

**SABINE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

Introductory Section

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Sabine Independent School District
Annual Financial Report
For The Year Ended June 30, 2020

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CERTIFICATE OF BOARD

Sabine Independent School District
Name of School District

Gregg
County

092-906
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 June 30, 2020, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

(SIGNATURES ON FILE WITH TEXAS EDUCATION AGENCY)

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)

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Financial Section

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Karen A. Jacks, CPA, CGMA
Peggy J. Lantz, CPA

Chanie A. Johnson, CPA

Independent Auditors' Report

To the Board of Trustees
Sabine Independent School District
5424 FM 1252 W
Gladewater, Texas 75647

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 the Sabine Independent School District ("the District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sabine Independent School District as of June 30, 2020, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, in 2020, Sabine Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, "Fiduciary Activities". Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sabine Independent School District's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards 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 nonmajor fund financial statements and other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020 on our consideration of Sabine Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the District's 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 Sabine Independent School District's internal control over financial reporting and compliance.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
October 29, 2020

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

In this section of the Annual Financial Report, we, the managers of Sabine Independent School District, discuss and analyze the District's financial performance for the fiscal year ended June 30, 2020. Please read it in conjunction with the Independent Auditors' Report on page 9, and the District's Basic Financial Statements that begin on page 20.

In the June 30, 2018 fiscal year, the District implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB). The implementation of this statement required a restatement of prior period net position related to the District's estimated proportionate share of the State's estimated future costs under Teacher Retirement System of Texas (TRS) retiree healthcare program, TRS-Care. The restatement increased long-term assets, increased long-term liabilities and decreased net position by \$9,101,886. This follows the implementation in 2014-15 of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, which lowered net position by \$1,020,796 to record the District's estimated proportionate share of the State of Texas' estimated future costs under the TRS pension program.

The effects of these two prior year restatements, and the significant annual adjustments the Statements require, result in Government-wide financial statements that do not allow stakeholders to properly assess the educational programs and operating results of the District. The Management Discussion and Analysis therefore will distinguish between the District's operational activities and the effects of these GASB accounting pronouncements related to pensions and OPEB.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 20 and 21). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 22) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. The remaining statement, a fiduciary statement, provides financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements (starting on page 33) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The section labeled Other Supplementary Information Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 20. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's Net Position and changes in it. The District's net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has two types of activities:

Governmental Activities - Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, general administration, and debt service. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Fiduciary Activities – The District is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. 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 position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements begin on page 22 and provide detailed information about the most significant funds - not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (such as campus activities). The District's governmental funds are described below:

Governmental funds - Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in the Statement of Fiduciary Net Position on page 31. We exclude these resources from the

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$3,424,265 to \$4,999,988. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) was \$(3,297,196) at June 30, 2020. The change in net position from District operations was \$2,104,574. That was offset by the net of \$(554,578) for current year adjustments related to pension and postemployment benefits reporting requirements and a positive prior period adjustment of \$25,727.

Table I
SABINE INDEPENDENT SCHOOL DISTRICT
NET POSITION

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Net Position Exclusive of Adjustments for Pensions and OPEB		
Assets		
Current Assets	\$ 9,637,853	\$ 7,319,111
Capital Assets	25,013,297	25,485,948
Total Assets	<u>34,651,150</u>	<u>32,805,059</u>
Liabilities		
Current Liabilities	1,596,718	1,524,593
Noncurrent Liabilities	18,149,277	18,505,612
Total Liabilities	<u>19,745,995</u>	<u>20,030,205</u>
Net Position:		
Invested in Capital Assets	6,864,020	6,980,336
Restricted	1,433,164	1,124,840
Unrestricted	6,607,971	4,669,678
Total Net Position Exclusive of Adjustments for Pensions and OPEB	<u>\$14,905,155</u>	<u>\$12,774,854</u>
Net Position Related to Pensions and OPEB		
Deferred Outflows of Resources		
Deferred Outflows	\$ 2,469,239	\$ 2,718,413
Total Deferred Outflows of Resources	<u>2,469,239</u>	<u>2,718,413</u>
Liabilities		
Noncurrent Liabilities	9,125,542	9,810,085
Total Liabilities	<u>9,125,542</u>	<u>9,810,085</u>
Deferred Inflows of Resources		
Deferred Inflows	3,248,864	2,258,917
Total Deferred Inflows of Resources	<u>3,248,864</u>	<u>2,258,917</u>
Net Position:		
Unrestricted	(9,905,167)	(9,350,589)
Total Net Position related to Pensions and OPEB	<u>\$ (9,905,167)</u>	<u>\$ (9,350,589)</u>
Total Net Position:		
Invested in Capital Assets	6,864,020	6,980,336
Restricted	1,433,164	1,124,840
Unrestricted	(3,297,196)	(4,680,911)
Total Net Position	<u>\$ 4,999,988</u>	<u>\$ 3,424,265</u>

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Approximately 14% of the District's restricted net position represents proceeds from the member districts of the Gregg County Special Education Shared Services Arrangement. These proceeds, when spent, are restricted for expenses of the shared services arrangement (SSA). The balance of restricted net position represents funds restricted for other local, State, and federal programs. The \$6.7 million of unrestricted net position exclusive of adjustments for pensions and OPEB represents resources available to fund the programs of the District next year.

Current year adjustments to net pension and OPEB increased the liability balances by \$305,404.

Table II
SABINE INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

Changes in Net Position Exclusive of Adjustments for Pensions and OPEB

	Governmental Activities	
	2020	2019
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,648,343	\$ 1,384,056
Operating Grants and Contributions	2,769,337	2,429,671
General Revenues:		
Maintenance and Operations Taxes	3,952,329	4,239,569
Debt Service Taxes	1,067,688	1,049,486
State Aid - Formula Grants	9,351,894	6,934,982
Investment Earnings and Miscellaneous	195,103	309,168
Total Revenues	<u>18,984,694</u>	<u>16,346,932</u>
Expenses:		
Instruction, Curriculum and Media Services	8,840,251	8,044,045
Instructional and School Leadership	1,279,034	1,176,491
Student Support	3,392,246	3,147,559
General Administration	572,346	562,664
Plant Maintenance, Security and Data Processing	1,614,804	1,581,659
Community Services	5,459	12,967
Long-term Debt	778,821	787,812
Shared Service Arrangements and Other Governmental Charges	397,159	359,960
Total Expenses	<u>16,880,120</u>	<u>15,673,157</u>
Change in Net Position	2,104,574	673,775
Prior Period Adjustment	25,727	-
Net Position at Beginning of Year	<u>12,774,854</u>	<u>12,101,079</u>
Net Position at End of Year	<u>\$14,905,155</u>	<u>\$12,774,854</u>

Changes in Net Position Related to Pensions and OPEB

	2020	2019
Revenues:		
Program Revenues:		
Operating Grants and Contributions	\$ 562,025	\$ 438,116
Total Revenues	<u>562,025</u>	<u>438,116</u>
Expenses:		
Instruction, Curriculum and Media Services	697,740	528,260
Instructional and School Leadership	103,335	82,186
Student Support	217,579	168,590
General Administration	45,599	36,675
Plant Maintenance, Security and Data Processing	52,350	45,389
Community Services	-	225
Total Expenses	<u>1,116,603</u>	<u>861,325</u>
Change in Net Position	<u>(554,578)</u>	<u>(423,209)</u>
Net Position at Beginning of Year	<u>(9,350,589)</u>	<u>(8,927,380)</u>
Net Position at End of Year	<u>\$(9,905,167)</u>	<u>\$(9,350,589)</u>

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
Total Change in Net Position		
Program Revenues	\$ 4,979,705	\$ 4,251,843
General Revenues	14,567,014	12,533,205
Total Expenses	<u>(17,996,723)</u>	<u>(16,534,482)</u>
Changes in Net Position	1,549,996	250,566
Prior Period Adjustment	25,727	-
Beginning Net Position	<u>3,424,265</u>	<u>3,173,699</u>
Ending Net Position	<u>\$ 4,999,988</u>	<u>\$ 3,424,265</u>

Exclusive of adjustments for pension and OPEB, the District's total revenues increased approximately 16% for the year, while the total cost of all programs and services increased approximately 8%.

Although the District's total revenues showed a net increase of approximately 16%, charges for services increased 19%, operating grants and contributions increased 14%, maintenance and operations taxes decreased 7%, debt service taxes increased 2%, State aid – formula grants increased 35%, and miscellaneous revenues decreased 37%. The significant factors for these variances are explained as follows:

Charges for services increased \$264,287 from 2019 mainly because the district contributions to the Special Education Shared Services Arrangement increased in 2020.

Maintenance and operations taxes decreased by \$287,240 mainly due to the State mandated decrease in the tax rate upon which the taxes were levied for 2020.

State revenues increased \$2,416,912 from 2019. The State foundation revenue increased due to the changes in funding formulas at the State level, providing the district more funding.

Miscellaneous revenues decreased \$114,065 from 2019. This was mainly due to a decrease in donations and interest income in 2020.

The adjustments made for pension and OPEB for the requirements of GASB statements 68 and 75 during the year resulted in revenue of \$562,025 and expenses of \$1,116,603.

Exclusive of adjustments for pension and OPEB, the cost of all governmental activities this year was \$16,880,120. However, as shown in the Statement of Activities on page 21, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$5,020,017 because some of the costs were paid by those who directly benefited from the programs (\$1,648,343) or by other governments and organizations that subsidized certain programs with grants and contributions (\$12,316,334).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 22) reported a combined fund balance of \$7,896,366, which is above last year's total of \$5,660,578. Included in this year's total change in fund balance is an increase of \$2,008,620 in the District's General Fund, an increase in the fund balance of the Debt Service Fund of \$240,845, and an increase of the fund balance in the Capital Projects Fund of \$2,477. The decrease in the remaining non-major special revenue funds was a net of \$16,154.

The increase in the General Fund's fund balance was due mainly to an increase in revenues of \$2,322,933 and a net decrease in various expenditures of \$533,936. The restricted fund balance in the Debt Service Fund, which

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

is set aside for payments related to the 2013 bond issue, increased due to a rise in tax and State funding. The restricted fund balance in the Capital Projects Fund, which is set aside for the construction, completion, and furnishing of the new elementary campus, increased mainly due to interest earned on investments.

Over the course of the year, the Board of Trustees revised the District's budgeted revenues and expenditures several times. These budget amendments were mainly adjusting the tax and State revenues, adding appropriations related to donations for the athletic program, decreasing payroll-related appropriations, and minor adjustments involving moving of funds from programs that did not need all the resources originally appropriated to them to programs with resource needs. The net increase in budgeted revenues was \$866,640. Tax revenue increased by \$10,800 due to the increase in the certified tax base over the base used for the original budget and decreased delinquent collections. The State revenue received increased by \$674,570, which was caused by the student attendance rising and the additional State aid compensating for the lost tax revenue. The budgeted federal revenue was related to an increase in the SHARS revenue received for services performed with Medicaid-eligible students. Overall, the budgeted expenditures decreased by \$549,605 in the General Fund as noted in Exhibit C-4. This net decrease was mainly caused by the reduction available because of the federal ESSER grant and other reductions in various areas because our district was not in full operation from March to May as a result of the COVID pandemic.

CAPITAL ASSET ADMINISTRATION

Capital Assets

At the end of 2020, the District had \$38,396,294 invested in a broad range of capital assets, including facilities, and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$401,954 or approximately 1%.

This year's major changes were vehicle purchases, various equipment purchases, a roofing project, and a batting cage at the softball field.

UNCERTAINTY

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Also on March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic.

On August 4, 2020, TEA issued updated public planning health guidance related to instructional and operational flexibilities in planning for the 2020-2021 school year to address on campus and virtual instruction, administrative and extracurricular activities, and school visits. Within the guidance are details on screening mechanisms, identification of symptoms, and procedures for confirmed, suspected, and exposed cases. Schools are highly encouraged to engage in mitigation practices promoting health and hygiene consistent with CDC guidelines (including social distancing, facial coverings, frequent disinfecting of all areas, limiting visitations, etc.) to avoid unnecessary exposure to others to prevent the spread of COVID-19.

The TEA recently advised districts that for the 2020-2021 school year district funding will return to being based on ADA ("Average Daily Attendance") calculations requiring attendance to be taken. However, the TEA is crafting an approach for determining ADA that provides districts with several options for determining daily attendance. These include remote synchronous instruction, remote asynchronous instruction, on campus instruction, and the Texas Virtual Schools Network. To stabilize funding expectations, districts will be provided an ADA grace period for the first two six weeks of Foundation School Program reporting. In addition to this grace period, districts will also have an attendance grace period for remote asynchronous instruction plan approval, which continues through the end of the third six weeks. Following the initial grace period, the return to funding based on ADA

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

calculations requiring attendance to be taken during the Pandemic may have a negative impact on revenues available to the District for operations and maintenance if students do not take part in the instruction options made available by the District.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the District. Additionally, State funding of District operations and maintenance in future fiscal years could be adversely impacted by the negative effects on economic growth and financial markets resulting from the Pandemic as well as ongoing disruptions in the global oil markets.

The District continues to monitor the spread of COVID-19 and is working with local, State, and federal agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials and administration considered many factors when setting the 2021 fiscal year budgets and tax rates. The bond payment of \$1,073,182 that will be paid from the Debt Service Fund is more than the payment in 2020. The student population and attendance is expected to remain static from 2020. Amounts available for appropriation in the General Fund budget are \$14,130,437, an increase of 12% from the final 2020 budget of \$12,578,153.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Sabine Independent School District, 5424 FM 1252 W, Gladewater, TX 75647.

Basic Financial Statements

SABINE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF NET POSITION**

JUNE 30, 2020

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 5,807,852
1225	Property Taxes Receivable (Net)	440,883
1240	Due from Other Governments	3,330,966
1290	Other Receivables (Net)	219
1300	Inventories	37,594
1410	Unrealized Expenses	20,339
Capital Assets:		
1510	Land	1,102,064
1520	Buildings and Improvements, Net	23,329,890
1530	Furniture and Equipment, Net	581,343
1000	Total Assets	<u>34,651,150</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow Related to Pensions	1,810,708
	Deferred Outflow Related to OPEB	658,531
1700	Total Deferred Outflows of Resources	<u>2,469,239</u>
LIABILITIES:		
2110	Accounts Payable	25,164
2140	Interest Payable	296,114
2165	Accrued Liabilities	1,216,131
2180	Due to Other Governments	55,494
2300	Unearned Revenue	3,815
Noncurrent Liabilities:		
2501	Due Within One Year	330,198
2502	Due in More Than One Year	17,819,079
2540	Net Pension Liability	3,606,703
2545	Net OPEB Liability	5,518,839
2000	Total Liabilities	<u>28,871,537</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Pensions	734,646
	Deferred Inflow Related to OPEB	2,514,218
2600	Total Deferred Inflows of Resources	<u>3,248,864</u>
NET POSITION:		
3200	Net Investment in Capital Assets	6,864,020
Restricted For:		
3820	State and Federal Programs	142,593
3850	Debt Service	788,601
3860	Capital Projects	146,862
3870	Campus Activities	107,731
3890	Other Purposes	247,377
3900	Unrestricted	(3,297,196)
3000	Total Net Position	<u>\$ 4,999,988</u>

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Program Revenues		Governmental Activities
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 9,284,686	\$ 743,622	\$ 1,877,400	\$ (6,663,664)
12	Instructional Resources and Media Services	199,935	--	8,999	(190,936)
13	Curriculum and Staff Development	53,370	2,839	29,810	(20,721)
21	Instructional Leadership	422,151	212,736	38,653	(170,762)
23	School Leadership	960,218	--	97,522	(862,696)
31	Guidance, Counseling, & Evaluation Services	1,119,822	279,321	490,396	(350,105)
33	Health Services	121,465	--	13,417	(108,048)
34	Student Transportation	394,545	--	27,442	(367,103)
35	Food Service	901,989	205,785	537,620	(158,584)
36	Cocurricular/Extracurricular Activities	1,072,004	146,510	48,527	(876,967)
41	General Administration	617,945	30,146	48,404	(539,395)
51	Facilities Maintenance and Operations	1,449,292	10,338	68,869	(1,370,085)
52	Security and Monitoring Services	120,163	--	4,198	(115,965)
53	Data Processing Services	97,699	9,815	6,744	(81,140)
61	Community Services	5,459	--	--	(5,459)
72	Interest on Long-term Debt	778,381	--	--	(778,381)
73	Bond Issuance Costs and Fees	440	--	--	(440)
93	Payments Related to Shared Services Arrangements	337,243	7,231	33,361	(296,651)
99	Other Intergovernmental Charges	59,916	--	--	(59,916)
TG	Total Governmental Activities	17,996,723	1,648,343	3,331,362	(13,017,018)
TP	Total Primary Government	\$ 17,996,723	\$ 1,648,343	\$ 3,331,362	(13,017,018)
General Revenues:					
MT	Property Taxes, Levied for General Purposes				3,952,329
DT	Property Taxes, Levied for Debt Service				1,067,688
IE	Investment Earnings				70,121
GC	Grants and Contributions Not Restricted to Specific Programs				9,351,894
MI	Miscellaneous				124,982
TR	Total General Revenues				14,567,014
CN	Change in Net Position				1,549,996
NB	Net Position - Beginning				3,424,265
PA	Prior Period Adjustment				25,727
	Net Position - Beginning, as Restated				3,449,992
NE	Net Position - Ending				\$ 4,999,988

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2020

Data Control Codes	10	
	General Fund	IDEA-B Formula
ASSETS:		
1110 Cash and Cash Equivalents	\$ 4,112,369	\$ --
1225 Taxes Receivable, Net	357,346	--
1240 Due from Other Governments	2,855,518	217,987
1260 Due from Other Funds	257,465	--
1290 Other Receivables	219	--
1300 Inventories	10,307	--
1410 Unrealized Expenditures	20,339	--
1000 Total Assets	<u>7,613,563</u>	<u>217,987</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 24,395	\$ --
2150 Payroll Deductions & Withholdings	1,112	--
2160 Accrued Wages Payable	874,518	121,313
2170 Due to Other Funds	115	78,815
2180 Due to Other Governments	7,660	--
2200 Accrued Expenditures	47,792	17,859
2300 Unearned Revenue	--	--
2000 Total Liabilities	<u>955,592</u>	<u>217,987</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Revenue	357,346	--
2600 Total Deferred Inflows of Resources	<u>357,346</u>	<u>--</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3410 Inventories	10,307	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3480 Retirement of Long-Term Debt	--	--
3490 Other Restrictions of Fund Balance	50,000	--
Committed Fund Balances:		
3530 Capital Expenditures for Equipment	320,770	--
3545 Other Committed Fund Balance	253,753	--
3600 Unassigned	5,665,795	--
3000 Total Fund Balances	<u>6,300,625</u>	<u>--</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 7,613,563</u>	<u>\$ 217,987</u>

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 989,341	\$ 706,142	\$ 5,807,852
83,537	--	440,883
11,837	245,624	3,330,966
--	115	257,580
--	--	219
--	27,287	37,594
--	--	20,339
<u>1,084,715</u>	<u>979,168</u>	<u>9,895,433</u>
\$ --	\$ 769	\$ 25,164
--	--	1,112
--	147,292	1,143,123
--	178,650	257,580
--	47,834	55,494
--	6,245	71,896
--	3,815	3,815
<u>--</u>	<u>384,605</u>	<u>1,558,184</u>
83,537	--	440,883
<u>83,537</u>	<u>--</u>	<u>440,883</u>
--	27,287	37,594
--	115,306	115,306
1,001,178	--	1,001,178
--	344,239	394,239
--	--	320,770
--	107,731	361,484
--	--	5,665,795
<u>1,001,178</u>	<u>594,563</u>	<u>7,896,366</u>
\$ <u>1,084,715</u>	\$ <u>979,168</u>	\$ <u>9,895,433</u>

SABINE INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020*

Total fund balances - governmental funds balance sheet	\$ 7,896,366
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	25,013,297
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	440,883
Payables for bond principal which are not due in the current period are not reported in the funds.	(17,745,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(296,114)
Payables for notes which are not due in the current period are not reported in the funds.	(191,350)
Bond premiums are amortized in the SNA but not in the funds.	(212,928)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(3,606,703)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(734,646)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,810,708
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(5,518,839)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,514,218)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	658,531
Rounding difference	1
Net position of governmental activities - Statement of Net Position	\$ <u>4,999,988</u>

The accompanying notes are an integral part of this statement.

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SABINE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes		10	General Fund	IDEA-B Formula
REVENUES:				
5700	Local and Intermediate Sources	\$	4,242,500	\$ --
5800	State Program Revenues		9,797,634	--
5900	Federal Program Revenues		283,929	919,420
5020	Total Revenues		14,324,063	919,420
EXPENDITURES:				
Current:				
0011	Instruction		6,781,668	485,219
0012	Instructional Resources and Media Services		147,544	--
0013	Curriculum and Staff Development		20,585	--
0021	Instructional Leadership		124,996	--
0023	School Leadership		838,026	--
0031	Guidance, Counseling, & Evaluation Services		297,045	421,278
0033	Health Services		112,402	--
0034	Student Transportation		460,687	--
0035	Food Service		--	--
0036	Cocurricular/Extracurricular Activities		797,524	--
0041	General Administration		540,724	--
0051	Facilities Maintenance and Operations		1,356,500	--
0052	Security and Monitoring Services		96,182	--
0053	Data Processing Services		83,096	--
0061	Community Services		5,305	--
0071	Principal on Long-term Debt		82,077	--
0072	Interest on Long-term Debt		1,646	--
0073	Bond Issuance Costs and Fees		--	--
0081	Capital Outlay		223,281	--
0093	Payments to Shared Service Arrangements		286,239	12,923
0099	Other Intergovernmental Charges		59,916	--
6030	Total Expenditures		12,315,443	919,420
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures		2,008,620	--
1200	Net Change in Fund Balances		2,008,620	--
0100	Fund Balances - Beginning		4,292,005	--
1300	Prior Period Adjustment		--	--
	Fund Balances - Beginning, as Restated		4,292,005	--
3000	Fund Balances - Ending	\$	6,300,625	\$ --

The accompanying notes are an integral part of this statement.

50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 1,074,240	\$ 1,283,902	\$ 6,600,642
220,626	263,923	10,282,183
--	919,628	2,122,977
<u>1,294,866</u>	<u>2,467,453</u>	<u>19,005,802</u>
--	915,758	8,182,645
--	440	147,984
--	32,785	53,370
--	267,567	392,563
--	6,827	844,853
--	292,475	1,010,798
--	--	112,402
--	--	460,687
--	799,901	799,901
--	74,626	872,150
--	31,565	572,289
--	10,826	1,367,326
--	--	96,182
--	10,279	93,375
--	--	5,305
260,000	--	342,077
793,581	--	795,227
440	--	440
--	--	223,281
--	38,081	337,243
--	--	59,916
<u>1,054,021</u>	<u>2,481,130</u>	<u>16,770,014</u>
240,845	(13,677)	2,235,788
<u>240,845</u>	<u>(13,677)</u>	<u>2,235,788</u>
760,333	582,513	5,634,851
--	25,727	25,727
760,333	608,240	5,660,578
<u>\$ 1,001,178</u>	<u>\$ 594,563</u>	<u>\$ 7,896,366</u>

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 JUNE 30, 2020*

Net change in fund balances - total governmental funds	\$ 2,235,788
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	451,394
The depreciation of capital assets used in governmental activities is not reported in the funds.	(920,423)
The gain or loss on the sale of capital assets is not reported in the funds.	(3,622)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(17,484)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	260,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	82,077
(Increase) decrease in accrued interest from beginning of period to end of period.	2,588
Bond premiums are reported in the funds but not in the SOA.	14,258
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	268,339
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(887,315)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	102,137
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	94,653
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(388,722)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	256,330
Rounding difference	(2)
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,549,996</u>

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICT**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES****IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2020****EXHIBIT C-4**

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 4,162,887	\$ 4,244,957	\$ 4,242,500	\$ (2,457)
5800	State Program Revenues	9,194,674	9,869,244	9,797,634	(71,610)
5900	Federal Program Revenues	175,000	285,000	283,929	(1,071)
5020	Total Revenues	13,532,561	14,399,201	14,324,063	(75,138)
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	7,253,417	6,867,297	6,781,668	85,629
0012	Instructional Resources and Media Services	157,733	152,839	147,544	5,295
0013	Curriculum and Staff Development	52,226	26,411	20,585	5,826
	Total Instruction & Instr. Related Services	7,463,376	7,046,547	6,949,797	96,750
Instructional and School Leadership:					
0021	Instructional Leadership	127,686	126,906	124,996	1,910
0023	School Leadership	844,905	847,976	838,026	9,950
	Total Instructional & School Leadership	972,591	974,881	963,022	11,859
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	296,335	300,520	297,045	3,475
0033	Health Services	113,721	114,005	112,402	1,603
0034	Student (Pupil) Transportation	506,654	485,104	460,687	24,417
0036	Cocurricular/Extracurricular Activities	922,430	810,625	797,524	13,101
	Total Support Services - Student (Pupil)	1,839,140	1,710,253	1,667,658	42,595
Administrative Support Services:					
0041	General Administration	557,839	551,002	540,724	10,278
	Total Administrative Support Services	557,839	551,002	540,724	10,278
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,442,822	1,433,267	1,356,500	76,767
0052	Security and Monitoring Services	96,730	98,870	96,182	2,688
0053	Data Processing Services	82,735	83,119	83,096	23
	Total Support Services - Nonstudent Based	1,622,287	1,615,256	1,535,778	79,478
Ancillary Services:					
0061	Community Services	8,800	6,250	5,305	945
	Total Ancillary Services	8,800	6,250	5,305	945
Debt Service:					
0071	Principal on Long-Term Debt	82,078	82,078	82,077	1
0072	Interest on Long-Term Debt	1,647	1,647	1,646	1
	Total Debt Service	83,725	83,725	83,723	2
Capital Outlay:					
0081	Capital Outlay	249,000	244,000	223,281	20,719
	Total Capital Outlay	249,000	244,000	223,281	20,719

SABINE INDEPENDENT SCHOOL DISTRICT**GENERAL FUND****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES****IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL****FOR THE YEAR ENDED JUNE 30, 2020****EXHIBIT C-4**

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
	Intergovernmental Charges:				
0093	<i>Payments to Fiscal Agent/Member Dist.-SSA</i>	251,000	286,239	286,239	--
0099	<i>Other Intergovernmental Charges</i>	80,000	60,000	59,916	84
	Total Intergovernmental Charges	331,000	346,239	346,155	84
6030	Total Expenditures	13,127,758	12,578,153	12,315,443	262,710
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	404,803	1,821,048	2,008,620	187,572
1200	Net Change in Fund Balance	404,803	1,821,048	2,008,620	187,572
0100	Fund Balance - Beginning	4,292,005	4,292,005	4,292,005	--
3000	Fund Balance - Ending	\$ 4,696,808	\$ 6,113,053	\$ 6,300,625	\$ 187,572

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICT*STATEMENT OF FIDUCIARY NET POSITION**FIDUCIARY FUNDS**JUNE 30, 2020*

		Custodial Fund
Data Control Codes		Student Activity
	ASSETS:	
1110	<i>Cash and Cash Equivalents</i>	\$ 112,168
1000	Total Assets	<u>112,168</u>
	LIABILITIES:	
2000	Total Liabilities	<u>--</u>
	NET POSITION:	
	Restricted For:	
3800	<i>Student Groups</i>	112,168
3000	Total Net Position	<u>\$ 112,168</u>

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	Custodial Funds
	Student Activity
Additions:	
Fundraising Activity	\$ 129,544
Total Additions	<u>129,544</u>
Deductions:	
Student Activities	106,826
Total Deductions	<u>106,826</u>
Change in Net Position	22,718
Net Position - Beginning	--
Prior Period Adjustment	89,450
Net Position - Beginning, as Restated	<u>89,450</u>
Net Position-End of the Year	<u><u>\$ 112,168</u></u>

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

A. Summary of Significant Accounting Policies

The basic financial statements of 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.

1. 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 judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: The District accounts for resources used to repay debt of the District in the Debt Service Fund.

IDEA-B Formula - Special Revenue Fund: The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Federal assistance restricted to special education services is accounted for in this fund, and sometimes unused balances must be returned to the grantor at the close of the specified project periods.

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

In addition, the District reports the following fund types:

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

Capital Projects Fund: The fund is used to account for construction costs of the District's capital projects.

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources on behalf of student groups.

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

b. Measurement Focus, 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 considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At June 30, 2020, the District reported an allowance for uncollectible taxes of \$110,222.

b. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies as well as instructional supplies.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital 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:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

d. Deferred Outflows and Inflows of Resources

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

e. Receivable and Payable Balances

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

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

f. Interfund Activity

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

g. Use of Estimates

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

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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 by a resolution of the Board of Trustees. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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

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

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide 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.

k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. 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.

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in the notes to the government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosures in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements,

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and placements of debt separately from other debt.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement.

GASB Statement No. 84, *Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 92, *Omnibus 2020*

Although the effective date for the majority of GASB Statement No. 92, *Omnibus 2020* has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not have an impact on the District.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.*

This District has adopted paragraphs 4 and 5 of GASB Statement No. 97. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board would typically perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefits Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal year beginning after June 15, 2020. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic,

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

GASB Statement No. 95, *Postponement of the Effective Date of Certain Authoritative Guidance* is currently in effect to postpone the effective dates for certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective date for the following pronouncement was postponed by 18 months:

Statement No. 87, *Leases*

B. Deposits and Investments

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

1. Cash Deposits:

At June 30, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,818,432 and the bank balance was \$3,904,247. The District's cash deposits at June 30, 2020 and during the year ended June 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The 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.

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The District's investments at June 30, 2020 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	43-59 days	\$ 338,533
Texpool	36 days	27,599
MBIA-Texas Class	51 days	1,732,470
Total Investments		<u>\$ 2,098,602</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At June 30, 2020, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

<u>Investment</u>	<u>Standards & Poor's Rating</u>
Lone Star Investment Pool	AAAm
Texpool	AAAm
MBIA-Texas Class	AAAm

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

Lone Star Investment Pool

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAAM by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government Overnight, Corporate Overnight and Corporate Overnight Plus maintain a net asset value of one dollar.

TexPool

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

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FOR THE YEAR ENDED JUNE 30, 2020

Texas CLASS

The District invests in Texas CLASS, which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The pool is governed by a board of trustees, elected annually by its participants. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the "Participants"), Public Trust Advisors LLC (PTA) as Program Administrator and Wells Fargo Bank Texas, N.A. as Custodian. Texas CLASS is rated at a AAAm or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Texas CLASS seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

C. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,066,114	\$ 35,950	\$ --	\$ 1,102,064
Construction in progress	15,100	--	15,100	--
Total capital assets not being depreciated	1,081,214	35,950	15,100	1,102,064
<i>Capital assets being depreciated:</i>				
Buildings and improvements	34,239,000	202,431	--	34,441,431
Equipment	1,310,909	95,172	49,440	1,356,641
Vehicles	1,363,217	132,941	--	1,496,158
Total capital assets being depreciated	36,913,126	430,544	49,440	37,294,230
Less accumulated depreciation for:				
Buildings and improvements	(10,403,330)	(708,211)	--	(11,111,541)
Equipment	(983,498)	(46,125)	--	(1,029,623)
Vehicles	(1,121,564)	(166,087)	(45,818)	(1,241,833)
Total accumulated depreciation	(12,508,392)	(920,423)	(45,818)	(13,382,997)
Total capital assets being depreciated, net	24,404,734	(489,879)	3,622	23,911,233
Governmental activities capital assets, net	\$ 25,485,948	\$ (453,929)	\$ 18,722	\$ 25,013,297

Depreciation was charged to functions as follows:

Instruction	\$ 442,418
Instructional Resources and Media Services	46,106
Instructional Leadership	1,495
School Leadership	40,123
Guidance, Counseling, & Evaluation Services	5,195
Health Services	219
Student Transportation	49,212
Food Services	89,514
Extracurricular Activities	161,239
General Administration	57
Plant Maintenance and Operations	63,401
Security and Monitoring Services	21,290
Community Services	154
	<u>\$ 920,423</u>

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	IDEA-B Formula	\$ 78,815	grant reimbursements
General Fund	Other Governmental Funds	178,535	grant reimbursements
	Total	<u>\$ 257,350</u>	

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

E. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 18,005,000	\$ --	\$ 260,000	\$ 17,745,000	\$ 290,000
Notes	273,427	--	82,077	191,350	40,198
Unamortized bond premium	227,186	--	14,258	212,928	--
Net Pension Liability*	3,951,686	(102,137)	242,846	3,606,703	--
Net OPEB Liability*	5,858,399	(256,736)	82,824	5,518,839	--
Total governmental activities	<u>\$ 28,315,698</u>	<u>\$ (358,873)</u>	<u>\$ 682,005</u>	<u>\$ 27,274,820</u>	<u>\$ 330,198</u>

*Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type
Net Pension Liability*	Governmental
Net OPEB Liability*	Governmental

2. Notes Payable

Local Government Code Section 271.005 gives the District the authority to enter into installment agreements for the purchase of personal property.

The following is a summary of notes payable outstanding at June 30, 2020:

Purpose:	Interest Rates	Maturity Date	Amount
Governmental Activities - Capital purchases	0.25%	2/28/2025	\$ 191,350

SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

3. Bonds Payable

Bonds payable currently outstanding are as follows:

Name:	Interest Rates	Maturity Date	Amount
Series 2013 Unlimited Tax School Building Bonds	4.00 - 5.00%	2/15/2043	\$ 17,745,000

4. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2020, are as follows:

Year Ending June 30,	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest	
2021	\$ 290,000	\$ 783,181	\$ 40,199	\$ 442	\$ 1,113,822
2022	330,000	771,581	40,299	342	1,142,222
2023	340,000	758,382	40,399	240	1,139,021
2024	430,000	744,781	40,500	140	1,215,421
2025	460,000	727,581	29,953	38	1,217,572
2026-2030	2,890,000	3,334,906	--	--	6,224,906
2031-2035	4,080,000	2,652,831	--	--	6,732,831
2036-2040	5,175,000	1,690,850	--	--	6,865,850
2040-2043	3,750,000	381,000	--	--	4,131,000
Totals	\$ 17,745,000	\$ 11,845,093	\$ 191,350	\$ 1,202	\$ 29,782,645

F. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

G. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is 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

Detail 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

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<https://www.trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting "About TRS" then "Publications" then "Financial Reports" or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the 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 (1.) above.

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.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the State, participating employers, and active employees to make the pension fund more actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity of \$2,000, whichever was less.

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended the Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for the fiscal years 2020 through 2025.

Contribution Rates		
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	7.5%
Employers	6.8%	7.5%

The contribution amounts for the District's fiscal year 2019 are as follows:

District's 2020 Employer Contributions	\$	268,943
District's 2020 Member Contributions	\$	741,194
2019 NECE On-Behalf Contributions (state)	\$	467,873

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

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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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data 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."

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Last Year Ending August 31 in Projection	2116
Period (100 years)	
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

6. Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and retired rehires.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments to 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 7.25%. 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, 2019 are summarized below:

Teacher Retirement System of Texas
Asset Allocation and Long-Term Expected Rate of Return
As of August 31, 2019

Asset Class	FY 2019 Target Allocation (1) %	New Target Allocation (2) %	Long-Term Expected Geometric Real Rate of Return (3)
Global Equity			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries (4)	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds (4)	3.0%	0.0%	0.0%
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%

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NOTES TO THE FINANCIAL STATEMENTS

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Risk Parity			
Risk Parity	5.0%	8.0%	5.8% / 6.5% (5)
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	0.0%	(6.0%)	2.7%
Expected Return	100.0%	100.0%	7.23%

(1) Target allocations are based on the Strategic Asset Allocation as of FY2019.

(2) New allocations are based on the Strategic Asset Allocation to be implemented FY2020.

(3) 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

(4) New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

(5) 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability	\$ 5,544,026	\$ 3,606,703	\$ 2,037,097

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

At June 30, 2020, the District reported a liability of \$3,606,703 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	\$ 3,606,703
State's proportionate share that is associated with District	6,949,048
Total	<u>\$ 10,555,751</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was .0069382182%, which was a decrease of .0002411277% from its proportion measured as of August 31, 2018.

Changes Since the Prior Actuarial Valuation -

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- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000 whichever is less.

For the year ended June 30, 2020, the District recognized pension expense of \$1,838,425 and revenue of \$1,091,598 for support provided by the state.

At June 30, 2020, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 15,151	\$ 125,230
Changes in actuarial assumptions	1,118,976	462,414
Difference between projected and actual investment earnings	36,215	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	410,378	147,002
Contributions paid to TRS subsequent to the measurement date	229,988	--
Total	<u>\$ 1,810,708</u>	<u>\$ 734,646</u>

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

Year Ended June 30	Pension Expense Amount
2021	\$ 253,474
2022	\$ 206,989
2023	\$ 204,218
2024	\$ 184,661
2025	\$ 35,151
Thereafter	\$ (38,419)

H. Defined Other Post-Employment Benefit Plans

1. 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

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

1575.

2. OPEB Plan Fiduciary Net Position

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

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. 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 retirees are reflected in the following table.

TRS-Care Monthly for Retirees
January 1, 2019 thru December 31, 2019

	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

4. 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 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75 percent 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.

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Contribution Rates

	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%

The contributions amounts for the District's fiscal year 2019 are as follows:

District's 2020 Employer Contributions	\$	94,246
District's 2020 Member Contributions	\$	62,568
2019 NECE On-Behalf Contributions (state)	\$	110,048

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS Care OPEB program). When hiring a TRS retiree, employers 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 \$73.6 million in fiscal year 2019.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

--- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30 percent.

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--- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.

--- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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

6. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% 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.

7. 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 in measuring the net OPEB liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of net OPEB liability	\$ 6,663,010	\$ 5,518,839	\$ 4,623,754

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

At June 30, 2020, the District reported a liability of \$5,518,839 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 5,518,839
State's proportionate share that is associated with the District	<u>7,333,303</u>
Total	<u>\$ 12,852,142</u>

The Net OPEB liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2018.

At August 31, 2019, the District's proportion of the collective net OPEB liability was .0116699019%, which was a decrease of .0000631083% from its proportion measured as of August 31, 2018.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

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	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of net OPEB liability	\$ 4,502,076	\$ 5,518,839	\$ 6,880,836

9. 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 discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumptions in the prior valuation. These changes decreased TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased TOL.
- Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2020, the District recognized OPEB expense of \$311,611 and revenue of \$193,276 for support provided by the State.

At June 30, 2020, 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 sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual economic experience	\$ 270,746	\$ 903,100
Changes in actuarial assumptions	306,529	1,484,432
Difference between projected and actual investment earnings	595	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	15	126,686
Contributions paid to TRS subsequent to the measurement date	80,646	--
Total	<u>\$ 658,531</u>	<u>\$ 2,514,218</u>

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

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	<u>Year ended June 30,</u>	<u>Amount</u>
2021	\$	(321,887)
2022	\$	(321,887)
2023	\$	(322,080)
2024	\$	(322,191)
2025	\$	(322,164)
Thereafter	\$	(326,124)

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the current fiscal year ended June 30, 2020, the subsidy payment received by TRS-Care on behalf of the District was \$40,955.

I. Employee Health Care Coverage

During the year ended June 30, 2020, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$244 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2020, and terms of coverage and premium costs are included in the contractual provisions.

J. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at June 30, 2020.

3. Infectious Disease Outbreak - COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and it currently affecting many parts of the world, including the United States and Texas. The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

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K. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 313, SSA IDEA-B Formula; Special Revenue Fund No. 314, SSA IDEA-B Preschool; Special Revenue Fund No. 434, Visually Impaired Services; Special Revenue Fund No. 437, Special Education and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member Districts</u>	<u>Expenditures</u>
Sabine ISD	\$ 556,591
Spring Hill ISD	706,555
White Oak ISD	561,123
Total	<u>\$ 1,824,269</u>

Shared Services Arrangement - DAEP - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides discipline alternative education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided by TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund No. 459, SSA Locally Defined, and will be accounted for using Model 3 in the SSA Section of the Resource Guide.

<u>Member Districts</u>	<u>Expenditures</u>
Sabine ISD	\$ 38,212
Spring Hill ISD	38,211
White Oak ISD	38,211
Total	<u>\$ 114,634</u>

L. Subsequent Events

Management has evaluated subsequent events through October 29, 2020, the date on which the financial statements were available to be issued.

On September 14, 2020, the Board of Trustees approved an order authorizing the sale of \$16,769,994 in Unlimited Tax Refunding Bonds, Taxable Series 2020. This will refund \$16,785,000 of the outstanding Series 2013 Unlimited Tax School Building Bonds.

M. Unemployment Compensation Pool

During the year ended June 30, 2020, Sabine ISD provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended June 30, 2020, the Fund anticipates that Sabine ISD has no additional liability beyond the contractual obligation for payment of contributions.

SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

N. Workers' Compensation Pool

During the year ended June 30, 2020, Sabine ISD met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher than expected claim costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2019, the Fund carries a discounted reserve of \$45,439,534 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2020, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

O. Other Restrictions/Commitments of Fund Balance

Other restrictions of fund balance consist of the following:

General Fund:

Restricted for Athletic Equipment	\$ <u>50,000</u>
-----------------------------------	------------------

Other Governmental Funds:

Restricted for Special Education	\$ 182,602
Restricted for Other State Funded Grants	2,305
Restricted for DAEP	12,470
Restricted for Capital Projects	146,862
	\$ <u>344,239</u>

Other commitments of fund balance consist of the following:

General Fund:

Committed for major maintenance expenditures	\$ <u>253,753</u>
--	-------------------

Other Governmental Funds:

Committed for campus activity funds	\$ <u>107,731</u>
-------------------------------------	-------------------

SABINE INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED JUNE 30, 2020****P. Prior Period Adjustment**

During fiscal year 2020, the District adopted GASB Statement No. 84, "Fiduciary Activities", which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in the following activities being restated as a special revenue fund rather than a custodial fund.

	Elementary	Middle School	High School	Total
Net Position/Fund Balance-Beginning	\$ 8,084	\$ 10,424	\$ 3,172	\$ 21,680
Prior Period Adjustments:				
Special Education Club	1,179	--	473	1,652
Sunshine Fund	646	--	--	646
Fellowship of Christian Athletes	--	--	1,698	1,698
Math/Science Club	--	3,182	10,831	14,013
National Honor Society	--	--	862	862
University Interscholastic League	--	--	3,215	3,215
Yearbook Club	--	--	3,641	3,641
Total Prior Period Adjustment	<u>1,825</u>	<u>3,182</u>	<u>20,720</u>	<u>25,727</u>
Net Position/Fund Balance-Beginning as Restated	<u>\$ 9,909</u>	<u>\$ 13,606</u>	<u>\$ 23,892</u>	<u>\$ 47,407</u>

Implementation of this standard also increased net position in custodial funds by \$89,450, which was the balance due to student groups in the student activity agency fund after the reclassifications above were made.

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Required Supplementary Information

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

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

	Measurement Year Ended August 31					
	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.0069382%	0.0071793%	0.0074621%	0.0066769%	0.0070762%	0.0036559%
District's proportionate share of the net pension liability (asset)	\$ 3,606,703	\$ 3,951,686	\$ 2,385,986	\$ 2,523,113	\$ 2,501,343	\$ 976,542
State's proportionate share of the net pension liability (asset) associated with the District	6,949,048	7,668,341	4,571,299	5,430,943	5,238,954	445,373
Total	<u>\$ 10,555,751</u>	<u>\$ 11,620,027</u>	<u>\$ 6,957,285</u>	<u>\$ 7,954,056</u>	<u>\$ 7,740,297</u>	<u>\$ 1,421,915</u>
District's covered-employee payroll	\$ 8,812,857	\$ 8,758,942	\$ 8,646,117	\$ 8,097,935	\$ 7,894,930	\$ 7,648,134
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.93%	45.12%	27.60%	31.16%	31.68%	12.77%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note : GASB Statement No. 68, Paragraph 81.2 requires that the information on this schedule be data from the period corresponding with the period covered as of the TRS measurement date of August 31, 2019 - the period from September 1, 2018 - August 31, 2019.

Note: Only six years of data is presented in accordance with GASB Statement No. 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In those cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SABINE INDEPENDENT SCHOOL DISTRICTSCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year Ended June 30					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 268,943	\$ 241,977	\$ 243,633	\$ 238,828	\$ 212,270	\$ 189,869
Contributions in relation to the contractually required contribution	(268,943)	(241,977)	(243,633)	(238,828)	(212,270)	(189,869)
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 9,625,890	\$ 8,757,890	\$ 8,715,734	\$ 8,550,526	\$ 8,086,672	\$ 7,828,681
Contributions as a percentage of covered-employee payroll	2.79%	2.76%	2.80%	2.79%	2.62%	2.43%

Note: GASB Statement No. 68, Paragraph 81.2.b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2018 - August 31, 2019.

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

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

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET OPEB LIABILITY
 TEXAS RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS *

	Measurement Year Ended August 31		
	2019	2018	2017
District's proportion of the collective net OPEB liability	0.0116699%	0.0117330%	0.0192360%
District's proportionate share of the collective net OPEB liability	\$ 5,518,839	\$ 5,858,399	\$ 5,185,132
State proportionate share of the collective net OPEB liability associated with the District	7,333,303	7,222,191	6,436,714
Total	<u>\$ 12,852,142</u>	<u>\$ 13,080,590</u>	<u>\$ 11,621,846</u>
District's covered-employee payroll	\$ 8,812,857	\$ 8,758,942	\$ 8,646,117
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	62.62%	66.88%	59.97%
Plan fiduciary net position as a percentage of the total OPEB liability	2.66%	1.57%	0.91%

Note: Only three years of data is presented in accordance with GASB Statement No. 75, Paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEXAS RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	For the Fiscal Year Ended June 30		
	2019	2019	2018
Statutorily or contractually required District contribution	\$ 94,246	\$ 82,187	\$ 77,767
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(94,246)	(82,187)	(77,767)
Contribution deficiency (excess)	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 9,625,890	\$ 8,757,890	\$ 8,715,734
Contributions as a percentage of covered-employee payroll	0.98%	0.94%	0.89%

Note: Only three years of data is presented in accordance with GASB Statement No. 75, Paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

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*Combining Statements and Budget Comparisons
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.

SABINE INDEPENDENT SCHOOL DISTRICT**COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

JUNE 30, 2020

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:				
1110	<i>Cash and Cash Equivalents</i>	\$ 559,280	\$ 146,862	\$ 706,142
1240	<i>Due from Other Governments</i>	245,624	--	245,624
1260	<i>Due from Other Funds</i>	115	--	115
1300	<i>Inventories</i>	27,287	--	27,287
1000	Total Assets	<u>832,306</u>	<u>146,862</u>	<u>979,168</u>
LIABILITIES:				
Current Liabilities:				
2110	<i>Accounts Payable</i>	\$ 769	\$ --	\$ 769
2160	<i>Accrued Wages Payable</i>	147,292	--	147,292
2170	<i>Due to Other Funds</i>	178,650	--	178,650
2180	<i>Due to Other Governments</i>	47,834	--	47,834
2200	<i>Accrued Expenditures</i>	6,245	--	6,245
2300	<i>Unearned Revenue</i>	3,815	--	3,815
2000	Total Liabilities	<u>384,605</u>	<u>--</u>	<u>384,605</u>
FUND BALANCES:				
Nonspendable Fund Balances:				
3410	<i>Inventories</i>	27,287	--	27,287
Restricted Fund Balances:				
3450	<i>Federal/State Funds Grant Restrictions</i>	115,306	--	115,306
3490	<i>Other Restrictions of Fund Balance</i>	197,377	146,862	344,239
Committed Fund Balances:				
3545	<i>Other Committed Fund Balance</i>	107,731	--	107,731
3000	Total Fund Balances	<u>447,701</u>	<u>146,862</u>	<u>594,563</u>
4000	Total Liabilities and Fund Balances	<u>\$ 832,306</u>	<u>\$ 146,862</u>	<u>\$ 979,168</u>

SABINE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700	<i>Local and Intermediate Sources</i>	\$ 1,281,425	\$ 2,477	\$ 1,283,902
5800	<i>State Program Revenues</i>	263,923	--	263,923
5900	<i>Federal Program Revenues</i>	919,628	--	919,628
5020	Total Revenues	<u>2,464,976</u>	<u>2,477</u>	<u>2,467,453</u>
EXPENDITURES:				
Current:				
0011	<i>Instruction</i>	915,758	--	915,758
0012	<i>Instructional Resources and Media Services</i>	440	--	440
0013	<i>Curriculum and Staff Development</i>	32,785	--	32,785
0021	<i>Instructional Leadership</i>	267,567	--	267,567
0023	<i>School Leadership</i>	6,827	--	6,827
0031	<i>Guidance, Counseling, & Evaluation Services</i>	292,475	--	292,475
0035	<i>Food Service</i>	799,901	--	799,901
0036	<i>Cocurricular/Extracurricular Activities</i>	74,626	--	74,626
0041	<i>General Administration</i>	31,565	--	31,565
0051	<i>Facilities Maintenance and Operations</i>	10,826	--	10,826
0053	<i>Data Processing Services</i>	10,279	--	10,279
0093	<i>Payments to Shared Service Arrangements</i>	38,081	--	38,081
6030	Total Expenditures	<u>2,481,130</u>	<u>--</u>	<u>2,481,130</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(16,154)	2,477	(13,677)
1200	Net Change in Fund Balances	<u>(16,154)</u>	<u>2,477</u>	<u>(13,677)</u>
0100	Fund Balances - Beginning	438,128	144,385	582,513
1300	Prior Period Adjustment	25,727	--	25,727
	Fund Balances - Beginning, as Restated	463,855	144,385	608,240
3000	Fund Balances - Ending	<u>\$ 447,701</u>	<u>\$ 146,862</u>	<u>\$ 594,563</u>

SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2020

Data Control Codes		211 ESEA Title I Improving Basic Programs	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	255 Title II Part A Supp. Effective Instruction
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 108,851	\$ --
1240	Due from Other Governments	23,128	--	29,358	--
1260	Due from Other Funds	--	--	115	--
1300	Inventories	--	--	27,287	--
1000	Total Assets	<u>23,128</u>	<u>--</u>	<u>165,611</u>	<u>--</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ 180	\$ --
2160	Accrued Wages Payable	9,663	--	20,078	--
2170	Due to Other Funds	12,494	--	--	--
2180	Due to Other Governments	--	--	--	--
2200	Accrued Expenditures	971	--	75	--
2300	Unearned Revenue	--	--	2,685	--
2000	Total Liabilities	<u>23,128</u>	<u>--</u>	<u>23,018</u>	<u>--</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	27,287	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	115,306	--
3490	Other Restrictions of Fund Balance	--	--	--	--
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>142,593</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 23,128</u>	<u>\$ --</u>	<u>\$ 165,611</u>	<u>\$ --</u>

263 Title III Part A English Language Acquisition	266 Elementary & Secondary School Emergency Relief	289 Title IV Part A Subpart 1 Student Supp. & Academic Enrichment	314 IDEA-B Preschool	397 Advanced Placement Incentives
\$ --	\$ --	\$ 576	\$ --	\$ 2,267
--	181,880	--	11,258	--
--	--	--	--	--
--	--	--	--	--
--	181,880	576	11,258	2,267
\$ --	\$ --	\$ --	\$ --	\$ --
--	15,724	--	--	--
--	166,156	--	--	--
--	--	576	11,258	--
--	--	--	--	--
--	--	--	--	--
--	181,880	576	11,258	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	2,267
--	--	--	--	--
--	--	--	--	2,267
\$ --	\$ 181,880	\$ 576	\$ 11,258	\$ 2,267

SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2020

Data Control Codes		410 State Textbook Fund	429 State Literacy Academy	434 Supplemental Visually Impaired	437 Special Education
ASSETS:					
1110	Cash and Cash Equivalents	\$ 1,130	\$ 36,038	\$ --	\$ 275,957
1240	Due from Other Governments	--	--	--	--
1260	Due from Other Funds	--	--	--	--
1300	Inventories	--	--	--	--
1000	Total Assets	<u>1,130</u>	<u>36,038</u>	<u>--</u>	<u>275,957</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ --	\$ 589
2160	Accrued Wages Payable	--	--	--	88,585
2170	Due to Other Funds	--	--	--	--
2180	Due to Other Governments	--	36,000	--	--
2200	Accrued Expenditures	--	--	--	4,181
2300	Unearned Revenue	1,130	--	--	--
2000	Total Liabilities	<u>1,130</u>	<u>36,000</u>	<u>--</u>	<u>93,355</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	--	--	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	--	--
3490	Other Restrictions of Fund Balance	--	38	--	182,602
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>38</u>	<u>--</u>	<u>182,602</u>
4000	Total Liabilities and Fund Balances	<u>\$ 1,130</u>	<u>\$ 36,038</u>	<u>\$ --</u>	<u>\$ 275,957</u>

459	461	462	463	464
SSA-DAEP	Athletic Activity Funds	High School Activity Fund	Library Activity Fund	Middle School Activity Fund
\$ 26,730	\$ 28,878	\$ 27,594	\$ 10,900	\$ 20,160
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>26,730</u>	<u>28,878</u>	<u>27,594</u>	<u>10,900</u>	<u>20,160</u>
<u><u>26,730</u></u>	<u><u>28,878</u></u>	<u><u>27,594</u></u>	<u><u>10,900</u></u>	<u><u>20,160</u></u>
\$ --	\$ --	\$ --	\$ --	\$ --
13,242	--	--	--	--
--	--	--	--	--
--	--	--	--	--
1,018	--	--	--	--
--	--	--	--	--
<u>14,260</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u><u>14,260</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>
--	--	--	--	--
--	--	--	--	--
12,470	--	--	--	--
--	28,878	27,594	10,900	20,160
<u>12,470</u>	<u>28,878</u>	<u>27,594</u>	<u>10,900</u>	<u>20,160</u>
<u><u>12,470</u></u>	<u><u>28,878</u></u>	<u><u>27,594</u></u>	<u><u>10,900</u></u>	<u><u>20,160</u></u>
\$ 26,730	\$ 28,878	\$ 27,594	\$ 10,900	\$ 20,160
<u><u>26,730</u></u>	<u><u>28,878</u></u>	<u><u>27,594</u></u>	<u><u>10,900</u></u>	<u><u>20,160</u></u>

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

JUNE 30, 2020

Data Control Codes	465 Elementary Activity Fund	481 Education Foundation Grant Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
ASSETS:			
1110 <i>Cash and Cash Equivalents</i>	\$ 20,199	\$ --	\$ 559,280
1240 <i>Due from Other Governments</i>	--	--	245,624
1260 <i>Due from Other Funds</i>	--	--	115
1300 <i>Inventories</i>	--	--	27,287
1000 <i>Total Assets</i>	<u>20,199</u>	<u>--</u>	<u>832,306</u>
LIABILITIES:			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ --	\$ --	\$ 769
2160 <i>Accrued Wages Payable</i>	--	--	147,292
2170 <i>Due to Other Funds</i>	--	--	178,650
2180 <i>Due to Other Governments</i>	--	--	47,834
2200 <i>Accrued Expenditures</i>	--	--	6,245
2300 <i>Unearned Revenue</i>	--	--	3,815
2000 <i>Total Liabilities</i>	<u>--</u>	<u>--</u>	<u>384,605</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 <i>Inventories</i>	--	--	27,287
Restricted Fund Balances:			
3450 <i>Federal/State Funds Grant Restrictions</i>	--	--	115,306
3490 <i>Other Restrictions of Fund Balance</i>	--	--	197,377
Committed Fund Balances:			
3545 <i>Other Committed Fund Balance</i>	20,199	--	107,731
3000 <i>Total Fund Balances</i>	<u>20,199</u>	<u>--</u>	<u>447,701</u>
4000 <i>Total Liabilities and Fund Balances</i>	<u>\$ 20,199</u>	<u>\$ --</u>	<u>\$ 832,306</u>

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SABINE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	211 ESEA Title I Improving Basic Programs	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	255 Title II Part A Supp. Effective Instruction
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 206,356	\$ --
5800 <i>State Program Revenues</i>	--	--	29,948	--
5900 <i>Federal Program Revenues</i>	183,882	2,935	488,076	22,958
5020 <i>Total Revenues</i>	<u>183,882</u>	<u>2,935</u>	<u>724,380</u>	<u>22,958</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	178,079	2,935	--	--
0012 <i>Instructional Resources and Media Services</i>	--	--	--	--
0013 <i>Curriculum and Staff Development</i>	5,803	--	--	21,028
0021 <i>Instructional Leadership</i>	--	--	--	--
0023 <i>School Leadership</i>	--	--	--	1,930
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	799,901	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
0041 <i>General Administration</i>	--	--	--	--
0051 <i>Facilities Maintenance and Operations</i>	--	--	--	--
0053 <i>Data Processing Services</i>	--	--	--	--
0093 <i>Payments to Shared Service Arrangements</i>	--	--	--	--
6030 <i>Total Expenditures</i>	<u>183,882</u>	<u>2,935</u>	<u>799,901</u>	<u>22,958</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	--	--	(75,521)	--
1200 <i>Net Change in Fund Balances</i>	--	--	(75,521)	--
0100 <i>Fund Balances - Beginning</i>	--	--	218,114	--
1300 <i>Prior Period Adjustment</i>	--	--	--	--
<i>Fund Balances - Beginning, as Restated</i>	--	--	218,114	--
3000 <i>Fund Balances - Ending</i>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 142,593</u>	<u>\$ --</u>

263 Title III Part A English Language Acquisition	266 Elementary & Secondary School Emergency Relief	289 Title IV Part A Subpart 1 Student Supp. & Academic Enrichment	314 IDEA-B Preschool	397 Advanced Placement Incentives
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	38
12,374	181,880	7,084	20,439	--
<u>12,374</u>	<u>181,880</u>	<u>7,084</u>	<u>20,439</u>	<u>38</u>
9,690	181,880	7,084	--	--
--	--	--	--	--
2,684	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	20,439	--
<u>12,374</u>	<u>181,880</u>	<u>7,084</u>	<u>20,439</u>	<u>--</u>
--	--	--	--	38
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>38</u>
--	--	--	--	2,229
--	--	--	--	--
--	--	--	--	2,229
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,267</u>

SABINE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes		410 State Textbook Fund	429 State Literacy Academy	434 Supplemental Visually Impaired	437 Special Education
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 850,779
5800	State Program Revenues	168,525	7	4,850	52,719
5900	Federal Program Revenues	--	--	--	--
5020	Total Revenues	<u>168,525</u>	<u>7</u>	<u>4,850</u>	<u>903,498</u>
EXPENDITURES:					
Current:					
0011	Instruction	168,230	--	4,850	303,249
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	295	--	--	2,973
0021	Instructional Leadership	--	--	--	222,755
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	292,475
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	31,565
0051	Facilities Maintenance and Operations	--	--	--	10,826
0053	Data Processing Services	--	--	--	10,279
0093	Payments to Shared Service Arrangements	--	--	--	5,437
6030	Total Expenditures	<u>168,525</u>	<u>--</u>	<u>4,850</u>	<u>879,559</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	7	--	23,939
1200	Net Change in Fund Balances	<u>--</u>	<u>7</u>	<u>--</u>	<u>23,939</u>
0100	Fund Balances - Beginning	--	31	--	158,663
1300	Prior Period Adjustment	--	--	--	--
	Fund Balances - Beginning, as Restated	--	31	--	158,663
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ 38</u>	<u>\$ --</u>	<u>\$ 182,602</u>

459	461	462	463	464
SSA-DAEP	Athletic Activity Funds	High School Activity Fund	Library Activity Fund	Middle School Activity Fund
\$ 117,000	\$ 32,226	\$ 22,270	\$ 442	\$ 30,185
7,769	67	--	--	--
--	--	--	--	--
<u>124,769</u>	<u>32,293</u>	<u>22,270</u>	<u>442</u>	<u>30,185</u>
57,615	--	1,444	--	--
--	--	--	440	--
2	--	--	--	--
44,812	--	--	--	--
--	--	1,072	--	1,788
--	--	--	--	--
--	--	--	--	--
--	27,023	16,052	570	21,843
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
12,205	--	--	--	--
<u>114,634</u>	<u>27,023</u>	<u>18,568</u>	<u>1,010</u>	<u>23,631</u>
10,135	5,270	3,702	(568)	6,554
<u>10,135</u>	<u>5,270</u>	<u>3,702</u>	<u>(568)</u>	<u>6,554</u>
2,335	23,608	3,172	11,468	10,424
--	--	20,720	--	3,182
2,335	23,608	23,892	11,468	13,606
<u>\$ 12,470</u>	<u>\$ 28,878</u>	<u>\$ 27,594</u>	<u>\$ 10,900</u>	<u>\$ 20,160</u>

SABINE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes	465 Elementary Activity Fund	481 Education Foundation Grant Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 20,800	\$ 1,367	\$ 1,281,425
5800 <i>State Program Revenues</i>	--	--	263,923
5900 <i>Federal Program Revenues</i>	--	--	919,628
5020 <i>Total Revenues</i>	<u>20,800</u>	<u>1,367</u>	<u>2,464,976</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	--	702	915,758
0012 <i>Instructional Resources and Media Services</i>	--	--	440
0013 <i>Curriculum and Staff Development</i>	--	--	32,785
0021 <i>Instructional Leadership</i>	--	--	267,567
0023 <i>School Leadership</i>	2,037	--	6,827
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	292,475
0035 <i>Food Service</i>	--	--	799,901
0036 <i>Cocurricular/Extracurricular Activities</i>	8,473	665	74,626
0041 <i>General Administration</i>	--	--	31,565
0051 <i>Facilities Maintenance and Operations</i>	--	--	10,826
0053 <i>Data Processing Services</i>	--	--	10,279
0093 <i>Payments to Shared Service Arrangements</i>	--	--	38,081
6030 <i>Total Expenditures</i>	<u>10,510</u>	<u>1,367</u>	<u>2,481,130</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	10,290	--	(16,154)
1200 <i>Net Change in Fund Balances</i>	<u>10,290</u>	<u>--</u>	<u>(16,154)</u>
0100 <i>Fund Balances - Beginning</i>	8,084	--	438,128
1300 <i>Prior Period Adjustment</i>	1,825	--	25,727
<i>Fund Balances - Beginning, as Restated</i>	9,909	--	463,855
3000 <i>Fund Balances - Ending</i>	<u>\$ 20,199</u>	<u>\$ --</u>	<u>\$ 447,701</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.

SABINE INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2020*

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2011 and Prior Years	\$	Various	\$	Various	\$	Various
2012		1.04		--		378,972,981
2013		1.04		--		402,121,635
2014		1.04		--		436,227,184
2015		1.04		.2528		440,509,407
2016		1.04		.233		394,057,690
2017		1.04		.2614		415,915,109
2018		1.04		.2614		398,971,911
2019		1.04		.2614		403,797,746
2020 (School Year Under Audit)		.97		.2614		423,471,945

1000 Totals

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

10 Beginning Balance 7/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/20
\$ 50,996	\$ --	\$ 60	\$ --	\$ (20,627)	\$ 30,309
11,378	--	107	--	(2,497)	8,774
23,610	--	123	--	(3,686)	19,801
54,975	--	576	140	(3,420)	50,839
20,102	--	781	175	(3,414)	15,732
31,584	--	2,105	529	(10,413)	18,537
32,027	--	(2,070)	(520)	(10,409)	24,208
75,646	--	11,376	2,860	(4,180)	57,230
272,641	--	85,446	21,479	(50,187)	115,529
--	5,081,988	3,812,298	1,027,473	(32,071)	210,146
<u>\$ 572,959</u>	<u>\$ 5,081,988</u>	<u>\$ 3,910,802</u>	<u>\$ 1,052,136</u>	<u>\$ (140,904)</u>	<u>\$ 551,105</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

SABINE INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT J-2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 250,650	\$ 206,650	\$ 206,356	\$ (294)
5800	State Program Revenues	23,844	26,200	29,948	3,748
5900	Federal Program Revenues	481,300	465,900	488,076	22,176
5020	Total Revenues	<u>755,794</u>	<u>698,750</u>	<u>724,380</u>	<u>25,630</u>
	EXPENDITURES:				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	755,794	787,102	799,901	(12,799)
	Total Support Services - Student (Pupil)	<u>755,794</u>	<u>787,102</u>	<u>799,901</u>	<u>(12,799)</u>
6030	Total Expenditures	<u>755,794</u>	<u>787,102</u>	<u>799,901</u>	<u>(12,799)</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(88,352)	(75,521)	12,831
1200	Net Change in Fund Balance	--	(88,352)	(75,521)	12,831
0100	Fund Balance - Beginning	218,114	218,114	218,114	--
3000	Fund Balance - Ending	<u>\$ 218,114</u>	<u>\$ 129,762</u>	<u>\$ 142,593</u>	<u>\$ 12,831</u>

SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2020

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,067,317	\$ 1,077,317	\$ 1,074,240	\$ (3,077)
5800	State Program Revenues	159,439	208,789	220,626	11,837
5020	Total Revenues	1,226,756	1,286,106	1,294,866	8,760
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	260,000	260,000	260,000	--
0072	Interest on Long-Term Debt	793,582	793,582	793,581	1
0073	Bond Issuance Costs and Fees	440	440	440	--
	Total Debt Service	1,054,022	1,054,022	1,054,021	1
6030	Total Expenditures	1,054,022	1,054,022	1,054,021	1
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	172,734	232,084	240,845	8,761
1200	Net Change in Fund Balance	172,734	232,084	240,845	8,761
0100	Fund Balance - Beginning	760,333	760,333	760,333	--
3000	Fund Balance - Ending	\$ 933,067	\$ 992,417	\$ 1,001,178	\$ 8,761

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Karen A. Jacks, CPA, CGMA
Peggy J. Lantz, CPA

Chanie A. Johnson, CPA

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
Sabine Independent School District
5424 FM 1252 W
Gladewater, Texas 75647

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 Sabine Independent School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Sabine Independent School District's basic financial statements, and have issued our report thereon dated October 29, 2020.

Internal Control Over Financial Reporting

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

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
October 29, 2020

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Longview, Texas 75606

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Peggy J. Lantz, CPA

Chanie A. Johnson, CPA

Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Sabine Independent School District
5424 FM 1252 W
Gladewater, Texas 75647

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Sabine Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Sabine Independent School District's major federal program for the year ended June 30, 2020. Sabine Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sabine Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sabine Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Sabine Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Sabine Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Sabine Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Sabine Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sabine Independent School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
October 29, 2020

SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: August 2020

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 / 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

SABINE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None.		

SABINE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2020

None required.

SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

EXHIBIT K-1

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through State Department of Education:				
School Breakfast Program	10.553	00441	\$ --	\$ 112,755
National School Lunch Program	10.555	00441	--	312,430
Total Passed Through State Department of Education			--	425,185
Passed Through Texas Dept of Agriculture:				
National School Lunch Program (Non-cash)	10.555	00441	--	62,891
Total U. S. Department of Agriculture			--	488,076
Total Child Nutrition Cluster			--	488,076
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through Gregg County SSA:				
IDEA-B Preschool	84.173	206610010929066610	--	2,935
Passed Through State Department of Education:				
SSA IDEA-B Formula	84.027	186600010929066600	--	116
SSA IDEA-B Formula	84.027	196600010929066600	--	5,245
SSA IDEA-B Formula	84.027	206600010929066600	12,923	914,059
Total CFDA Number 84.027			12,923	919,420
SSA IDEA-B Preschool	84.173	206610010929066610	20,439	20,439
Total Passed Through State Department of Education			33,362	939,859
Total U. S. Department of Education			33,362	942,794
Total Special Education (IDEA) Cluster			33,362	942,794
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010	19610101092906	--	2,817
ESEA Title I Part A - Improving Basic Programs	84.010	20610101092906	--	181,065
Total CFDA Number 84.010			--	183,882
Title III Part A English Language Acquisition	84.365	20671001092906	--	12,374
Title II Part A - Supporting Effective Instruction	84.367	19694501092906	--	3,500
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367	20694501092906	--	19,458
Total CFDA Number 84.367			--	22,958
Title IV, Part A, Subpart 1	84.424	20680101092906	--	7,084
COVID-19 Elementary & Secondary School Emergency Relief	84.425D	S425D200042	--	181,880
Total Passed Through State Department of Education			--	408,178
Total U. S. Department of Education			--	408,178
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 33,362	\$ 1,839,048

The accompanying notes are an integral part of this schedule.

SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Sabine Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Sabine Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C - Reconciliation of Federal Revenues to Federal Expenditures

Federal revenue in the accompanying financial statements include federal source revenues which are not considered federal assistance for purposes of the Schedule of Expenditures of Federal Awards. A reconciliation follows:

Total Federal Expenditures, Exhibit K-1	\$	1,839,048
Other Federal Revenues:		
School Health and Related Services (SHARS)		283,929
Total Federal Revenues, Exhibit C-2	\$	<u>2,122,977</u>

Note D - Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of commodities received and disbursed. At June 30, 2020, the District has food commodities of \$2,685 in inventory.

SABINE INDEPENDENT SCHOOL DISTRICT*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2020*

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
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 post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --