

**SABINE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

Introductory Section

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Sabine Independent School District
Annual Financial Report
For The Year Ended June 30, 2018

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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) X approved _____ disapproved for the year ended June 30, 2018, at a meeting of the board of trustees of such school district on the 12 day of Nov., 2018.


Signature of Board Secretary


Signature of Board President

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

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Financial Section

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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

Management's Responsibility for the Financial Statements

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

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, 2018, and the respective changes in financial position,

and the respective budget comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Sabine Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. 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 November 2, 2018 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.

Respectfully submitted,

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
November 2, 2018

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

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, 2018. 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 current 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 page 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 29) 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, 2018

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 and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position 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 28. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

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 decreased from \$10,752,066 to \$3,173,699. 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 \$(3,609,890) at June 30, 2018. The change in net position from District operations was \$(121,907). That was offset by the prior year restatement of \$(9,101,886) and \$1,645,426 of current year adjustments related to pension and postemployment benefits reporting requirements. The restatement is discussed in more detail later in the Management Discussion and Analysis and as explained in Note I on page 44.

Table I
SABINE INDEPENDENT SCHOOL DISTRICT
NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Net Position Exclusive of Adjustments for Pensions and OPEB		
Assets		
Current Assets	\$ 7,886,662	\$ 7,601,670
Capital Assets	24,567,164	25,246,222
Total Assets	<u>32,453,826</u>	<u>32,847,892</u>
Liabilities		
Current Liabilities	1,501,795	1,439,588
Noncurrent Liabilities	18,850,952	19,185,318
Total Liabilities	<u>20,352,747</u>	<u>20,624,906</u>
Net Position:		
Invested in Capital Assets	5,903,181	6,252,356
Restricted	880,408	636,440
Unrestricted	5,317,490	5,334,190
Total Net Position Exclusive of Adjustments for Pensions and OPEB	<u>\$12,101,079</u>	<u>\$12,222,986</u>
Net Position Related to Pensions and OPEB		
Deferred Outflows of Resources		
Deferred Outflows	\$ 1,177,594	\$ 1,197,639
Total Deferred Outflows of Resources	<u>1,177,594</u>	<u>1,197,639</u>
Liabilities		
Noncurrent Liabilities	7,571,118	2,523,113
Total Liabilities	<u>7,571,118</u>	<u>2,523,113</u>
Deferred Inflows of Resources		
Deferred Inflows	2,533,856	145,446
Total Deferred Inflows of Resources	<u>2,533,856</u>	<u>145,446</u>
Net Position:		
Unrestricted	(8,927,380)	(1,470,920)
Total Net Position related to Pensions and OPEB	<u>\$ (8,927,380)</u>	<u>\$ (1,470,920)</u>
Total Net Position:		
Invested in Capital Assets	5,903,181	6,252,356
Restricted	880,408	636,440
Unrestricted	(3,609,890)	3,863,270
Total Net Position	<u>\$ 3,173,699</u>	<u>\$10,752,066</u>

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Approximately 12% 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 \$5.3 million of unrestricted net position exclusive of adjustments for pensions and OPEB represents resources available to fund the programs of the District next year.

The prior period restatement of net position created a net OPEB liability of \$9.1 million, in addition to the \$1.5 million net pension liability at June 30, 2017. Current year adjustments to net pension and OPEB reduced the liability balances by \$1.7 million.

Table II
SABINE INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

Changes in Net Position Exclusive of Adjustments for Pensions and OPEB

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 1,662,966	\$ 1,319,964
Operating Grants and Contributions	2,344,000	2,506,894
General Revenues:		
Maintenance and Operations Taxes	4,239,698	4,474,671
Debt Service Taxes	1,055,750	1,119,293
State Aid - Formula Grants	6,303,773	6,351,131
Investment Earnings and Miscellaneous	(45,268)	75,045
Total Revenues	<u>15,560,919</u>	<u>15,846,998</u>
Expenses:		
Instruction, Curriculum and Media Services	8,292,360	8,231,378
Instructional and School Leadership	1,172,956	1,156,268
Student Support	3,008,653	3,135,284
General Administration	541,444	577,374
Plant Maintenance, Security and Data Processing	1,424,344	1,417,794
Community Services	18,843	27,117
Long-term Debt	798,988	805,599
Capital Outlay	7,455	-
Shared Service Arrangements and Other Governmental Charges	417,783	329,448
Total Expenses	<u>15,682,826</u>	<u>15,680,262</u>
Change in Net Position	<u>(121,907)</u>	<u>166,736</u>
Net Position at Beginning of Year	<u>12,222,983</u>	<u>12,056,250</u>
Net Position at End of Year	<u>\$12,101,076</u>	<u>\$12,222,986</u>

Changes in Net Position Related to Pensions and OPEB

	<u>2018</u>	<u>2017</u>
Revenues:		
Program Revenues:		
Operating Grants and Contributions	\$ (2,392,252)	\$ 98,095
Total Revenues	<u>(2,392,252)</u>	<u>98,095</u>
Expenses:		
Instruction, Curriculum and Media Services	(2,541,873)	181,093
Instructional and School Leadership	(373,370)	26,891
Student Support	(747,955)	65,058
General Administration	(162,503)	12,491
Plant Maintenance, Security and Data Processing	(210,952)	13,688
Community Services	(1,025)	108
Total Expenses	<u>(4,037,678)</u>	<u>299,329</u>
Change in Net Position	<u>1,645,426</u>	<u>(201,234)</u>
Net Position at Beginning of Year	<u>(1,470,920)</u>	<u>(1,269,686)</u>
Net Position at End of Year	<u>\$ 174,506</u>	<u>\$(1,470,920)</u>

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

Total Change in Net Position

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Program Revenues	\$ 1,614,714	\$ 3,924,953
General Revenues	11,553,953	12,020,140
Total Expenses	<u>(11,645,148)</u>	<u>(15,979,594)</u>
Changes in Net Position	1,523,519	(34,501)
Prior Period Adjustment	(9,101,886)	-
Beginning Net Position	<u>10,752,066</u>	<u>10,786,567</u>
Ending Net Position	<u>\$ 3,173,699</u>	<u>\$10,752,066</u>

Exclusive of adjustments for pension and OPEB, the District's total revenues decreased approximately 2% for the year, while the total cost of all programs and services increased less than 1%.

Although the District's total revenues showed a net decrease of approximately 2%, charges for services increased 26%, operating grants and contributions decreased 6%, maintenance and operations taxes decreased 5%, debt service taxes decreased 6%, State aid – formula grants decreased 1%, and miscellaneous revenues decreased 160%. The significant factors for these variances are explained as follows:

Charges for services increased \$343,002 from 2017 mainly because the district contributions to the Special Education Shared Services Arrangement increased in 2018.

Maintenance and operations taxes decreased by \$234,973 mainly due to a decrease in the tax base upon which the taxes were levied for 2018.

State revenues decreased \$47,358 from 2017. The State foundation revenue decreased due to the delayed impact of the change in tax base from 2016 to 2017.

Miscellaneous revenues decreased \$120,313 from 2017. This was mainly due to the recognized loss in the demolition of part of the old elementary campus buildings.

The adjustments made for pension and OPEB for the requirements of GASB statements 75 and 68 during the year resulted in a negative revenue of \$2.4 million and negative expenses of \$4.0 million.

The increase of \$2,561 in the cost of programs and services was due to an increase in other governmental charges of \$88,335, which was offset by minor changes in several of the other areas of costs.

Exclusive of adjustments for pension and OPEB, the cost of all governmental activities this year was \$15,682,826. 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 \$5,295,448 because some of the costs were paid by those who directly benefited from the programs (\$1,662,966) or by other governments and organizations that subsidized certain programs with grants and contributions (\$8,647,773).

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 \$6,253,868, which is above last year's total of \$6,087,498. Included in this year's total change in fund balance is a decrease of \$14,906 in the District's General Fund, an increase in the fund balance of the Debt Service Fund of \$142,846 due to an increase in tax and State funding, and the decrease

SABINE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2018

of the fund balance in the Capital Projects Fund of \$4,483. The increase in the General Fund's fund balance was due mainly to a decrease in revenues of \$177,324 and a net decrease in various expenditures of \$473,192.

The restricted fund balance in the Capital Projects Fund is set aside for the construction, completion, and furnishing of the new elementary campus.

The increase in Other Governmental Funds fund balance of \$181,276 was mainly due to additional revenues in the Debt Service Fund and the Child Nutrition Fund.

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 the demolition of the old elementary building, 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 \$46,948. Tax revenue decreased by \$243,878 due to the decrease in the certified tax base over the base used for the original budget and decreased delinquent collections. The State revenue received increased by \$79,000, 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 revenue generated by the students included in the SSA. Overall, the budgeted expenditures decreased by \$36,624 in the General Fund as noted in Exhibit C-4. This net decrease was mainly caused by the demolition of the old elementary building and adjustments involving moving of funds from programs that did not need all the resources originally appropriated to them. The District also received proceeds from the sale of an asset and incurred an expenditure related to delinquent tax revenue refunds, which caused the net decrease in other sources/uses of \$23,946.

CAPITAL ASSET ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$36,297,069 invested in a broad range of capital assets, including facilities, and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net decrease of \$2,279,125 or approximately 6%.

This year's major changes were the cost to demolish the old elementary building, the removal of the accumulated cost of all parts of that building, and the replacement of part of the roof at the high school.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials and administration considered many factors when setting the 2019 fiscal year budgets and tax rates. The bond payment of \$1,053,582 that will be paid from the Debt Service Fund is more than the payment in 2018. The student population and attendance is expected to remain static from 2018. Amounts available for appropriation in the General Fund budget are \$11,435,921, a decrease of 1% from the final 2018 budget of \$11,532,850. The Board has also approved security updates at the high school & middle school campus and a new softball field to be constructed during the 2018-19 fiscal year, using approximately \$1,519,000 of the fund balance in the General Fund.

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.

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Basic Financial Statements

SABINE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2018

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 5,744,900
1225	Property Taxes Receivable (Net)	420,063
1240	Due from Other Governments	1,678,048
1290	Other Receivables (Net)	2,862
1300	Inventories	27,488
1410	Unrealized Expenses	13,301
	Capital Assets:	
1510	Land	1,066,114
1520	Buildings and Improvements, Net	22,892,610
1530	Furniture and Equipment, Net	608,440
1000	Total Assets	<u>32,453,826</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow Related to Pensions	1,108,805
	Deferred Outflow Related to OPEB	68,789
1700	Total Deferred Outflows of Resources	<u>1,177,594</u>
LIABILITIES:		
2110	Accounts Payable	49,377
2140	Interest Payable	303,294
2165	Accrued Liabilities	1,108,180
2180	Due to Other Governments	37,790
2300	Unearned Revenue	3,154
	Noncurrent Liabilities:	
2501	Due Within One Year	330,902
2502	Due in More Than One Year	18,520,050
2540	Net Pension Liability	2,385,986
2545	Net OPEB Liability	5,185,132
2000	Total Liabilities	<u>27,923,865</u>
DEFERRED INFLOWS OF RESOURCES:		
	Deferred Inflow Related to Pensions	364,905
	Deferred Inflow Related to OPEB	2,168,951
2600	Total Deferred Inflows of Resources	<u>2,533,856</u>
NET POSITION:		
3200	Net Investment in Capital Assets	5,903,181
	Restricted For:	
3820	State and Federal Programs	234,466
3850	Debt Service	295,986
3860	Capital Projects	186,969
3870	Campus Activities	52,756
3890	Other Purposes	110,231
3900	Unrestricted	(3,609,890)
3000	Total Net Position	<u>\$ 3,173,699</u>

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 5,518,137	\$ 821,329	\$ (275,014)	\$ (4,971,822)
12	Instructional Resources and Media Services	165,253	--	(16,618)	(181,871)
13	Curriculum and Staff Development	67,097	--	44,049	(23,048)
21	Instructional Leadership	229,452	170,003	(53,493)	(112,942)
23	School Leadership	570,134	2,287	(123,972)	(691,819)
31	Guidance, Counseling, & Evaluation Services	494,384	211,215	233,512	(49,657)
33	Health Services	66,576	--	(18,494)	(85,070)
34	Student Transportation	298,169	--	(39,022)	(337,191)
35	Food Service	570,451	236,492	414,206	80,247
36	Cocurricular/Extracurricular Activities	831,118	167,550	(69,342)	(732,910)
41	General Administration	378,941	29,192	(66,722)	(416,471)
51	Facilities Maintenance and Operations	1,056,799	12,020	(95,908)	(1,140,687)
52	Security and Monitoring Services	87,866	--	(6,317)	(94,183)
53	Data Processing Services	68,727	9,444	(9,746)	(69,029)
61	Community Services	17,818	--	(574)	(18,392)
72	Interest on Long-term Debt	798,588	--	--	(798,588)
73	Bond Issuance Costs and Fees	400	--	--	(400)
81	Capital Outlay	7,455	--	--	(7,455)
93	Payments Related to Shared Services Arrangements	341,735	3,434	35,203	(303,098)
99	Other Intergovernmental Charges	76,048	--	--	(76,048)
TG	Total Governmental Activities	11,645,148	1,662,966	(48,252)	(10,030,434)
TP	Total Primary Government	<u>\$ 11,645,148</u>	<u>\$ 1,662,966</u>	<u>\$ (48,252)</u>	<u>(10,030,434)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				4,239,698
DT	Property Taxes, Levied for Debt Service				1,055,750
IE	Investment Earnings				73,949
GC	Grants and Contributions Not Restricted to Specific Programs				6,303,773
MI	Miscellaneous				(119,217)
TR	Total General Revenues				<u>11,553,953</u>
CN	Change in Net Position				1,523,519
NB	Net Position - Beginning				10,752,066
PA	Prior Period Adjustment				(9,101,886)
	Net Position - Beginning, as Restated				1,650,180
NE	Net Position - Ending				<u>\$ 3,173,699</u>

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 Cash and Cash Equivalents	\$ 4,511,893	\$ 1,233,007	\$ 5,744,900
1225 Taxes Receivable, Net	354,676	65,387	420,063
1240 Due from Other Governments	1,542,014	136,034	1,678,048
1260 Due from Other Funds	11,009	--	11,009
1290 Other Receivables	2,861	--	2,861
1300 Inventories	11,016	16,472	27,488
1410 Unrealized Expenditures	(929)	--	(929)
1000 Total Assets	<u>\$ 6,432,540</u>	<u>\$ 1,450,900</u>	<u>\$ 7,883,440</u>
LIABILITIES:			
Current Liabilities:			
2110 Accounts Payable	\$ 42,877	\$ 6,500	\$ 49,377
2120 Short-Term Debt Payable	2,201	--	2,201
2150 Payroll Deductions & Withholdings	2,644	--	2,644
2160 Accrued Wages Payable	818,609	215,871	1,034,480
2170 Due to Other Funds	--	11,008	11,008
2180 Due to Other Governments	28,446	9,344	37,790
2200 Accrued Expenditures	46,878	21,977	68,855
2300 Unearned Revenue	656	2,498	3,154
2000 Total Liabilities	<u>942,311</u>	<u>267,198</u>	<u>1,209,509</u>
DEFERRED INFLOWS OF RESOURCES:			
Uncollected Property Taxes	354,676	65,387	420,063
2600 Total Deferred Inflows of Resources	<u>354,676</u>	<u>65,387</u>	<u>420,063</u>
FUND BALANCES:			
Nonspendable Fund Balances:			
3410 Inventories	11,016	13,975	24,991
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	220,491	220,491
3480 Retirement of Long-Term Debt	--	533,893	533,893
3490 Other Restrictions of Fund Balance	--	297,200	297,200
Committed Fund Balances:			
3530 Capital Expenditures for Equipment	320,770	--	320,770
3545 Other Committed Fund Balance	253,753	52,756	306,509
3600 Unassigned	4,550,014	--	4,550,014
3000 Total Fund Balances	<u>5,135,553</u>	<u>1,118,315</u>	<u>6,253,868</u>
Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 6,432,540</u>	<u>\$ 1,450,900</u>	<u>\$ 7,883,440</u>

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICTRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds balance sheet	\$ 6,253,868
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.	24,567,164
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	420,063
Payables for bond principal which are not due in the current period are not reported in the funds.	(18,609,328)
Payables for bond interest which are not due in the current period are not reported in the funds.	(303,294)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(241,624)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	14,230
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,385,986)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(364,905)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,108,805
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(5,185,132)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,168,951)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	68,789
Net position of governmental activities - Statement of Net Position	<u>\$ 3,173,699</u>

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 4,460,555	\$ 2,394,296	\$ 6,854,851
5800 State Program Revenues	6,705,667	332,963	7,038,630
5900 Federal Program Revenues	219,513	1,609,142	1,828,655
5020 Total Revenues	<u>11,385,735</u>	<u>4,336,401</u>	<u>15,722,136</u>
EXPENDITURES:			
Current:			
0011 Instruction	6,182,622	1,402,293	7,584,915
0012 Instructional Resources and Media Services	148,982	146	149,128
0013 Curriculum and Staff Development	23,083	44,397	67,480
0021 Instructional Leadership	115,685	214,210	329,895
0023 School Leadership	793,841	6,299	800,140
0031 Guidance, Counseling, & Evaluation Services	262,073	530,162	792,235
0033 Health Services	101,262	--	101,262
0034 Student Transportation	318,766	--	318,766
0035 Food Service	--	670,305	670,305
0036 Cocurricular/Extracurricular Activities	809,113	118,550	927,663
0041 General Administration	507,886	30,184	538,070
0051 Facilities Maintenance and Operations	1,169,909	11,883	1,181,792
0052 Security and Monitoring Services	92,842	--	92,842
0053 Data Processing Services	76,800	9,525	86,325
0061 Community Services	18,689	--	18,689
0071 Principal on Long-term Debt	79,754	240,000	319,754
0072 Interest on Long-term Debt	3,969	813,181	817,150
0073 Bond Issuance Costs and Fees	--	400	400
0081 Capital Outlay	309,771	7,455	317,226
0093 Payments to Shared Service Arrangements	285,600	56,135	341,735
0099 Other Intergovernmental Charges	76,048	--	76,048
6030 Total Expenditures	<u>11,376,695</u>	<u>4,155,125</u>	<u>15,531,820</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>9,040</u>	<u>181,276</u>	<u>190,316</u>
Other Financing Sources and (Uses):			
7912 Sale of Real or Personal Property	4,500	--	4,500
8949 Other Uses	(28,446)	--	(28,446)
7080 Total Other Financing Sources and (Uses)	<u>(23,946)</u>	<u>--</u>	<u>(23,946)</u>
1200 Net Change in Fund Balances	<u>(14,906)</u>	<u>181,276</u>	<u>166,370</u>
0100 Fund Balances - Beginning	5,150,459	937,039	6,087,498
3000 Fund Balances - Ending	<u>\$ 5,135,553</u>	<u>\$ 1,118,315</u>	<u>\$ 6,253,868</u>

The accompanying notes are an integral part of this statement.

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, 2018

Net change in fund balances - total governmental funds	\$ 166,370
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	348,682
The depreciation of capital assets used in governmental activities is not reported in the funds.	(838,475)
The gain or loss on the sale of capital assets is not reported in the funds.	(189,265)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	51,994
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	471
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	240,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	79,754
(Increase) decrease in accrued interest from beginning of period to end of period.	3,951
Bond premiums are reported in the funds but not in the SOA.	14,611
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	243,160
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	(307,360)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(106,966)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	78,337
The District's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(2,168,140)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>3,906,395</u>
Change in net position of governmental activities - Statement of Activities	\$ <u>1,523,519</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, 2018

EXHIBIT C-4

Page 1 of 2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts		Actual	Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 4,560,061	\$ 4,433,008	\$ 4,460,555	\$ 27,547
5800	State Program Revenues	6,604,988	6,683,988	6,705,667	21,679
5900	Federal Program Revenues	125,000	220,000	219,513	(487)
5020	Total Revenues	11,290,049	11,336,996	11,385,735	48,739
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	6,333,723	6,243,148	6,182,622	60,526
0012	Instructional Resources and Media Services	192,923	151,923	148,982	2,941
0013	Curriculum and Staff Development	43,967	27,467	23,083	4,384
	Total Instruction & Instr. Related Services	6,570,613	6,422,538	6,354,687	67,851
Instructional and School Leadership:					
0021	Instructional Leadership	120,627	116,477	115,685	792
0023	School Leadership	776,214	796,214	793,841	2,373
	Total Instructional & School Leadership	896,841	912,691	909,526	3,165
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	278,739	266,139	262,073	4,066
0033	Health Services	115,439	102,939	101,262	1,677
0034	Student (Pupil) Transportation	330,819	334,819	318,766	16,053
0036	Cocurricular/Extracurricular Activities	879,878	814,377	809,113	5,264
	Total Support Services - Student (Pupil)	1,604,875	1,518,275	1,491,214	27,061
Administrative Support Services:					
0041	General Administration	506,519	514,919	507,886	7,033
	Total Administrative Support Services	506,519	514,919	507,886	7,033
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,197,060	1,212,060	1,169,909	42,151
0052	Security and Monitoring Services	99,177	95,177	92,842	2,335
0053	Data Processing Services	77,150	77,250	76,800	450
	Total Support Services - Nonstudent Based	1,373,387	1,384,487	1,339,551	44,936
Ancillary Services:					
0061	Community Services	25,515	24,515	18,689	5,826
	Total Ancillary Services	25,515	24,515	18,689	5,826
Debt Service:					
0071	Principal on Long-Term Debt	79,755	79,755	79,754	1
0072	Interest on Long-Term Debt	3,970	3,970	3,969	1
	Total Debt Service	83,725	83,725	83,723	2
Capital Outlay:					
0081	Capital Outlay	146,000	310,000	309,771	229
	Total Capital Outlay	146,000	310,000	309,771	229
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	282,000	285,600	285,600	--
0099	Other Intergovernmental Charges	80,000	76,100	76,048	52
	Total Intergovernmental Charges	362,000	361,700	361,648	52

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, 2018

EXHIBIT C-4

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive
		Original	Final		(Negative)
6030	Total Expenditures	<u>11,569,475</u>	<u>11,532,850</u>	<u>11,376,695</u>	<u>156,155</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(279,426)</u>	<u>(195,854)</u>	<u>9,040</u>	<u>204,894</u>
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	4,500	4,500	--
8949	Other Uses	--	(28,447)	(28,446)	1
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(23,947)</u>	<u>(23,946)</u>	<u>1</u>
1200	Net Change in Fund Balance	<u>(279,426)</u>	<u>(219,801)</u>	<u>(14,906)</u>	<u>204,895</u>
0100	Fund Balance - Beginning	<u>5,150,459</u>	<u>5,150,459</u>	<u>5,150,459</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 4,871,033</u>	<u>\$ 4,930,658</u>	<u>\$ 5,135,553</u>	<u>\$ 204,895</u>

The accompanying notes are an integral part of this statement.

SABINE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

JUNE 30, 2018

		Agency Fund
Data Control Codes		Student Activity
ASSETS:		
1110	Cash and Cash Equivalents	\$ 109,305
1000	Total Assets	109,305
LIABILITIES:		
Current Liabilities:		
2190	Due to Student Groups	\$ 109,305
2000	Total Liabilities	109,305
NET POSITION:		
3000	Total Net Position	\$ --

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, 2018

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.

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 the close of specified project periods.

SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

b. Measurement Focus, 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 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, 2018, the District reported an allowance for uncollectible taxes of \$105,016.

SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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.

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

SABINE INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED JUNE 30, 2018

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 through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

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

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

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond

SABINE INDEPENDENT SCHOOL DISTRICT
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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.

l. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB Statements 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions As Reported	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On- Behalf Accruals)
11 - Instruction	\$ (275,014)	\$ (1,382,149)	\$ 1,107,135
12 - Instructional Resources and Media Services	(16,618)	(20,155)	3,537
13 - Curriculum and Instructional Staff Development	44,049	(274)	44,323
21 - Instructional Leadership	(53,493)	(61,069)	7,576
23 - School Leadership	(123,972)	(150,101)	26,129
31 - Guidance, Counseling and Evaluation Services	233,512	(97,418)	330,930
33 - Health Services	(18,494)	(22,392)	3,898
34 - Student (Pupil) Transportation	(39,022)	(47,246)	8,224
35 - Food Services	414,206	(72,083)	486,289
36 - Extracurricular Activities	(69,342)	(83,957)	14,615
41 - General Administration	(66,722)	(80,785)	14,063
51 - Facilities Maintenance and Operations	(95,908)	(116,123)	20,215
52 - Security and Monitoring Services	(6,317)	(7,649)	1,332
53 - Data Processing Services	(9,746)	(11,800)	2,054
61 - Community Services	(574)	(695)	121
93 - Payments Related to Shared Services Arrangements	35,203	--	35,203
	<u>\$ (48,252)</u>	<u>\$ (2,153,896)</u>	<u>\$ 2,105,644</u>

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4. Pensions

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

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. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 75.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

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

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

SABINE INDEPENDENT SCHOOL DISTRICT
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C. 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, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,326,149 and the bank balance was \$3,378,776. The District's cash deposits at June 30, 2018 and during the year ended June 30, 2018, 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.

The District's investments at June 30, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star Investment Pool	43-52 days	\$ 324,912
Texpool	41 days	26,606
MBIA-Texas Class	51 days	2,173,553
Total Investments		<u>\$ 2,525,071</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, 2018, 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:

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<u>Investment</u>	<u>Standards & Poor's Rating</u>
Lone Star Investment Pool	AAA
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.

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

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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

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 AAA by Standard and Poor's and operated in a manner consistent with the 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 and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

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.

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.

D. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 898,089	\$ 168,025	\$ --	\$ 1,066,114
Total capital assets not being depreciated	898,089	168,025	--	1,066,114

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Capital assets being depreciated:				
Buildings and improvements	35,099,191	141,746	2,600,507	32,640,430
Equipment	1,208,097	38,911	19,700	1,227,308
Vehicles	1,370,817	--	7,600	1,363,217
Total capital assets being depreciated	<u>37,678,105</u>	<u>180,657</u>	<u>2,627,807</u>	<u>35,230,955</u>
Less accumulated depreciation for:				
Buildings and improvements	(11,493,249)	(665,812)	(2,411,241)	(9,747,820)
Equipment	(947,553)	(120,827)	(19,700)	(1,048,680)
Vehicles	(889,169)	(51,836)	(7,600)	(933,405)
Total accumulated depreciation	<u>(13,329,971)</u>	<u>(838,475)</u>	<u>(2,438,541)</u>	<u>(11,729,905)</u>
Total capital assets being depreciated, net	<u>24,348,134</u>	<u>(657,818)</u>	<u>189,266</u>	<u>23,501,050</u>
Governmental activities capital assets, net	<u>\$ 25,246,223</u>	<u>\$ (489,793)</u>	<u>\$ 189,266</u>	<u>\$ 24,567,164</u>

Depreciation was charged to functions as follows:

Instruction	\$ 454,795
Instructional Resources and Media Services	48,720
Instructional Leadership	1,495
School Leadership	41,426
Guidance, Counseling, & Evaluation Services	5,813
Health Services	717
Student Transportation	50,193
Food Services	77,661
Extracurricular Activities	83,821
General Administration	3,374
Plant Maintenance and Operations	63,967
Security and Monitoring Services	6,339
Community Services	154
	<u>\$ 838,475</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at June 30, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Other Governmental Funds	\$ 11,009	Temporary loans pending grant reimbursements
	Total	<u>\$ 11,009</u>	

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

F. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended June 30, 2018, are as follows:

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	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds	\$ 18,495,000	\$ --	\$ 240,000	\$ 18,255,000	\$ 250,000
Notes	434,083	--	79,754	354,329	80,902
Unamortized bond premium	256,234	--	14,610	241,624	--
Net Pension Liability	2,523,113	107,438	244,565	2,385,986	--
Net OPEB Liability	9,154,089	(3,906,966)	61,991	5,185,132	--
Total governmental activities	<u>\$ 30,862,519</u>	<u>\$ (3,799,528)</u>	<u>\$ 640,920</u>	<u>\$ 26,422,071</u>	<u>\$ 330,902</u>

Beginning balances have been increased to recognize the prior year net OPEB liability that was part of a prior period adjustment as required by the implementation of GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions". See Note Q for additional information.

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, 2018:

<u>Purpose:</u>	Interest Rates	Maturity Date	Amount
Governmental Activities - Capital purchases	2.629%	10/20/2019	\$ 82,884
Governmental Activities - Capital purchases	0.25%	2/28/2025	271,445

3. Bonds Payable

Bonds payable currently outstanding are as follows:

<u>Name:</u>	Interest Rates	Maturity Date	Amount
Series 2013 Unlimited Tax School Building Bonds	4.00 - 5.00%	2/15/2043	\$ 18,255,000

4. Debt Service Requirements

Debt service requirements on long-term debt at June 30, 2018, are as follows:

	Governmental Activities		
<u>Year Ending June 30,</u>	Principal	Interest	Total
2019	\$ 330,902	\$ 806,403	\$ 1,137,305
2020	342,077	795,227	1,137,304
2021	330,198	783,623	1,113,821
2022	370,298	771,922	1,142,220
2023	380,399	758,622	1,139,021
2024-2028	2,535,455	3,540,284	6,075,739
2029-2033	3,625,000	2,958,144	6,583,144
2034-2038	4,740,000	2,110,950	6,850,950
2039-2043	5,955,000	922,750	6,877,750
Totals	<u>\$ 18,609,329</u>	<u>\$ 13,447,925</u>	<u>\$ 32,057,254</u>

G. 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 2018, the District purchased commercial

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insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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 <https://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 provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. Contributions

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

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

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<u>Contribution Rates</u>		
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 243,633	
District's 2018 Member Contributions	\$ 671,110	
NECE 2017 On-Behalf Contributions to District	\$ 467,578	

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

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

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

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

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

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%

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Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Teacher Retirement System of Texas Asset Allocation and Long-Term Expected Real Rate of Return As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.
** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 4,022,302	\$ 2,385,986	\$ 1,023,488

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

At June 30, 2018, the District reported a liability of \$2,385,986 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	\$ 2,385,986
State's proportionate share that is associated with District	<u>4,571,299</u>
Total	<u>\$ 6,957,285</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0074621%. which was an increase (decrease) of 0.0007852% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation -

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

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

For the year ended June 30, 2018, the District recognized pension expense of \$348,680 and revenue of \$348,680 for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

SABINE INDEPENDENT SCHOOL DISTRICT
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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 34,908	\$ 128,673
Changes in actuarial assumptions	108,685	62,220
Difference between projected and actual investment earnings	--	173,885
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	760,826	127
Total as of August 31, 2017 measurement date	904,419	364,905
Contributions paid to TRS subsequent to the measurement date	204,386	--
Total as of June 30, 2018	\$ 1,108,805	\$ 364,905

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
2019	\$ 97,223
2020	\$ 249,526
2021	\$ 85,519
2022	\$ 36,490
2023	\$ 42,573
Thereafter	\$ 28,183

I. 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 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.

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

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

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NOTES TO THE FINANCIAL STATEMENTS
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3. Benefits Provided

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

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

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

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

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 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee. 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.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%

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Current fiscal year District contributions	\$	77,767
Current fiscal year Member contributions	\$	56,652
2017 measurement year NECE contributions	\$	76,954

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

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

5. Actuarial Assumptions

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

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

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

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

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

Additional Actuarial Methods and Assumptions:

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

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

6. Discount Rate

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on 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 (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 6,119,743	\$ 5,185,132	\$ 4,433,916

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 4,317,141	\$ 5,185,132	\$ 6,324,047

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

At June 30, 2018, the District reported a liability of \$5,185,132 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	\$ 5,185,132
State's proportionate share that is associated with the District	<u>6,436,714</u>
Total	<u>\$ 11,621,846</u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all

SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0119236%, which was the same proportion measurement as of August 31, 2016.

10. Changes Since the Prior Actuarial Valuation.

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

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

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$(2,153,896) and revenue of \$(2,153,896) for support provided by the State.

At June 30, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

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	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 108,244
Changes in actuarial assumptions	--	2,060,707
Differences between projected and actual investment earnings	788	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	23	--
Total as of August 31, 2017 measurement date	811	2,168,951
Contributions paid to TRS subsequent to the measurement date	67,978	--
Total as of June 30, 2018	\$ 68,789	\$ 2,168,951

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:

Fiscal year ended June 30,	Amount
2019	\$ (286,088)
2020	\$ (286,088)
2021	\$ (286,088)
2022	\$ (286,088)
2023	\$ (286,285)
Thereafter	\$ (737,503)

J. Employee Health Care Coverage

During the year ended June 30, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$230 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, 2018, and terms of coverage and premium costs are included in the contractual provisions.

K. Commitments and Contingencies

1. Contingencies

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

SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

2. Litigation

No reportable litigation was pending against the District at June 30, 2018.

L. 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	\$ 515,838
Spring Hill ISD	648,284
White Oak ISD	517,149
Total	<u>\$ 1,681,271</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 provide 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	\$ 36,449
Spring Hill ISD	36,448
White Oak ISD	36,448
Total	<u>\$ 109,345</u>

M. Subsequent Events

Management has evaluate subsequent events through November 2, 2018, the date on which the financial statements were available to be issued.

The District entered into a construction contract on September 11, 2018 for a softball complex. The estimated cost is \$1,364,100 and will be funded using fund balance in the general fund.

N. Unemployment Compensation Pool

During the year ended June 30, 2018, 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, 2018, 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
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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, 2017, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

O. Workers' Compensation Pool

During the year ended June 30, 2018, 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 claims 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, 2017, the Fund carries a discounted reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended June 30, 2018, 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, 2017, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

P. Other Restrictions/Commitments of Fund Balance

Other restrictions of fund balance consist of the following:

Other Governmental Funds:

Restricted for Special Education	\$ 105,513
Restricted for Other State Funded Grants	2,229
Restricted for DAEP	2,489
Restricted for Capital Projects	186,969
	<u>\$ 297,200</u>

Other commitments of fund balance consist of the following:

General Fund:

Committed for major maintenance expenditures	\$ <u>253,753</u>
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Other Governmental Funds:

Committed for campus activity funds	\$ <u>52,756</u>
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Q. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Texas Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(9,101,886) which resulted in a restated beginning net position balance of \$1,650,180.

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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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.0074621%	0.0066769%	0.0070762%	0.0036559%	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 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	4,571,299	5,430,943	5,238,954	4,453,373	--	--	--	--	--	--
Total	<u>\$ 6,957,285</u>	<u>\$ 7,954,056</u>	<u>\$ 7,740,297</u>	<u>\$ 5,429,915</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 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	27.60%	31.16%	31.68%	12.77%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	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, 2017 - the period from September 1, 2016 - August 31, 2017.

Note: Only four 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									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 243,633	\$ 238,828	\$ 212,270	\$ 189,869	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(243,633)	(238,828)	(212,270)	(189,869)	--	--	--	--	--	--
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 8,715,734	\$ 8,550,526	\$ 8,086,672	\$ 7,828,681	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	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, 2016 - August 31, 2017.

Note: Only four 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
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									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective net OPEB liability	0.0119236%	--	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 5,185,132	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	6,436,714	--	--	--	--	--	--	--	--	--
Total	<u>\$ 11,621,846</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered-employee payroll	\$ 8,646,117	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	59.97%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	--	--	--	--	--	--	--	--	--

Note: Only one year 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 *

	Fiscal Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily or contractually required District contribution	\$ 77,767	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(77,767)	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 8,715,734	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.89%	--	--	--	--	--	--	--	--	--

Note: Only one year 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, 2018

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
ASSETS:					
1110	Cash and Cash Equivalents	\$ 502,801	\$ 543,237	\$ 186,969	\$ 1,233,007
1225	Taxes Receivable, Net	--	65,387	--	65,387
1240	Due from Other Governments	136,034	--	--	136,034
1300	Inventories	16,472	--	--	16,472
1000	Total Assets	<u>\$ 655,307</u>	<u>\$ 608,624</u>	<u>\$ 186,969</u>	<u>\$ 1,450,900</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 6,500	\$ --	\$ --	\$ 6,500
2160	Accrued Wages Payable	215,871	--	--	215,871
2170	Due to Other Funds	11,008	--	--	11,008
2180	Due to Other Governments	--	9,344	--	9,344
2200	Accrued Expenditures	21,977	--	--	21,977
2300	Unearned Revenue	2,498	--	--	2,498
2000	Total Liabilities	<u>257,854</u>	<u>9,344</u>	<u>--</u>	<u>267,198</u>
DEFERRED INFLOWS OF RESOURCES:					
	Uncollected Property Taxes	--	65,387	--	65,387
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>65,387</u>	<u>--</u>	<u>65,387</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	13,975	--	--	13,975
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	220,491	--	--	220,491
3480	Retirement of Long-Term Debt	--	533,893	--	533,893
3490	Other Restrictions of Fund Balance	110,231	--	186,969	297,200
Committed Fund Balances:					
3545	Other Committed Fund Balance	52,756	--	--	52,756
3000	Total Fund Balances	<u>397,453</u>	<u>533,893</u>	<u>186,969</u>	<u>1,118,315</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 655,307</u>	<u>\$ 608,624</u>	<u>\$ 186,969</u>	<u>\$ 1,450,900</u>

SABINE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,332,192	\$ 1,059,132	\$ 2,972	\$ 2,394,296
5800	State Program Revenues	195,668	137,295	--	332,963
5900	Federal Program Revenues	1,609,142	--	--	1,609,142
5020	Total Revenues	<u>3,137,002</u>	<u>1,196,427</u>	<u>2,972</u>	<u>4,336,401</u>
EXPENDITURES:					
Current:					
0011	Instruction	1,402,293	--	--	1,402,293
0012	Instructional Resources and Media Services	146	--	--	146
0013	Curriculum and Staff Development	44,397	--	--	44,397
0021	Instructional Leadership	214,210	--	--	214,210
0023	School Leadership	6,299	--	--	6,299
0031	Guidance, Counseling, & Evaluation Services	530,162	--	--	530,162
0035	Food Service	670,305	--	--	670,305
0036	Cocurricular/Extracurricular Activities	118,550	--	--	118,550
0041	General Administration	30,184	--	--	30,184
0051	Facilities Maintenance and Operations	11,883	--	--	11,883
0053	Data Processing Services	9,525	--	--	9,525
0071	Principal on Long-term Debt	--	240,000	--	240,000
0072	Interest on Long-term Debt	--	813,181	--	813,181
0073	Bond Issuance Costs and Fees	--	400	--	400
0081	Capital Outlay	--	--	7,455	7,455
0093	Payments to Shared Service Arrangements	56,135	--	--	56,135
6030	Total Expenditures	<u>3,094,089</u>	<u>1,053,581</u>	<u>7,455</u>	<u>4,155,125</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	42,913	142,846	(4,483)	181,276
1200	Net Change in Fund Balances	<u>42,913</u>	<u>142,846</u>	<u>(4,483)</u>	<u>181,276</u>
0100	Fund Balances - Beginning	354,540	391,047	191,452	937,039
3000	Fund Balances - Ending	<u>\$ 397,453</u>	<u>\$ 533,893</u>	<u>\$ 186,969</u>	<u>\$ 1,118,315</u>

SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

Data Control Codes		211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	313 IDEA-B Formula	397 Advanced Placement Incentives
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ 232,939	\$ --	\$ 2,229
1240	Due from Other Governments	14,282	--	116,245	--
1300	Inventories	--	16,472	--	--
1000	Total Assets	<u>14,282</u>	<u>249,411</u>	<u>116,245</u>	<u>2,229</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ 180	\$ 2,019	\$ --
2160	Accrued Wages Payable	9,414	12,196	97,562	--
2170	Due to Other Funds	4,059	--	1,442	--
2200	Accrued Expenditures	809	71	15,222	--
2300	Unearned Revenue	--	2,498	--	--
2000	Total Liabilities	<u>14,282</u>	<u>14,945</u>	<u>116,245</u>	<u>--</u>
FUND BALANCES:					
Nonspendable Fund Balances:					
3410	Inventories	--	13,975	--	--
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	220,491	--	--
3490	Other Restrictions of Fund Balance	--	--	--	2,229
Committed Fund Balances:					
3545	Other Committed Fund Balance	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>234,466</u>	<u>--</u>	<u>2,229</u>
4000	Total Liabilities and Fund Balances	<u>\$ 14,282</u>	<u>\$ 249,411</u>	<u>\$ 116,245</u>	<u>\$ 2,229</u>

410 State Textbook Fund	434 Supplemental Visually Impaired	437 Special Education	459 SSA-DAEP	461 Athletic Activity Funds
\$ --	\$ --	\$ 196,515	\$ 17,762	\$ 21,202
432	5,075	--	--	--
--	--	--	--	--
<u>432</u>	<u>5,075</u>	<u>196,515</u>	<u>17,762</u>	<u>21,202</u>
\$ --	\$ --	\$ 2,293	\$ 2,008	\$ --
--	--	83,779	12,320	600
432	5,075	--	--	--
--	--	4,930	945	--
--	--	--	--	--
<u>432</u>	<u>5,075</u>	<u>91,002</u>	<u>15,273</u>	<u>600</u>
--	--	--	--	--
--	--	--	--	--
--	--	105,513	2,489	--
--	--	--	--	20,602
<u>--</u>	<u>--</u>	<u>105,513</u>	<u>2,489</u>	<u>20,602</u>
\$ <u>432</u>	\$ <u>5,075</u>	\$ <u>196,515</u>	\$ <u>17,762</u>	\$ <u>21,202</u>

SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

JUNE 30, 2018

Data Control Codes		462 High School Activity Fund	463 Library Activity Fund
	ASSETS:		
1110	Cash and Cash Equivalents	\$ 4,899	\$ 11,569
1240	Due from Other Governments	--	--
1300	Inventories	--	--
1000	Total Assets	<u>4,899</u>	<u>11,569</u>
	LIABILITIES:		
	Current Liabilities:		
2110	Accounts Payable	\$ --	\$ --
2160	Accrued Wages Payable	--	--
2170	Due to Other Funds	--	--
2200	Accrued Expenditures	--	--
2300	Unearned Revenue	--	--
2000	Total Liabilities	<u>--</u>	<u>--</u>
	FUND BALANCES:		
	Nonspendable Fund Balances:		
3410	Inventories	--	--
	Restricted Fund Balances:		
3450	Federal/State Funds Grant Restrictions	--	--
3490	Other Restrictions of Fund Balance	--	--
	Committed Fund Balances:		
3545	Other Committed Fund Balance	<u>4,899</u>	<u>11,569</u>
3000	Total Fund Balances	<u>4,899</u>	<u>11,569</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,899</u>	<u>\$ 11,569</u>

464 Middle School Activity Fund	465 Elementary Activity Fund	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 7,567	\$ 8,119	\$ 502,801
--	--	136,034
--	--	16,472
<u>7,567</u>	<u>8,119</u>	<u>655,307</u>
\$ --	\$ --	\$ 6,500
--	--	215,871
--	--	11,008
--	--	21,977
--	--	2,498
<u>--</u>	<u>--</u>	<u>257,854</u>
--	--	13,975
--	--	220,491
--	--	110,231
7,567	8,119	52,756
<u>7,567</u>	<u>8,119</u>	<u>397,453</u>
\$ <u>7,567</u>	\$ <u>8,119</u>	\$ <u>655,307</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, 2018

Data Control Codes		211 ESEA Title I Improving Basic Programs	225 IDEA-B Preschool Grant	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ 236,937	\$ --
5800	State Program Revenues	--	--	24,651	--
5900	Federal Program Revenues	280,307	2,473	469,615	34,522
5020	Total Revenues	<u>280,307</u>	<u>2,473</u>	<u>731,203</u>	<u>34,522</u>
EXPENDITURES:					
Current:					
0011	Instruction	275,965	2,473	--	--
0012	Instructional Resources and Media Services	--	--	--	--
0013	Curriculum and Staff Development	4,342	--	--	34,522
0021	Instructional Leadership	--	--	--	--
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	--
0035	Food Service	--	--	670,305	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	--
0051	Facilities Maintenance and Operations	--	--	--	--
0053	Data Processing Services	--	--	--	--
0093	Payments to Shared Service Arrangements	--	--	--	--
6030	Total Expenditures	<u>280,307</u>	<u>2,473</u>	<u>670,305</u>	<u>34,522</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	60,898	--
1200	Net Change in Fund Balances	--	--	60,898	--
0100	Fund Balances - Beginning	--	--	173,568	--
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 234,466</u>	<u>\$ --</u>

263 English Language Acquisition and Enhancement	289 Title IV, Part A Subpart 1	313 IDEA-B Formula	314 IDEA-B Preschool	397 Advanced Placement Incentives
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
12,297	9,786	781,087	19,055	--
<u>12,297</u>	<u>9,786</u>	<u>781,087</u>	<u>19,055</u>	<u>--</u>
9,690	9,786	450,217	--	--
--	--	--	--	--
2,607	--	750	--	--
--	--	--	--	--
--	--	--	--	--
--	--	313,972	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	16,148	19,055	--
<u>12,297</u>	<u>9,786</u>	<u>781,087</u>	<u>19,055</u>	<u>--</u>
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	2,229
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,229</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, 2018

Data Control Codes		410 State Textbook Fund	429 State Funded Special Revenue Fund	434 Supplemental Visually Impaired	437 Special Education
REVENUES:					
5700	Local and Intermediate Sources	\$ --	\$ --	\$ --	\$ 862,112
5800	State Program Revenues	110,269	2,161	5,075	46,711
5900	Federal Program Revenues	--	--	--	--
5020	Total Revenues	<u>110,269</u>	<u>2,161</u>	<u>5,075</u>	<u>908,823</u>
EXPENDITURES:					
Current:					
0011	Instruction	110,269	--	5,075	432,888
0012	Instructional Resources and Media Services	--	27	--	--
0013	Curriculum and Staff Development	--	2,161	--	15
0021	Instructional Leadership	--	--	--	172,285
0023	School Leadership	--	--	--	--
0031	Guidance, Counseling, & Evaluation Services	--	--	--	216,190
0035	Food Service	--	--	--	--
0036	Cocurricular/Extracurricular Activities	--	--	--	--
0041	General Administration	--	--	--	30,184
0051	Facilities Maintenance and Operations	--	--	--	11,883
0053	Data Processing Services	--	--	--	9,525
0093	Payments to Shared Service Arrangements	--	--	--	3,084
6030	Total Expenditures	<u>110,269</u>	<u>2,188</u>	<u>5,075</u>	<u>876,054</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	(27)	--	32,769
1200	Net Change in Fund Balances	--	(27)	--	32,769
0100	Fund Balances - Beginning	--	27	--	72,744
3000	Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 105,513</u>

459	461	462	463	464
SSA-DAEP	Athletic Activity Funds	High School Activity Fund	Library Activity Fund	Middle School Activity Fund
\$ 99,000	\$ 31,404	\$ 6,090	\$ 13,415	\$ 25,271
6,454	96	--	--	--
--	--	--	--	--
<u>105,454</u>	<u>31,500</u>	<u>6,090</u>	<u>13,415</u>	<u>25,271</u>
49,572	--	2,655	--	--
--	--	--	119	--
--	--	--	--	--
41,925	--	--	--	--
--	--	2,447	--	1,110
--	--	--	--	--
--	--	--	--	--
--	33,174	990	9,904	21,500
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
17,848	--	--	--	--
<u>109,345</u>	<u>33,174</u>	<u>6,092</u>	<u>10,023</u>	<u>22,610</u>
(3,891)	(1,674)	(2)	3,392	2,661
<u>(3,891)</u>	<u>(1,674)</u>	<u>(2)</u>	<u>3,392</u>	<u>2,661</u>
6,380	22,276	4,901	8,177	4,906
<u>\$ 2,489</u>	<u>\$ 20,602</u>	<u>\$ 4,899</u>	<u>\$ 11,569</u>	<u>\$ 7,567</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, 2018

Data Control Codes	465 Elementary Activity Fund	466 District 8 3A UIL Chair District Fund	498 Region VII Technology Consortium	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
REVENUES:				
5700 Local and Intermediate Sources	\$ 24,350	\$ 33,613	\$ --	\$ 1,332,192
5800 State Program Revenues	--	251	--	195,668
5900 Federal Program Revenues	--	--	--	1,609,142
5020 Total Revenues	<u>24,350</u>	<u>33,864</u>	<u>--</u>	<u>3,137,002</u>
EXPENDITURES:				
Current:				
0011 Instruction	277	--	53,426	1,402,293
0012 Instructional Resources and Media Services	--	--	--	146
0013 Curriculum and Staff Development	--	--	--	44,397
0021 Instructional Leadership	--	--	--	214,210
0023 School Leadership	2,742	--	--	6,299
0031 Guidance, Counseling, & Evaluation Services	--	--	--	530,162
0035 Food Service	--	--	--	670,305
0036 Cocurricular/Extracurricular Activities	19,118	33,864	--	118,550
0041 General Administration	--	--	--	30,184
0051 Facilities Maintenance and Operations	--	--	--	11,883
0053 Data Processing Services	--	--	--	9,525
0093 Payments to Shared Service Arrangements	--	--	--	56,135
6030 Total Expenditures	<u>22,137</u>	<u>33,864</u>	<u>53,426</u>	<u>3,094,089</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	2,213	--	(53,426)	42,913
1200 Net Change in Fund Balances	<u>2,213</u>	<u>--</u>	<u>(53,426)</u>	<u>42,913</u>
0100 Fund Balances - Beginning	5,906	--	53,426	354,540
3000 Fund Balances - Ending	<u>\$ 8,119</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 397,453</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 DISTRICTSCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED JUNE 30, 2018

Year Ended June 30	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		1.04		--		359,321,714
2011		1.04		--		356,866,029
2012		1.04		--		378,972,981
2013		1.04		--		402,121,635
2014		1.04		.2528		436,227,184
2015		1.04		.233		440,509,407
2016		1.04		.2614		394,057,690
2017		1.04		.2614		415,915,109
2018 (School Year Under Audit)		1.04		.2614		398,971,911

1000 Totals

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

10 Beginning Balance 7/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/18
\$ 50,277	\$ --	\$ 945	\$ --	\$ (3,071)	\$ 46,261
15,773	--	322	--	--	15,451
15,780	--	214	--	--	15,566
15,211	--	3,016	--	(376)	11,819
29,509	--	3,517	--	(749)	25,243
64,818	--	4,983	1,211	(125)	58,499
35,902	--	8,191	1,835	(89)	25,787
78,946	--	21,460	5,395	45	52,136
153,870	--	60,974	15,327	(9,363)	68,206
--	5,192,340	4,047,678	1,017,485	78,934	206,111
<u>\$ 460,086</u>	<u>\$ 5,192,340</u>	<u>\$ 4,151,300</u>	<u>\$ 1,041,253</u>	<u>\$ 65,206</u>	<u>\$ 525,079</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

SABINE INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

EXHIBIT J-2

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts			Positive
		Original	Final	Actual	(Negative)
	REVENUES:				
5700	Local and Intermediate Sources	\$ 215,300	\$ 235,100	\$ 236,937	\$ 1,837
5800	State Program Revenues	24,104	25,604	24,651	(953)
5900	Federal Program Revenues	456,024	465,524	469,615	4,091
5020	Total Revenues	695,428	726,228	731,203	4,975
	EXPENDITURES:				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	711,372	687,872	670,305	17,567
	Total Support Services - Student (Pupil)	711,372	687,872	670,305	17,567
6030	Total Expenditures	711,372	687,872	670,305	17,567
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(15,944)	38,356	60,898	22,542
1200	Net Change in Fund Balance	(15,944)	38,356	60,898	22,542
0100	Fund Balance - Beginning	173,568	173,568	173,568	--
3000	Fund Balance - Ending	\$ 157,624	\$ 211,924	\$ 234,466	\$ 22,542

The accompanying notes are an integral part of this statement.

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

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED JUNE 30, 2018

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 1,104,983	\$ 1,056,983	\$ 1,059,132	\$ 2,149
5800	State Program Revenues	129,969	136,443	137,295	852
5020	Total Revenues	<u>1,234,952</u>	<u>1,193,426</u>	<u>1,196,427</u>	<u>3,001</u>
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	240,000	240,000	240,000	--
0072	Interest on Long-Term Debt	813,181	813,181	813,181	--
0073	Bond Issuance Costs and Fees	400	400	400	--
	Total Debt Service	<u>1,053,581</u>	<u>1,053,581</u>	<u>1,053,581</u>	<u>--</u>
6030	Total Expenditures	<u>1,053,581</u>	<u>1,053,581</u>	<u>1,053,581</u>	<u>--</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>181,371</u>	<u>139,845</u>	<u>142,846</u>	<u>3,001</u>
1200	Net Change in Fund Balance	<u>181,371</u>	<u>139,845</u>	<u>142,846</u>	<u>3,001</u>
0100	Fund Balance - Beginning	391,047	391,047	391,047	--
3000	Fund Balance - Ending	\$ 572,418	\$ 530,892	\$ 533,893	\$ 3,001

The accompanying notes are an integral part of this statement.

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KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Longview, Texas 75604

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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, 2018, 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 November 2, 2018.

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.

Respectfully submitted,

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
November 2, 2018

KAREN A. JACKS & ASSOCIATES, P.C.

Certified Public Accountants

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Sherry Davis, CPA
Chanie A. Johnson, CPA

Independent Auditors' Report on Compliance for Each Major Program and 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 each of the Sabine Independent School District's major federal programs for the year ended June 30, 2018. Sabine Independent School District's major federal programs are 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 each of its major federal programs for the year ended June 30, 2018.

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.

Respectfully submitted,

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
November 2, 2018

SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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

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>
84.010	Title I, Part A
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? Yes X 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, 2018

<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, 2018

None required.

SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

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	\$	\$ 93,210
National School Lunch Program	10.555	00441	--	320,144
Total Passed Through State Department of Education			--	413,354
Passed Through Texas Dept of Agriculture:				
National School Lunch Program (Non-cash)	10.555	00441	--	56,261
Total U. S. Department of Agriculture			--	469,615
Total Child Nutrition Cluster			--	469,615
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through Gregg County SSA:				
IDEA-B Preschool	84.173	186610010929066610	--	2,473
Passed Through State Department of Education:				
SSA IDEA-B Formula	84.027	176600010929066600	--	2,128
SSA IDEA-B Formula	84.027	186600010929066600	--	778,959
Total CFDA Number 84.027			--	781,087
SSA IDEA-B Preschool	84.173	186610010929066610	19,055	19,055
Total Passed Through State Department of Education			19,055	800,142
Total U. S. Department of Education			19,055	802,615
Total Special Education (IDEA) Cluster			19,055	802,615
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010a	17610101092906	--	3,290
ESEA Title I Part A - Improving Basic Programs	84.010a	18610101092906	--	277,017
Total CFDA Number 84.010a			--	280,307
Title III Part A English Language Acquisition and Language Enhancement	84.365	18671001092906	--	12,297
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	17694501092906	--	3,539
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	18694501092906	--	30,983
Total CFDA Number 84.367a			--	34,522
Title IV, Part A, Subpart 1	84.424A	18680101092906	--	9,786
Total Passed Through State Department of Education			--	336,912
Total U. S. Department of Education			--	336,912
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 19,055	\$ 1,609,142

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, 2018

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 revenues 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	\$	1,609,142
Other Federal Revenues:		
School Health and Related Services (SHARS)		219,513
Total Federal Revenues, Exhibit C-2	\$	<u>1,828,655</u>

Note D - Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of commodities received and disbursed. At June 30, 2018, the District had food commodities totaling \$2,498 in inventory.

SABINE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF JUNE 30, 2018

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 2,385,986
SF13	Pension Expense (object 6147) at fiscal year-end.	\$

In correspondence to all school administrators dated November 1, 2017, the TEA's Director of Financial Compliance stated "For 2017, and until further notice, no data should be entered in the field for data feed Schedule L-1 question SF13. If the AFR and data feed has been submitted no additional steps need to be taken."