

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
Pineland, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2018

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INTRODUCTORY SECTION

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2018

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, 2018, at a meeting of the Board of Trustees of such school district on the 17<sup>th</sup> day of December, 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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**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, 2018, 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 debt service and capital project funds schedules of revenues, expenditures, and changes in fund balance - budgetary comparison, pension schedules, and OPEB 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, 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 December 17, 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  
December 17, 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, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

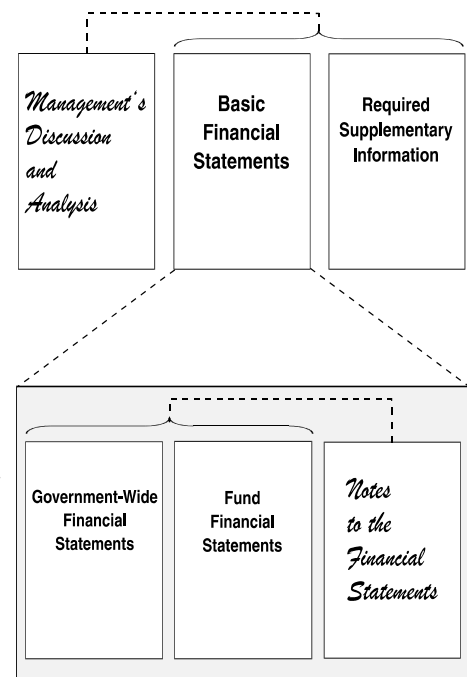
- The District's total combined net position was \$4,738,811 at August 31, 2018.
- During the year, the District's expenses were \$1,057,829 less than the \$8,017,149 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$6,969,220; \$963,950 less than last year.
- The general fund reported a fund balance at the end of this year of \$3,588,930.

**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.

Summary ↔ Detail



## 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, 2018 was \$4,738,811. This is a \$4,259,254 decrease from last year's combined net assets of \$8,998,065. The following table provides a comparative summary of the District's net position:

### Summary of Net Position

	GOVERNMENTAL ACTIVITIES			
	AUGUST 31,		AMOUNT	%
	2018	2017	OF CHANGE	CHANGE
Current and other assets	\$ 4 300 959	\$ 4 732 900	\$ (431 941)	(9.13)%
Capital and long-term assets	13 681 752	13 588 035	93 717	0.69%
<b>TOTAL ASSETS</b>	<b>17 982 711</b>	<b>18 320 935</b>	<b>(338 224)</b>	<b>(1.85)%</b>
Deferred outflows	1 244 901	1 300 585	(55 684)	(4.28)%
Current liabilities	455 305	602 121	(146 816)	(24.38)%
Long-term liabilities	12 432 953	9 817 631	2 615 322	26.64%
<b>TOTAL LIABILITIES</b>	<b>12 888 258</b>	<b>10 419 752</b>	<b>2 468 506</b>	<b>23.69%</b>
Deferred inflows	1 600 543	203 703	1 396 840	685.72%
Net Position:				
Invested in capital assets	5 842 934	5 501 566	341 368	6.20%
Restricted	286 417	298 116	(11 699)	(3.92)%
Unrestricted	(1 390 540)	3 198 383	(4 588 923)	(143.48)%
<b>TOTAL NET POSITION</b>	<b>\$ 4 738 811</b>	<b>\$ 8 998 065</b>	<b>\$ (4 259 254)</b>	<b>(47.34)%</b>

Net position of the District's governmental activities decreased 47% to \$4,738,811 during the year ending August 31, 2018. 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 decreased by \$4,588,923 and totaled \$(1,390,540) at year end.

### Governmental Activities

- The cost of all *governmental* activities this year was \$6,969,320.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,397,623.
- Some of the cost was paid by charges for services of \$104,920, or by operating grants and contributions of \$489,540.
- Property tax rate was \$1.30 per \$100 valuation in 2018 and 2017. The District's appraised values increased which led to property tax revenues increasing \$141,930 to \$1,397,623 from \$1,255,693 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	%
	2018	2017		
Revenues:				
Program Revenues:				
Charges for services	\$ 104 920	\$ 94 322	\$ 10 598	11.24%
Operating grants and contributions	499 540	501 111	(1 571)	(0.31)%
General Revenues:				
Property taxes	1 397 623	1 255 693	141 930	11.30%
Investment earnings	46 642	28 042	18 600	66.33%
Unrestricted grants and programs	5 924 665	5 465 680	458 985	8.40%
Other general revenues	53 759	88 862	(35 103)	(39.50)%
TOTAL REVENUES	<u>8 027 149</u>	<u>7 433 710</u>	<u>593 439</u>	7.98%
Expenses:				
Instruction	3 672 695	4 197 452	(524 757)	(12.50)%
Instructional resources and media services	53 329	60 629	(7 300)	(12.04)%
Curriculum and staff development	44 617	75 535	(30 918)	(40.93)%
Instructional leadership	44 868	58 034	(13 166)	(22.69)%
School leadership	313 855	382 283	(68 428)	(17.90)%
Guidance, counseling and evaluation services	128 657	148 964	(20 307)	(13.63)%
Social work services	484	497	(13)	(2.62)%
Health services	75 856	84 334	(8 478)	(10.05)%
Student transportation	190 823	193 760	(2 937)	(1.52)%
Food service	334 440	468 280	(133 840)	(28.58)%
Cocurricular and extracurricular activities	486 363	607 501	(121 138)	(19.94)%
General administration	398 539	419 280	(20 741)	(4.95)%
Plant maintenance and operations	663 836	714 306	(50 470)	(7.07)%
Security and monitoring services	13 166	7 264	5 902	81.25%
Data processing services	91 466	100 611	(9 145)	(9.09)%
Interest on long-term debt	302 274	255 925	46 349	18.11%
Bond issuance cost and fees	751	1 500	(749)	(49.93)%
Payments to shared services arrangements	109 668	120 089	(10 421)	(8.68)%
Other intergovernmental charges	43 633	37 026	6 607	17.84%
TOTAL EXPENSES	<u>6 969 320</u>	<u>7 933 270</u>	<u>(963 950)</u>	(12.15)%
CHANGE IN NET POSITION	1 057 829	(499 560)	1 557 389	(311.75)%
Prior period adjustment	(5 317 083)	-	(5 317 083)	100%
Net position - Beginning	8 998 065	9 497 625	(499 560)	(5.26)%
NET POSITION - ENDING	<u>\$ 4 738 811</u>	<u>\$ 8 998 065</u>	<u>\$ (4 259 254)</u>	(47.34)%

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Revenues totaled \$6,876,551 compared with \$6,284,284 in the prior year, an increase of \$592,267 over the prior year. This was primarily a result of increased state foundation allotment due to the earlier start in the 2018-2019 school year. General Fund Expenditures totaled \$6,373,503 compared with \$6,321,340 in the prior year, an increase of \$52,163. Areas with the greatest fluctuation were an increase in instruction and costs a decrease in maintenance and operations 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	%
	2018	2017		
General Fund	\$ 3 588 930	\$ 3 883 293	\$ (294 363)	(7.58)%
Capital Projects Fund	46 271	91 804	(45 533)	(49.60)%
Debt Service Fund	162 955	140 214	22 741	16.22%
Food Service Fund	77 191	66 098	11 093	16.78%
TOTAL GOVERNMENTAL	<u>\$ 3 875 347</u>	<u>\$ 4 181 409</u>	<u>\$ (306 062)</u>	(7.32)%

**General Fund Budgetary Highlights**

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$281,774 below final budget amounts. Significant positive variances resulted in the following functions: instruction, transportation, and plant maintenance operations.

Resources available were \$300,187 above the final budgeted amount.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At August 31, 2018, the District had invested \$23.0 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. The \$852,855 increase is primarily due to ongoing construction.

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

	GOVERNMENTAL ACTIVITIES		AMOUNT OF CHANGE	% CHANGE
	AUGUST 31,			
	2018	2017		
Land	\$ 285 652	\$ 283 918	\$ 1 734	0.61%
Construction in process	879 953	37 032	842 921	2276.20%
Buildings and improvements	20 053 332	20 053 332	-	- %
Equipment	726 975	718 775	8 200	1.14%
Vehicles	1 078 546	1 078 546	-	- %
SUBTOTAL	23 024 458	22 171 603	852 855	3.85%
Less accumulated depreciation	(9 342 706)	(8 583 568)	(759 138)	8.84%
NET CAPITAL ASSETS	\$ 13 681 752	\$ 13 588 035	\$ 93 717	0.69%

**Debt**

At August 31, 2018, the District had \$7,688,893 in bonds payable.

**Summary of the District's Debt**

	AUGUST 31,	
	2018	2017
Balance of debt, beginning of year	\$ 7 754 999	\$ 8 034 999
New bonds issued	-	-
Principal payments on bonds	(66 106)	(280 000)
BALANCE OF DEBT, END OF YEAR	\$ 7 688 893	\$ 7 754 999

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

- Appraised taxable values used for the 2019 budget preparation are projected to be \$123,590,580, which is an 8.45% increase from the taxable values of \$113,959,643 for the 2018 tax year. These values primarily increased due to changes in commercial property valuations.
- General operating fund spending is expected to decrease \$404,552 from \$7,170,914 actual expenditures and actual other financing uses in 2018 to \$6,767,362 budgeted for 2019. This decrease is a result of not including any capital project plans in the 2019 general fund budget.
- The District's 2019 refined ADA is expected to be 570, which is a decrease from the refined ADA of 608 for 2018.

These indicators were taken into account when adopting the general fund budget for 2019. Amounts available for appropriation in the general fund budget are \$6,767,362, a decrease of approximately \$109,189 when compared to the actual 2018 revenues of \$6,871,551.

If these estimates are realized, the District's general fund balance is expected to decrease by \$533,000 at the close of fiscal year 2019.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to 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, 2018

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 3 910 102
1225	Property taxes receivable (net)	25 719
1240	Due from other governments	365 019
1260	Due from other funds	31
1290	Other receivables	88
1510	Land	285 652
1520	Building, net	12 161 642
1530	Furniture and equipment, net	354 505
1580	Construction in process	879 953
1000	TOTAL ASSETS	<u>17 982 711</u>
	DEFERRED OUTFLOWS	
1700	Deferred outflows related to debt refunding	526 960
1700	Deferred outflows related to pension and OPEB	717 941
1700	TOTAL DEFERRED OUTFLOWS	<u>1 244 901</u>
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>19 227 612</u>
	LIABILITIES	
2140	Interest payable	11 519
2160	Accrued wages payable	260 135
2180	Due to other governments	22 860
2200	Other accrued expense	116 898
2501	Due within one year	43 893
2502	Due in more than one year	8 310 366
2540	Net pension liability	1 110 842
2545	Net OPEB liability	3 011 745
2000	TOTAL LIABILITIES	<u>12 888 258</u>
	Deferred Inflows:	
2600	Deferred inflow related to pension and OPEB	<u>1 600 543</u>
2600	TOTAL DEFERRED INFLOWS	<u>1 600 543</u>
	NET POSITION	
3200	Net investment in capital assets	5 842 934
3850	Restricted for debt service	162 955
3860	Restricted for construction	46 271
3820	Restricted for federal and state programs	77 191
3900	Unrestricted	<u>(1 390 540)</u>
3000	TOTAL NET POSITION	<u>\$ 4 738 811</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, 2018

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	\$ 3 672 695	\$ -	\$ 163 474	\$ (3 509 221)
12	Instruction resources and media services	53 329	-	-	(53 329)
13	Curriculum and staff development	44 617	-	1 682	(42 935)
21	Instructional leadership	44 868	-	2 962	(41 906)
23	School leadership	313 855	-	-	(313 855)
31	Guidance, counseling, and evaluation services	128 657	-	585	(128 072)
32	Social work services	484	-	484	-
33	Health services	75 856	-	-	(75 856)
34	Student transportation	190 823	-	-	(190 823)
35	Food services	334 440	78 917	311 548	56 025
36	Cocurricular/extracurricular activities	486 363	26 003	-	(460 360)
41	General administration	398 539	-	-	(398 539)
51	Facilities maintenance and operations	663 836	-	18 805	(645 031)
52	Security and monitoring services	13 166	-	-	(13 166)
53	Data processing services	91 466	-	-	(91 466)
72	Interest on long-term debt	302 274	-	-	(302 274)
73	Bond issuance costs and fees	751	-	-	(751)
93	Payments related to shared services arrangements	109 668	-	-	(109 668)
99	Other intergovernmental charges	43 633	-	-	(43 633)
TG	TOTAL GOVERNMENTAL ACTIVITIES	\$ <u>6 969 320</u>	\$ <u>104 920</u>	\$ <u>499 540</u>	<u>(6 364 860)</u>
	General Revenues:				
MT	Property taxes, levied for general purposes				1 117 111
DT	Property taxes, levied for debt service				280 512
GC	Grants and contributions not restricted				5 924 665
IE	Investment earnings				46 642
MI	Miscellaneous				53 759
TR	TOTAL GENERAL REVENUES				<u>7 422 689</u>
CN	CHANGE IN NET POSITION				1 057 829
NB	Net position - Beginning				8 998 065
PA	Prior period adjustment				(5 317 083)
NE	NET POSITION - ENDING				<u>\$ 4 738 811</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2018

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND
	ASSETS		
1110	Cash and cash equivalents	\$ 3 581 520	\$ 172 176
1225	Taxes receivable, net	20 847	4 872
1240	Due from other governments	341 634	1 554
1260	Due from other funds	-	-
1290	Other receivables	-	-
1000	TOTAL ASSETS	<u>\$ 3 944 001</u>	<u>\$ 178 602</u>
	LIABILITIES		
	Current Liabilities:		
2160	Accrued wages payable	\$ 249 860	\$ -
2180	Due to other governments	12 085	10 775
2200	Other accrued expense	72 279	-
2000	TOTAL LIABILITIES	<u>334 224</u>	<u>10 775</u>
	Deferred Inflows:		
2600	Unavailable revenue	20 847	4 872
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>355 071</u>	<u>15 647</u>
	FUND BALANCES		
	Restricted Fund Balances:		
3450	Federal/state funds grant restrictions	-	-
3480	Retirement of long-term debt	-	162 955
	Committed Fund Balances:		
3510	Construction	1 110 654	-
3530	Capital expenditures for equipment	350 000	-
3600	Unassigned	2 128 276	-
3000	TOTAL FUND BALANCE	<u>3 588 930</u>	<u>162 955</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 3 944 001</u>	<u>\$ 178 602</u>

The accompanying notes are an integral part of this statement.



60 CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERNMENTAL FUNDS
\$ 86 040	\$ 70 366	\$ 3 910 102
-	-	25 719
-	21 831	365 019
-	31	31
-	88	88
<u>\$ 86 040</u>	<u>\$ 92 316</u>	<u>\$ 4 300 959</u>
\$ -	\$ 10 275	\$ 260 135
-	-	22 860
<u>39 769</u>	<u>4 850</u>	<u>116 898</u>
<u>39 769</u>	<u>15 125</u>	<u>399 893</u>
-	-	25 719
<u>39 769</u>	<u>15 125</u>	<u>425 612</u>
-	77 191	77 191
-	-	162 955
46 271	-	1 156 925
-	-	350 000
-	-	2 128 276
<u>46 271</u>	<u>77 191</u>	<u>3 875 347</u>
<u>\$ 86 040</u>	<u>\$ 92 316</u>	<u>\$ 4 300 959</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
August 31, 2018

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$	3 875 347
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.		13 681 752
Property taxes receivable unavailable to pay for current period expenditures are recorded as unavailable in the funds.		25 719
Payables for bond principal which are not due in the current period are not reported in the funds.		(7 688 893)
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.		(243 743)
Bond premiums amortized in the Statement of Net Position but not in the funds.		(421 623)
Deferred resource outflows related to bond refundings are not reported in the funds.		526 960
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(3 011 745)
Deferred resources outflows related to the OPEB plan are not reported in the funds.		41 721
Deferred resources inflows related to the OPEB plan are not reported in the funds.		(1 259 818)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(1 110 842)
Deferred resource outflows related to the pension plan are not reported in the funds.		676 220
Deferred resource inflows related to the pension plan are not reported in the funds.		<u>(340 725)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$	<u>4 738 811</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, 2018

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND
	Revenues:		
5700	Local and intermediate sources	\$ 1 244 561	\$ 280 742
5800	State program revenues	5 443 562	292 675
5900	Federal program revenues	188 428	-
5020	TOTAL REVENUES	<u>6 876 551</u>	<u>573 417</u>
	Expenditures:		
	Current:		
0011	Instruction	3 517 409	-
0012	Instructional resources and media services	60 181	-
0013	Curriculum and staff development	51 962	-
0021	Instructional leadership	50 874	-
0023	School leadership	367 656	-
0031	Guidance, counseling, and evaluation services	153 362	-
0032	Social work services	-	-
0033	Health services	86 941	-
0034	Student transportation	126 245	-
0035	Food service	-	-
0036	Cocurricular/extracurricular activities	577 052	-
0041	General administration	447 851	-
0051	Facilities maintenance and operations	683 121	-
0052	Security and monitoring services	13 166	-
0053	Data processing services	82 648	-
0071	Principal on long-term debt	-	66 106
0072	Interest on long-term debt	-	483 819
0073	Bond issuance costs and fees	-	751
0081	Capital outlay	1 734	-
0093	Payments to shared service arrangements	109 668	-
0099	Other governmental charges	43 633	-
6030	TOTAL EXPENDITURES	<u>6 373 503</u>	<u>550 676</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>503 048</u>	<u>22 741</u>
	Other Financing Sources (Uses):		
7915	Transfers in	-	-
8911	Transfers out	(797 411)	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>(797 411)</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	(294 363)	22 741
0100	Fund balances - Beginning	<u>3 883 293</u>	<u>140 214</u>
3000	FUND BALANCES - ENDING	<u>\$ 3 588 930</u>	<u>\$ 162 955</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
\$ -	\$ 78 917	\$ 1 604 220
-	36 022	5 772 259
-	463 518	651 946
<u>-</u>	<u>578 457</u>	<u>8 028 425</u>
-	163 497	3 680 906
-	-	60 181
-	1 682	53 644
-	2 962	53 836
-	-	367 656
-	585	153 947
-	484	484
-	-	86 941
-	-	126 245
-	379 372	379 372
-	-	577 052
-	-	447 851
-	18 805	701 926
-	-	13 166
-	-	82 648
-	-	66 106
-	-	483 819
-	-	751
842 921	-	844 655
-	-	109 668
-	-	43 633
<u>842 921</u>	<u>567 387</u>	<u>8 334 487</u>
<u>(842 921)</u>	<u>11 070</u>	<u>(306 062)</u>
797 388	23	797 411
-	-	(797 411)
<u>797 388</u>	<u>23</u>	<u>-</u>
(45 533)	11 093	(306 062)
<u>91 804</u>	<u>66 098</u>	<u>4 181 409</u>
\$ <u>46 271</u>	\$ <u>77 191</u>	\$ <u>3 875 347</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, 2018

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (306 062)
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
Capital outlays are not reported as expenses in the SOA.	852 855
The depreciation of capital assets used in governmental activities is not reported in the funds.	(759 138)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1 276)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	66 106
Bond premiums are amortized in the SOA but not in the funds.	21 081
The accretion of interest on capital appreciation bonds is not reported in the funds.	213 160
Amortization of deferred outflows related to debt refunding is not recognized in the funds.	(52 696)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(63 442)
OPEB expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>1 087 241</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ 1 057 829</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, 2018

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUND
	ASSETS	
1110	Cash and cash equivalents	\$ 128 019
1000	TOTAL ASSETS	<u>\$ 128 019</u>
	LIABILITIES	
	Current Liabilities:	
2170	Due to other funds	\$ 31
2190	Due to student groups	<u>127 988</u>
2000	TOTAL LIABILITIES	<u>128 019</u>
	NET POSITION	
3000	TOTAL NET POSITION	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2018

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, 2018

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, 2018

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 \$102,874 at August 31, 2018.

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, 2018

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, 2018

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.

F. Other Post-Employment Benefits

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

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY - CONTINUED

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:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

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, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,038,121 and the bank balance was \$4,081,120. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, 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, 2018 are shown below.

<u>INVESTMENT OR INVESTMENT TYPE</u>	<u>MATURITY</u>	<u>FAIR VALUE</u>
Brokered certificates of deposit	Less than a year	\$ 28 626
Federated money market	N/A	3 324 825
TOTAL INVESTMENTS		<u>\$ 3 353 451</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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.

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, 2018 consisted of the following:

<u>DUE TO</u>	<u>DUE FROM</u>	<u>AMOUNT</u>	<u>REASON</u>
Other Governmental Funds	Agency Funds	\$ 31	Supplement other funds sources
	TOTAL	\$ <u>31</u>	

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

*Transfer to and from other funds*

Transfers to and from other funds at August 31, 2018, consisted of the following:

<u>TRANSFERS FROM</u>	<u>TRANSFERS TO</u>	<u>AMOUNT</u>	<u>REASON</u>
General Fund	Other Government Funds	\$ 797 411	Supplement other funds sources
	TOTAL	<u>\$ 797 411</u>	

C. Capital Assets

Capital asset activity for the year ended August 31, 2018 was as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Capital Assets Not Being Depreciated:				
Land	\$ 283 918	\$ 1 734	\$ -	\$ 285 652
Construction in process	37 032	842 921	-	879 953
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>320 950</u>	<u>844 655</u>	<u>-</u>	<u>1 165 605</u>
Capital Assets Being Depreciated:				
Buildings and improvements	20 053 332	-	-	20 053 332
Equipment	718 775	8 200	-	726 975
Vehicles	1 078 546	-	-	1 078 546
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>21 850 653</u>	<u>8 200</u>	<u>-</u>	<u>21 858 853</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(7 271 039)	(620 651)	-	(7 891 690)
Equipment	(478 486)	(67 269)	-	(545 755)
Vehicles	(834 043)	(71 218)	-	(905 261)
TOTAL ACCUMULATED DEPRECIATION	<u>(8 583 568)</u>	<u>(759 138)</u>	<u>-</u>	<u>(9 342 706)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>13 267 085</u>	<u>(750 938)</u>	<u>-</u>	<u>12 516 147</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 13 588 035</u>	<u>\$ 93 717</u>	<u>\$ -</u>	<u>\$ 13 681 752</u>

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

Governmental Activities:		
11	Instruction	\$ 591 157
34	Student transportation	70 449
35	Food service	26 835
36	Extracurricular activities	36 178
41	General administration	8 804
51	Plant maintenance and operations	6 395
53	Data processing services	19 320
	TOTAL DEPRECIATION EXPENSE - GOVERNMENTAL ACTIVITIES	<u>\$ 759 138</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

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, 2018, are as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
General obligation bonds	\$ 7 754 999	\$ -	\$ 66 106	\$ 7 688 893	\$ 43 893
Bond premiums	442 704	-	21 081	421 623	-
Accreted interest CABs	456 903	-	213 160	243 743	-
TOTAL GOVERNMENT ACTIVITIES	<u>\$ 8 654 606</u>	<u>\$ -</u>	<u>\$ 300 347</u>	<u>\$ 8 354 259</u>	<u>\$ 43 893</u>

Long - term debt consisted of the following individual issues:

	INTEREST RATES	ORIGINAL ISSUE	MATURITY	BALANCE
Governmental Activities:				
Current Interest Bonds:				
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	1.40%	\$ 43 893	2038	\$ 43 893

Debt service requirements on long-term debt at August 31, 2018, are as follows:

YEAR ENDING AUGUST 31	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
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	335 000	218 175	553 175
2024 - 2028	1 850 000	870 675	2 720 675
2029 - 2033	2 085 000	572 975	2 657 975
2034 - 2038	2 440 000	237 938	2 677 938
TOTALS	<u>\$ 7 688 893</u>	<u>\$ 3 165 070</u>	<u>\$ 10 853 963</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, 2018, as follows:

YEAR ENDING AUGUST 31	
2019	\$ 17 726
2020	17 726
2021	17 726
TOTAL MINIMUM RENTALS	<u>\$ 53 178</u>
RENTAL EXPENDITURES IN 2018	<u>\$ 29 594</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

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 2018, 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 \$29,890 for the year ended August 31, 2018. 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, 2016	\$ 25 202	\$ (1 227)	\$ 4 161	\$ 19 814
Year Ended August 31, 2017	\$ 19 814	\$ 11 354	\$ 8 828	\$ 22 340
Year Ended August 31, 2018	\$ 22 340	\$ 4 331	\$ 3 510	\$ 23 161

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, 2018

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	
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
2018 Employer Contributions	\$ 116 114	
2018 Member Contributions	\$ 302 582	
NECE 2017 On-behalf Contributions	\$ 229 263	

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases	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, 2018

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, 2017 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.

\*\* For the fiscal year ended August 31, 2018, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

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	\$ 1 872 661	\$ 1 110 842	\$ 476 505

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

At August 31, 2018, the District reported a liability of \$1,110,842 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	\$ 1 110 842
State's proportionate share of the net pension liability associated with the District	<u>2 241 400</u>
TOTAL	<u>\$ 3 352 242</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0033% which was a decrease of 0.0002% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expenses of \$170,965 and revenue of \$170,965 for support provided by the State

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

At August 31, 2018, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 16 252	\$ 59 906
Changes in actuarial assumptions	50 601	28 968
Difference between projected and actual investment earnings	170 835	251 790
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	322 418	61
District contributions paid to the TRS subsequent to the measurement date	<u>116 114</u>	<u>-</u>
TOTAL	<u>\$ 676 220</u>	<u>\$ 340 725</u>

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:

<u>Year Ended August 31</u>	<u>Pension Expense Amount</u>
2018	\$ 40 804
2019	\$ 111 712
2020	\$ 35 356
2021	\$ 12 175
2022	\$ 11 866
Thereafter	\$ 7 468

H. Defined Other Post-Employment Benefit Plans

**Plan Description**

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

**OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

**Benefits Provided**

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

**NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED**

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

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

<b>TRS-Care Plan Premium Rates</b>			
Effective September 1, 2016 - December 31, 2017			
	<b>TRS-Care 1 Basic Plan</b>	<b>TRS-Care 2 Optional Plan</b>	<b>TRS-Care 3 Optional Plan</b>
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

\* or surviving spouse

**Contributions**

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

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

	<u>2017</u>	<u>2018</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
Employer Contributions - 2017		\$ 41 249
Member Contributions - 2017		\$ 25 543
NECE On-behalf Contributions - 2018		\$ 37 863

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018.

**Actuarial Assumptions**

<b>Valuation Date</b>	August 31, 2017
<b>Methods and Assumptions:</b>	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Single Discount Rate	3.42% as of August 31, 2017
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2014.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.
Healthcare Trend Rates	Initial medical trend rates of 7.00% for non-Medicare retirees and 10.00% for Medicare retirees. Initial prescription drug trend rate of 12.00% for all retirees.
Election Rates	Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years. Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

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

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

**Other Information:** There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

**Discount Rate**

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

**Discount Rate Sensitivity Analysis**

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

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability	\$ 3 554 606	\$ 3 011 745	\$ 2 575 406

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

At August 31, 2018, the District reported a liability of \$3,011,745 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3 011 745
State's proportionate share that is associated with the District	3 166 977
TOTAL	\$ 6 178 722

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

At August 31, 2017, the employer's proportion of the collective Net OPEB Liability was 0.0069% which was the same proportion measured as of August 31, 2016.



WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. Significant plan changes were adopted during fiscal year ending August 31, 2018. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 1, 2017. This change lowered the total OPEB liability.

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$1,059,755 and revenue of \$1,059,755 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 62 872
Changes in actuarial assumptions	-	1 196 946
Difference between projected and actual investment earnings	457	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	15	-
Contributions paid to TRS subsequent to the measurement date	41 249	-
TOTAL	\$ 41 721	\$ 1 259 818

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 3 - DETAILED NOTES ON ALL FUNDS - CONTINUED

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2019	\$ (166 171)
2020	\$ (166 171)
2021	\$ (166 171)
2022	\$ (166 171)
2023	\$ (166 286)
Thereafter	\$ (428 376)

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	Hemphill ISD - Fiscal Agent
Brookeland ISD	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 - OTHER DISCLOSURES

A. Subsequent Events

Management has evaluated subsequent events through December 17, 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, 2018.

D. Prior Period Adjustment

The District made a prior period adjustment to recognize the worker's compensation liability for the beginning balance of OPEB liability in accordance with GASB Statement 75. The prior period adjustment decreased the net position of the governmental activities by \$5,317,083.

#### 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, 2018

EXHIBIT G-1

DATA CONTROL CODES		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 1 234 861	\$ 1 284 861	\$ 1 244 561	\$ (40 300)
5800	State program revenues	5 221 003	5 221 003	5 443 562	222 559
5900	Federal program revenues	70 500	70 500	188 428	117 928
5020	TOTAL REVENUES	<u>6 526 364</u>	<u>6 576 364</u>	<u>6 876 551</u>	<u>300 187</u>
	Expenditures:				
	Current:				
0011	Instruction	3 623 429	3 673 229	3 517 409	155 820
0012	Instructional resources and media services	59 912	61 912	60 181	1 731
0013	Curriculum and staff development	59 279	59 279	51 962	7 317
0021	Instructional leadership	55 925	55 925	50 874	5 051
0023	School leadership	358 226	376 226	367 656	8 570
0031	Guidance, counseling, and evaluation services	161 453	161 453	153 362	8 091
0033	Health services	87 079	89 079	86 941	2 138
0034	Student transportation	137 943	146 943	126 245	20 698
0036	Cocurricular/extracurricular activities	546 240	592 940	577 052	15 888
0041	General administration	429 653	458 169	447 851	10 318
0051	Plant maintenance and operations	692 658	716 358	683 121	33 237
0052	Security and monitoring services	6 500	14 500	13 166	1 334
0053	Data processing services	85 530	85 530	82 648	2 882
0081	Capital outlay	-	1 734	1 734	-
0093	Payments to shared service arrangements	110 000	110 000	109 668	332
0099	Other governmental charges	40 000	52 000	43 633	8 367
6030	TOTAL EXPENDITURES	<u>6 453 827</u>	<u>6 655 277</u>	<u>6 373 503</u>	<u>281 774</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>72 537</u>	<u>(78 913)</u>	<u>503 048</u>	<u>581 961</u>
	Other Financing Sources (Uses):				
8900	Transfer out	<u>(72 537)</u>	<u>(869 925)</u>	<u>(797 411)</u>	<u>72 514</u>
	TOTAL OTHER FINANCING SOURCES (USES)	<u>(72 537)</u>	<u>(869 925)</u>	<u>(797 411)</u>	<u>72 514</u>
1200	NET CHANGE IN FUND BALANCES	-	(948 838)	(294 363)	654 475
0100	Fund balances - Beginning	<u>3 883 293</u>	<u>3 883 293</u>	<u>3 883 293</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ 3 883 293</u>	<u>\$ 2 934 455</u>	<u>\$ 3 588 930</u>	<u>\$ 654 475</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, 2018

EXHIBIT G-2

DATA CONTROL CODES		1	2	3	4
		ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 294 465	\$ 294 465	\$ 280 742	\$ (13 723)
5800	State program revenues	297 714	297 714	292 675	(5 039)
5020	TOTAL REVENUES	<u>592 179</u>	<u>592 179</u>	<u>573 417</u>	<u>(18 762)</u>
	Expenditures:				
0071	Principal on long-term debt	66 106	66 106	66 106	-
0072	Interest on long-term debt	483 819	483 819	483 819	-
0073	Bond issuance costs and fees	1 500	1 500	751	749
6030	TOTAL EXPENDITURES	<u>551 425</u>	<u>551 425</u>	<u>550 676</u>	<u>749</u>
1200	NET CHANGE IN FUND BALANCES	40 754	40 754	22 741	(19 511)
0100	Fund balance - Beginning	<u>140 214</u>	<u>140 214</u>	<u>140 214</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 180 968</u>	<u>\$ 180 968</u>	<u>\$ 162 955</u>	<u>\$ (19 511)</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, 2018

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>72 537</u>	<u>869 925</u>	<u>842 921</u>	<u>27 004</u>
6030 TOTAL EXPENDITURES	<u>72 537</u>	<u>869 925</u>	<u>842 921</u>	<u>27 004</u>
1100 EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(72 537)</u>	<u>(869 925)</u>	<u>(842 921)</u>	<u>27 004</u>
Other Financing Sources (Uses):				
7900 Transfer in	<u>72 537</u>	<u>869 925</u>	<u>797 388</u>	<u>(72 537)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>72 537</u>	<u>869 925</u>	<u>797 388</u>	<u>(72 537)</u>
1200 NET CHANGE IN FUND BALANCES	-	-	(45 533)	(45 533)
0100 Fund balance - Beginning	<u>91 804</u>	<u>91 804</u>	<u>91 804</u>	<u>-</u>
3000 FUND BALANCE - ENDING	<u>\$ 91 804</u>	<u>\$ 91 804</u>	<u>\$ 46 271</u>	<u>\$ (45 533)</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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.003%	0.003%	0.003%	0.002%
District's proportionate share of the net pension liability (asset)	\$ 1 110 842	\$ 1 229 581	\$ 1 224 054	\$ 1 974 185
State's proportionate share of the net pension liability (asset) associated with the District	<u>2 241 400</u>	<u>2 713 198</u>	<u>2 699 322</u>	<u>2 263 151</u>
TOTAL	<u>\$ 3 352 242</u>	<u>\$ 3 942 779</u>	<u>\$ 3 923 376</u>	<u>\$ 4 237 336</u>
District's covered-employee payroll	\$ 3 985 215	\$ 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	27.87%	31.58%	31.47%	13.02%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	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.

See independent auditors' report.

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

EXHIBIT G-5

	2018	2017	2016	2015
Contractually required contribution	\$ 116 114	\$ 104 311	\$ 126 698	\$ 95 441
Contributions in relation to the contractually required contribution	116 114	104 311	126 698	95 441
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 3 929 636	\$ 3 985 215	\$ 3 893 177	\$ 3 889 232
Contributions as a percentage of covered-employee payroll	2.95%	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.

See independent auditors' report.



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

<b>District's Proportionate Share of Liability</b>	<b>2017</b>
District's proportion of the OPEBL	0.0069%
District's proportionate share of the OPEBL	\$ 3 011 745
State share of the OPEBL associated with the District	3 166 977
TOTAL	\$ 6 178 722
District's covered-employee payroll*	\$ 3 985 215
<i>*Prior FY TRS Gross - September through August</i>	
Proportionate share/covered payroll	75.57%
Plan fiduciary net position/total OPEB liability	0.91%

<b>District Contributions</b>	<b>2018</b>
Contractually required contribution	\$ 41 249
Contributions to required contribution	(41 249)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -
Current fiscal year TRS gross	\$ 3 929 636
Contributions to covered payroll	1.05%

Information provided by the Teacher Retirement System of Texas.

\* 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.

See independent auditors' report.

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
August 31, 2018

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.

OPEB Plan

See Note 3 for description of changes to provisions and assumptions underlying the OPEB plan.

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, 2018

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	\$ -	\$ 70 366	\$ -
1240	Due from other governments	-	21 831	-
1260	Due from other funds	-	31	-
1290	Other receivables	-	88	-
1000	TOTAL ASSETS	\$ -	\$ 92 316	\$ -
	LIABILITIES			
2160	Accrued wages payable	\$ -	\$ 10 275	\$ -
2210	Other accrued expense	-	4 850	-
2000	TOTAL LIABILITIES	-	15 125	-
	FUND BALANCES			
3450	Restricted for federal and state funds	-	77 191	-
3000	TOTAL FUND BALANCES	-	77 191	-
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 92 316	\$ -

See independent auditors' report.

EXHIBIT H-1

255 ESEA TITLE II TRAINING AND RECRUITING	289 TITLE IV, PART A STUDENT SUPPORT AND ACADEMIC ENRICHMENT	410 TEXTBOOK ALLOTMENT	429 HOUSE BILL 5 CONTINGENCY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ -	\$ 70 366
-	-	-	-	21 831
-	-	-	-	31
-	-	-	-	88
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92 316</u>
\$ -	\$ -	\$ -	\$ -	\$ 10 275
-	-	-	-	4 850
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15 125</u>
-	-	-	-	77 191
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77 191</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92 316</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, 2018

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	\$ -	\$ 78 917	\$ -
5800	State program revenues	-	2 274	-
5900	Federal program revenues	103 629	328 079	5 559
5020	TOTAL REVENUES	<u>103 629</u>	<u>409 270</u>	<u>5 559</u>
	Expenditures:			
	Current:			
0011	Instruction	100 983	-	4 974
0013	Curriculum and staff development	-	-	-
0021	Instructional leadership	2 162	-	-
0031	Guidance, counseling, and evaluation services	-	-	585
0032	Social work services	484	-	-
0035	Food services	-	379 372	-
0051	Plant maintenance and operations	-	18 805	-
6030	TOTAL EXPENDITURES	<u>103 629</u>	<u>398 177</u>	<u>5 559</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>11 093</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	-	11 093	-
0100	Fund balances - Beginning	<u>-</u>	<u>66 098</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 77 191</u>	<u>\$ -</u>

See independent auditors' report.

EXHIBIT H-2

255 ESEA TITLE II TRAINING AND RECRUITING	289 TITLE IV, PART A STUDENT SUPPORT AND ACADEMIC ENRICHMENT	410 TEXTBOOK ALLOTMENT	429 HOUSE BILL 5 CONTINGENCY	TOTAL NONMAJOR GOVERNMENTAL FUNDS
\$ -	\$ -	\$ -	\$ -	\$ 78 917
-	-	28 053	5 695	36 022
<u>16 251</u>	<u>10 000</u>	<u>-</u>	<u>-</u>	<u>463 518</u>
<u>16 251</u>	<u>10 000</u>	<u>28 053</u>	<u>5 695</u>	<u>578 457</u>
15 651	8 752	28 053	5 084	163 497
-	1 048	-	634	1 682
600	200	-	-	2 962
-	-	-	-	585
-	-	-	-	484
-	-	-	-	379 372
-	-	-	-	18 805
<u>16 251</u>	<u>10 000</u>	<u>28 053</u>	<u>5 718</u>	<u>567 387</u>
-	-	-	(23)	11 070
-	-	-	23	23
-	-	-	23	23
-	-	-	-	11 093
-	-	-	-	66 098
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 77 191</u>

#### 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, 2018

LAST 10 YEARS	(1) TAX RATES			(3)
	MAINTENANCE	DEBT SERVICE		ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
2009 and prior years	Various	Various		Various
2010	1.0400	.3400	\$	83 829 831
2011	1.0400	.3400	\$	84 155 135
2012	1.0400	.3385	\$	89 364 408
2013	1.0400	.3200	\$	91 702 843
2014	1.0400	.3150	\$	98 087 236
2015	1.0400	.3100	\$	83 438 011
2016	1.0401	.2700	\$	92 275 814
2017	1.0400	.2600	\$	98 173 077
2018 (School year under audit)	1.0400	.2600	\$	110 896 561
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
\$ 19 306	\$ -	\$ 749	\$ 110	\$ (1 092)	\$ 17 355
3 129	-	482	158	(547)	1 942
4 908	-	1 042	355	(553)	2 958
4 952	-	701	239	(578)	3 434
6 284	-	860	276	(545)	4 603
9 963	-	1 960	638	(807)	6 558
16 641	-	3 743	929	(731)	11 238
22 303	-	5 807	1 516	(1 200)	13 780
47 489	-	14 274	3 681	(2 255)	27 279
-	1 409 556	1 091 709	273 484	(4 917)	39 446
<u>\$ 134 975</u>	<u>\$ 1 409 556</u>	<u>\$ 1 121 327</u>	<u>\$ 281 386</u>	<u>\$ (13 225)</u>	<u>\$ 128 593</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended August 31, 2018

EXHIBIT J-2

DATA CONTROL CODES	1	2	3	4	
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	
Revenues:					
5700	Local and intermediate sources	\$ 63 820	\$ 63 820	\$ 78 917	\$ 15 097
5800	State program revenues	2 300	2 300	2 274	(26)
5900	Federal program revenues	<u>330 000</u>	<u>330 000</u>	<u>328 079</u>	<u>(1 921)</u>
5020	TOTAL REVENUES	<u>396 120</u>	<u>396 120</u>	<u>409 270</u>	<u>13 150</u>
Expenditures:					
0035	Food service	387 120	388 370	379 372	8 998
0051	Plant maintenance and operations	<u>9 000</u>	<u>22 900</u>	<u>18 805</u>	<u>4 095</u>
6030	TOTAL EXPENDITURES	<u>396 120</u>	<u>411 270</u>	<u>398 177</u>	<u>13 093</u>
1200	NET CHANGE IN FUND BALANCE	-	(15 150)	11 093	26 243
0100	Fund balance - Beginning	<u>66 098</u>	<u>66 098</u>	<u>66 098</u>	-
3000	FUND BALANCE - ENDING	<u>\$ 66 098</u>	<u>\$ 50 948</u>	<u>\$ 77 191</u>	<u>\$ 26 243</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, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated December 17, 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.

Lufkin, Texas  
December 17, 2018

  
CERTIFIED PUBLIC ACCOUNTANTS

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2018

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, 2018

None

WEST SABINE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
For the Year Ended August 31, 2018

None



WEST SABINE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
SCHOOL FIRST INDICATORS  
As of August 31, 2018

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.	\$ 243 743
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 1 110 842
SF13	Pension Expense (6147) at fiscal year-end.	\$ -