was issued in November 2016. This Statement establishes uniform criteria for governments to recognize and measure certain asset retirement obligations that may not have been previously reported. This standard becomes effective for the District's fiscal year 2019. The District has not yet determined the impact of this statement.

**GASB Statement No. 84: Fiduciary Activities.** Statement 84 was issued in January 2017. This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This standard becomes effective for the District's fiscal year 2020. The District has not yet determined the impact of this statement.

**GASB Statement No. 85: Omnibus 2017.** Statement 85 was issued in March 2017. This Statement will enhance consistency in the application of accounting and financial reporting requirements related to blending component units, goodwill, fair value measurement and application and postemployment benefits. This standard becomes effective for the District's fiscal year 2018. The District has not yet determined the impact of this statement.

**GASB Statement No. 86: Certain Debt Extinguishment Issues.** Statement 86 was issued in March 2017. This Statement will increase consistency in the accounting and financial reporting for debt extinguishment. This standard becomes effective for the District's fiscal year 2018. The District has not yet determined the impact of this statement.

**GASB Statement No. 87: Leases.** Statement 87 was issued in June 2017. This Statement will require reporting of certain lease liabilities that currently are not reported, and enhance comparability among governments by requiring lessees and lessors to report leases under a single model. This standard becomes effective for the District's fiscal year 2021. The District has not yet determined the impact of this statement.



WEST SABINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2017

NOTE 6 - OTHER DISCLOSURES

A. Subsequent Events

Management has evaluated subsequent events through January 22, 2018, the date the financial statements were available to be issued.

B. 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 collectability 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.

C. Litigation

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

#### 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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - BUDGETARY COMPARISON  
For the Year Ended August 31, 2017

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 1 040 789	\$ 1 125 539	\$ 1 140 461	\$ 14 922
5800	State program revenues	5 223 670	5 223 670	5 043 139	(180 531)
5900	Federal program revenues	81 000	81 000	100 684	19 684
5020	TOTAL REVENUES	<u>6 345 459</u>	<u>6 430 209</u>	<u>6 284 284</u>	<u>(145 925)</u>
	Expenditures:				
	Current:				
0011	Instruction	3 439 171	3 525 790	3 443 462	82 328
0012	Instructional resources and media services	60 860	60 860	60 384	476
0013	Curriculum and staff development	46 069	85 302	61 039	24 263
0021	Instructional leadership	56 814	56 814	55 189	1 625
0023	School leadership	382 434	407 134	379 356	27 778
0031	Guidance, counseling, and evaluation services	140 423	156 123	147 454	8 669
0033	Health services	85 292	85 292	83 931	1 361
0034	Student transportation	200 995	200 995	116 024	84 971
0036	Cocurricular/extracurricular activities	502 074	595 940	588 417	7 523
0041	General administration	414 381	414 381	408 128	6 253
0051	Plant maintenance and operations	681 960	723 960	716 166	7 794
0052	Security and monitoring services	8 000	8 000	7 264	736
0053	Data processing services	83 956	83 956	80 911	3 045
0081	Capital outlay	-	16 500	16 500	-
0093	Payments to shared service arrangements	116 000	120 200	120 089	111
0099	Other governmental charges	35 000	37 100	37 026	74
6030	TOTAL EXPENDITURES	<u>6 253 429</u>	<u>6 578 347</u>	<u>6 321 340</u>	<u>257 007</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>92 030</u>	<u>(148 138)</u>	<u>(37 056)</u>	<u>111 082</u>
	Other Financing Sources (Uses):				
8900	Transfer out	<u>(92 030)</u>	<u>(92 030)</u>	<u>(92 029)</u>	<u>1</u>
	TOTAL OTHER FINANCING SOURCES (USES)	<u>(92 030)</u>	<u>(92 030)</u>	<u>(92 029)</u>	<u>1</u>
1200	NET CHANGE IN FUND BALANCES	-	(240 168)	(129 085)	111 083
0100	Fund balances - Beginning	<u>4 012 378</u>	<u>4 012 378</u>	<u>4 012 378</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 4 012 378</u>	<u>\$ 3 772 210</u>	<u>\$ 3 883 293</u>	<u>\$ 111 083</u>

See independent auditors' report.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
For The Year Ended August 31, 2017

EXHIBIT G-2

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 261 481	\$ 261 481	\$ 251 972	\$ (9 509)
5800	State program revenues	310 864	310 864	321 857	10 993
5020	TOTAL REVENUES	<u>572 345</u>	<u>572 345</u>	<u>573 829</u>	<u>1 484</u>
	Expenditures:				
0071	Principal on long-term debt	280 000	280 000	280 000	-
0072	Interest on long-term debt	276 725	276 725	276 725	-
0073	Bond issuance costs and fees	750	1 500	1 500	-
6030	TOTAL EXPENDITURES	<u>557 475</u>	<u>558 225</u>	<u>558 225</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	14 870	14 120	15 604	1 484
0100	Fund balance - Beginning	<u>124 610</u>	<u>124 610</u>	<u>124 610</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 139 480</u>	<u>\$ 138 730</u>	<u>\$ 140 214</u>	<u>\$ 1 484</u>

See independent auditors' report.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
 For The Year Ended August 31, 2017

EXHIBIT G-3

DATA CONTROL CODES	1	2	3	4
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
Revenues	\$ -	\$ -	\$ -	\$ -
5020 TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
0081 Capital outlay	<u>92 030</u>	<u>112 408</u>	<u>20 532</u>	<u>91 876</u>
6030 TOTAL EXPENDITURES	<u>92 030</u>	<u>112 408</u>	<u>20 532</u>	<u>91 876</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(92 030)</u>	<u>(112 408)</u>	<u>(20 532)</u>	<u>(91 876)</u>
Other Financing Sources (Uses):				
7900 Transfer in	<u>92 030</u>	<u>92 030</u>	<u>91 958</u>	<u>(72)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>92 030</u>	<u>92 030</u>	<u>91 958</u>	<u>(72)</u>
1200 NET CHANGE IN FUND BALANCES	-	(20 378)	71 426	91 804
0100 Fund balance - Beginning	<u>20 378</u>	<u>20 378</u>	<u>20 378</u>	<u>-</u>
3000 FUND BALANCE - ENDING	<u>\$ 20 378</u>	<u>\$ -</u>	<u>\$ 91 804</u>	<u>\$ 91 804</u>

See independent auditors' report.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\*

EXHIBIT G-4

	2016	2015	2014
District's proportion of the net pension liability (asset)	0.003%	0.003%	0.002%
District's proportionate share of the net pension liability (asset)	\$ 1 229 581	\$ 1 224 054	\$ 1 974 185
State's proportionate share of the net pension liability (asset) associated with the District	2 713 198	2 699 322	2 263 151
TOTAL	\$ 3 942 779	\$ 3 923 376	\$ 4 237 336
District's covered-employee payroll	\$ 3 893 177	\$ 3 889 232	\$ 3 644 952
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.58%	31.47%	13.02%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.25%

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS\*

EXHIBIT G-5

	2017	2016	2015
Contractually required contribution	\$ 104 311	\$ 126 698	\$ 95 441
Contributions in relation to the contractually required contribution	104 311	126 698	95 441
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3 985 215	\$ 3 893 177	\$ 3 889 232
Contributions as a percentage of covered-employee payroll	2.62%	3.25%	2.45%

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
August 31, 2017

Budget

The official budget was prepared for adoption for all Governmental Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

1. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

*Changes of benefit term.*

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

*Changes of assumptions.*

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.



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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 August 31, 2017

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	244 CAREER AND TECH BASIC GRANT
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ 81 519	\$ -
1240	Due from other governments	-	1 419	-
1290	Other receivables	-	1 016	-
1000	TOTAL ASSETS	<u>\$ -</u>	<u>\$ 83 954</u>	<u>\$ -</u>
	LIABILITIES			
2160	Accrued wages payable	\$ -	\$ 8 564	\$ -
2170	Due to other funds	-	-	-
2210	Other accrued expense	-	9 292	-
2000	TOTAL LIABILITIES	<u>-</u>	<u>17 856</u>	<u>-</u>
	FUND BALANCES			
3450	Restricted for federal and state funds	-	66 098	-
3000	TOTAL FUND BALANCES	<u>-</u>	<u>66 098</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 83 954</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-1

255 ESEA TITLE II TRAINING AND RECRUITING	410  TEXTBOOK ALLOTMENT	429  HOUSE BILL 5 CONTINGENCY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 81 519
-	6 670	330	8 419
-	-	-	1 016
<u>\$ -</u>	<u>\$ 6 670</u>	<u>\$ 330</u>	<u>\$ 90 954</u>
\$ -	\$ -	\$ -	\$ 8 564
-	6 670	330	7 000
-	-	-	9 292
<u>-</u>	<u>6 670</u>	<u>330</u>	<u>24 856</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>66 098</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>66 098</u>
<u>\$ -</u>	<u>\$ 6 670</u>	<u>\$ 330</u>	<u>\$ 90 954</u>

WEST SABINE 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		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	244 CAREER AND TECH BASIC GRANT
	Revenues:			
5700	Local and intermediate sources	\$ -	\$ 72 788	\$ -
5800	State program revenues	-	2 396	-
5900	Federal program revenues	92 603	339 676	5 213
5020	TOTAL REVENUES	<u>92 603</u>	<u>414 860</u>	<u>5 213</u>
	Expenditures:			
	Current:			
0011	Instruction	90 162	-	4 664
0013	Curriculum and staff development	-	-	-
0021	Instructional leadership	1 944	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	549
0032	Social work services	497	-	-
0035	Food services	-	438 246	-
0051	Plant maintenance and operations	-	5 720	-
6030	TOTAL EXPENDITURES	<u>92 603</u>	<u>443 966</u>	<u>5 213</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(29 106)</u>	<u>-</u>
	Other Financing Sources (Uses):			
7900	Transfer in	-	-	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCE	-	(29 106)	-
0100	Fund balances - Beginning	<u>-</u>	<u>95 204</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 66 098</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-2

255 ESEA TITLE II TRAINING AND RECRUITING	410  TEXTBOOK ALLOTMENT	429  HOUSE BILL 5 CONTINGENCY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ 72 788
-	13 757	20 546	36 699
<u>26 920</u>	<u>-</u>	<u>-</u>	<u>464 412</u>
<u>26 920</u>	<u>13 757</u>	<u>20 546</u>	<u>573 899</u>
14 164	13 757	17 869	140 616
11 436	-	2 748	14 184
600	-	-	2 544
720	-	-	720
-	-	-	549
-	-	-	497
-	-	-	438 246
-	-	-	5 720
<u>26 920</u>	<u>13 757</u>	<u>20 617</u>	<u>603 076</u>
<u>-</u>	<u>-</u>	<u>(71)</u>	<u>(29 177)</u>
<u>-</u>	<u>-</u>	<u>71</u>	<u>71</u>
<u>-</u>	<u>-</u>	<u>71</u>	<u>71</u>
-	-	-	(29 106)
<u>-</u>	<u>-</u>	<u>-</u>	<u>95 204</u>
\$ -	\$ -	\$ -	\$ 66 098

#### 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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 For the Year Ended August 31, 2017

LAST 10 YEARS	(1) TAX RATES			(3)
	MAINTENANCE	DEBT SERVICE		ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
2008 and prior years	Various	Various		Various
2009	1.0360	.3140	\$	85 507 842
2010	1.0400	.3400	\$	83 829 831
2011	1.0400	.3400	\$	82 464 119
2012	1.0400	.3385	\$	87 533 343
2013	1.0400	.3200	\$	90 300 618
2014	1.0400	.3150	\$	96 633 275
2015	1.0400	.3100	\$	92 443 365
2016	1.0401	.2700	\$	92 275 814
2017 (School year under audit)	1.0400	.2600	\$	98 173 077
TOTALS				

See independent auditors' report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31
\$ 19 194	\$ -	\$ 107	\$ -	\$ (3 149)	\$ 15 938
3 736	-	214	65	(89)	3 368
3 792	-	443	146	(74)	3 129
6 520	-	1 126	380	(105)	4 908
6 265	-	904	304	(105)	4 952
8 170	-	1 921	431	466	6 284
13 558	-	3 242	820	467	9 963
23 230	-	5 378	1 683	472	16 641
42 020	-	16 252	3 990	525	22 303
-	1 276 250	980 742	245 687	(2 332)	47 489
<u>\$ 126 485</u>	<u>\$ 1 276 250</u>	<u>\$ 1 010 330</u>	<u>\$ 253 506</u>	<u>\$ (3 924)</u>	<u>\$ 134 975</u>



WEST SABINE 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	4	
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
Revenues:					
5700	Local and intermediate sources	\$ 76 600	\$ 76 600	\$ 72 788	\$ (3 812)
5800	State program revenues	2 300	2 300	2 396	96
5900	Federal program revenues	<u>368 000</u>	<u>368 000</u>	<u>339 676</u>	<u>(28 324)</u>
5020	TOTAL REVENUES	<u>446 900</u>	<u>446 900</u>	<u>414 860</u>	<u>(32 040)</u>
Expenditures:					
0035	Food service	433 196	452 796	438 246	14 550
0051	Plant maintenance and operations	<u>12 000</u>	<u>12 000</u>	<u>5 720</u>	<u>6 280</u>
6030	TOTAL EXPENDITURES	<u>445 196</u>	<u>464 796</u>	<u>443 966</u>	<u>20 830</u>
1200	NET CHANGE IN FUND BALANCE	1 704	(17 896)	(29 106)	(11 210)
0100	Fund balance - Beginning	<u>95 204</u>	<u>95 204</u>	<u>95 204</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 96 908</u>	<u>\$ 77 308</u>	<u>\$ 66 098</u>	<u>\$ (11 210)</u>

See independent auditors' report.

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

Board of Trustees  
West Sabine Independent School District  
Pineland, Texas

Members of the Board of Trustees:

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 West Sabine Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 22, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered West Sabine Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of West Sabine Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of West Sabine Independent School 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas  
January 22, 2018

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2017

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes  No

Significant deficiencies identified that are  
not considered to be material weaknesses?

Yes  None reported

Noncompliance material to financial statements noted?

Yes  No

B. Financial Statement Findings

NONE

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2017

None

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2017

None

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
SCHOOL FIRST INDICATORS  
As of August 31, 2017

Exhibit L-1

<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 default on bonded indebtedness obligations?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	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 government agencies?	Yes
SF8	Did the school district not 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	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 456 903
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 1 229 581
SF13	Pension Expense (6147) at fiscal year-end.	\$ -