

**WEST SABINE
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2015

West Sabine Independent School District
Annual Financial Report
For The Year Ended August 31, 2015

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Introductory Section

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CERTIFICATE OF BOARD

West Sabine Independent School District
Name of School District

Sabine
County

202-905
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2015, at a meeting of the board of trustees of such school district on the 11th day of JANUARY, 2016.

Carla Randle
Signature of Board Secretary

Ronald E. Zahn
Signature of Board President

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

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Financial Section

Halls, Johnson, McLemore & Redfield, LLP
1329 N University Drive, Ste A3
Nacogdoches, Texas 75961

Independent Auditor's Report

To the Board of Trustees
West Sabine Independent School District
P.O. Box 869
Pineland, Texas 75968-0869

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 West Sabine Independent School District ("the District") as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 West Sabine Independent School District as of August 31, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2015, West Sabine Independent School District adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for contributions made Subsequent to the Measurement Date -- an amendment of GASB Statement No. 68*. 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability and schedule of District pension 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 West Sabine Independent School District's basic financial statements. The introductory section and combining and individual 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 U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 and individual 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 and individual 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 December 18, 2015 on our consideration of West 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in Z: internal control over financial reporting and compliance.

Respectfully submitted,

Halls, Johnson, McLemore & Redfield, LLP

Halls, Johnson, McLemore & Redfield, LLP

Nacogdoches, Texas
December 18, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of West Sabine Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

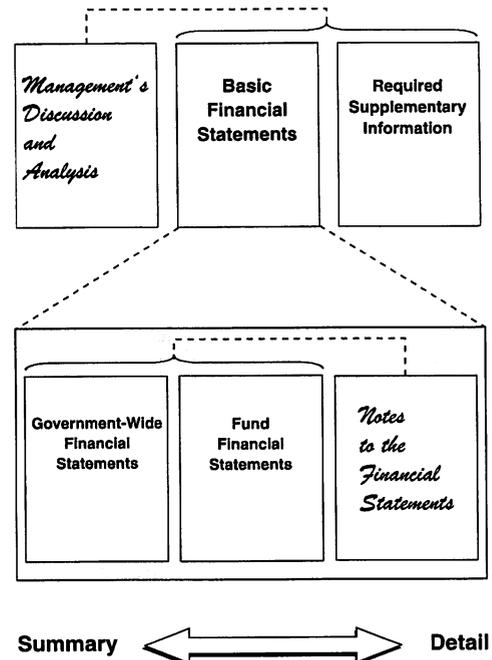
- The District's total combined net position was \$9,752,068 at August 31, 2015.
- During the current year, the District's expenses were \$307,100 more than the \$6,331,374 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$ 7,536,941; \$295,852 more than last year.
- The general fund reported a fund balance at the end of this year of \$3,717,109.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

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

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



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

Government-wide Statements

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

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

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

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

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

The District has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

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

The District's combined net position at August 31, 2015, was \$9,752,068. This is a \$844,864 decrease from last year's combined net assets of \$10,596,932. The following table provides a comparative summary of the District's net position:

Summary of Net Position				
	<u>8/31/2015</u>	<u>8/31/2014</u>	<u>Change</u>	<u>% Change</u>
Governmental Activities:				
Current and other assets	\$ 4,192,680	\$ 4,149,086	\$ 43,594	1.05%
Capital assets	<u>14,895,262</u>	<u>15,560,827</u>	<u>(665,565)</u>	<u>-4.28%</u>
Total assets	19,087,942	19,709,913	(621,971)	-3.16%
Deferred outflows of resources	625,109	-	625,109	
Deferred outflows of pensions	<u>133,633</u>	-	<u>133,633</u>	
Total deferred outflows	<u>758,742</u>	<u>-</u>	<u>758,742</u>	<u>-</u>
Current liabilities	214,563	271,831	(57,268)	-21.07%
Long term liabilities	<u>9,734,861</u>	<u>8,841,150</u>	<u>893,711</u>	<u>10.11%</u>
Total liabilities	9,949,424	9,112,981	836,443	9.18%
Total deferred inflows of resources	145,192	(a)	145,192	
Net position:				
Invested in capital assets	6,260,145	6,719,677	(459,532)	-6.84%
Restricted	254,526	260,027	(5,501)	-2.12%
Unrestricted	<u>3,237,397</u>	<u>3,617,228</u>	<u>(379,831)</u>	<u>-10.50%</u>
Total net position	<u>\$ 9,752,068</u>	<u>\$ 10,596,932</u>	<u>\$ (844,864)</u>	<u>-7.97%</u>

(a) - The District was required to adopt Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions - An amendment of GASB Statement No. 27, effective September 1, 2014. As permitted by GASB Statement No. 68, prior fiscal year was not restated.

The District was required to adopt Governmental Accounting Standards Board ("GASB") Statement No. 68, Accounting and Financial Reporting for Pensions - An amendment of GASB Statement No. 27, effective July 1, 2014. This caused the District to record a prior period adjustment of (\$537,764) to its unrestricted net position, but did not affect any individual fund.

Net position of the District's governmental activities decreased 7.97% to \$9,752,068 during the year ending August 31, 2015. Some of the net position is either restricted as to the purposes it can be used for, or is invested in capital assets (buildings, vehicles, equipment, and so on). Unrestricted net position decreased by (\$379,831) and totaled \$3,237,397 at year end.

Governmental Activities

- The cost of all *governmental* activities this year was \$7,536,941.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,226,087.
- Some of the cost was paid by charges for services of \$100,910, or by operating grants and contributions of \$797,557.
- Property tax rate was \$1.35 per \$100 valuation in 2015 and was \$1.355 per \$100 valuation in 2014. The District's taxable values decreased approximately \$4.2 million and a tax rate reduction,

which led to property tax revenues decreasing \$68,003 to \$1,226,087 from \$1,294,090 in the prior year.

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

Summary of Activities & Changes in Net Position

Governmental Activities

	8/31/2015	8/31/2014	Amount Of Change	% Change
Program revenues:				
Charges for services	\$ 100,910	\$ 99,827	\$ 1,083	1.08%
Operating grants/contributions	797,557	827,159	(29,602)	-3.58%
General revenues:				
Property taxes	1,226,087	1,294,090	(68,003)	-5.25%
Investment earnings	8,797	5,444	3,353	61.59%
Foundation and unrestricted grants	4,941,243	4,856,519	84,724	1.74%
Other general revenues	155,247	169,760	(14,513)	-8.55%
Total revenues/contributions	<u>7,229,841</u>	<u>7,252,799</u>	<u>(22,958)</u>	<u>-0.32%</u>
<u>Function</u>				
Expenses:				
11 Instruction	4,004,872	3,843,579	161,293	4.20%
12 Instructional Resources and Media Services	62,381	60,986	1,395	2.29%
13 Curriculum and Staff Development	61,032	56,468	4,564	8.08%
21 Instructional Leadership	19,866	17,636	2,230	12.64%
23 School Leadership	356,402	289,886	66,516	22.95%
31 Guidance, Counseling, & Evaluation Services	137,207	123,186	14,021	11.38%
32 Social Work Services	253	478	(225)	-47.07%
33 Health Services	74,847	74,981	(134)	-0.18%
34 Student Transportation	205,808	222,413	(16,605)	-7.47%
35 Food Service	447,753	415,152	32,601	7.85%
36 Cocurricular/Extracurricular Activities	494,379	491,231	3,148	0.64%
41 General Administration	391,945	393,432	(1,487)	-0.38%
51 Plant Maintenance and Operations	679,910	658,680	21,230	3.22%
52 Security and Monitoring Services	18,198	5,878	12,320	209.60%
53 Data Processing Services	86,089	71,896	14,193	19.74%
72 Interest on Long-term Debt	287,243	410,695	(123,452)	-30.06%
73 Bond Issuance Cost & Fees	105,179	750	104,429	13923.87%
93 Payments to Shared Services Arrangements	69,699	69,699	-	0.00%
99 Other Intergovernmental Charges	33,878	34,063	(185)	-0.54%
Total expenses	<u>7,536,941</u>	<u>7,241,089</u>	<u>295,852</u>	<u>4.09%</u>
Change in net position	(307,100)	11,710	(318,810)	-2722.54%
Prior period adjustment	(537,764)	(127,285)	(410,479)	322.49%
Beginning net position	10,596,932	10,712,507	(115,575)	-1.08%
Ending net position	<u>\$ 9,752,068</u>	<u>\$ 10,596,932</u>	<u>(844,864)</u>	<u>-7.97%</u>

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

General Fund Revenues totaled \$5,993,999 compared with \$5,952,118 in the prior year, an increase of \$41,881 over the prior year. This was primarily a result of increased state foundation allotment. General Fund Expenditures totaled \$5,894,313 compared with \$5,561,529 in the prior year, an increase of \$332,784. Areas with the greatest fluctuation were increases in Instruction and School Leadership and decreases in student transportation.

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

Summary of the District's Fund Balances

	Governmental Funds		Amount	
	8/31/2015	8/31/2014	of Change	% Change
General Fund	\$ 3,717,109	\$ 3,617,423	\$ 99,686	2.76%
Capital Projects Fund	49,203	49,203	-	0.00%
Debt Service Fund	123,082	108,883	14,199	13.04%
Food Service Fund	77,755	97,919	(20,164)	-20.59%
Total - Governmental	<u>\$ 3,967,149</u>	<u>\$ 3,873,428</u>	<u>\$ 93,721</u>	<u>2.42%</u>

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget several times. Even with these adjustments, actual expenditures were \$184,648 below final budget amounts. Significant positive variances resulted in instruction, curriculum and staff development, plant maintenance and support services (transportation and co-curricular).

Resources available were \$112,989 above the final budgeted amount. Other revenues were slightly higher than expected as a result of Federal Forest monies not being budgeted and receipt of the Keeler Grant.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2015, the District had invested \$22.0 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. The \$87,835 decrease is mainly due to the sale of three buses and a vehicle.

Summary of the District's Capital Assets

	Governmental Activities		Amount	
	8/31/2015	8/31/2014	of Change	% Change
Land	\$ 283,918	\$ 283,918	\$ -	0.00%
Buildings and improvements	20,022,913	19,991,211	31,702	0.16%
Equipment	674,725	617,338	57,387	9.30%
Vehicles	987,396	1,164,320	(176,924)	-15.20%
Subtotal	\$ 21,968,952	22,056,787	(87,835)	-0.40%
Less accumulated depreciation	(7,073,690)	(6,495,960)	(577,730)	8.89%
Net capital assets	<u>\$ 14,895,262</u>	<u>\$15,560,827</u>	<u>\$ (665,565)</u>	<u>-4.28%</u>

Debt

At August 31, 2015, the District had \$8,304,999 in bonds payable. The District issued an advance refunding bond in April 2015. No changes have occurred in credit ratings. Interest rates decreased by 1% due to refunding resulting in present value savings of \$1,179,240.

Summary of the District's Debt

	<u>8/31/2015</u>	<u>8/31/2014</u>
Balance of debt, beginning of year	\$ 8,610,000	\$ 8,805,000
New Bonds issued	7,969,999	-
Principal payments on bonds	(305,000)	(195,000)
Defeased Bonds	<u>(7,970,000)</u>	<u>-</u>
Balance of debt, end of year	<u>\$ 8,304,999</u>	<u>\$ 8,610,000</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised values used for the 2016 budget preparation are projected to be \$92.1 million, which is a 5.0% decrease from the taxable values of \$96.6 million for the 2016 values. These values decreased due to changes in general property valuations.
- General operating fund spending is expected to increase from \$5,894,313 actual expenditures in 2015 to \$6,232,273 budgeted for 2016. There are no new initiatives or programs in the 2016 general fund budget.
- The District's 2016 refined ADA is expected to be 625, which is an increase of 10 over the refined ADA of 615 for 2015.

These indicators were taken into account when adopting the general fund budget for 2016. Amounts available for appropriation in the general fund budget are \$6.232 million, an increase of approximately \$408,000 when compared to the original 2015 budget of \$5.824 million.

If these estimates are realized, the District's general fund balance is expected to remain the same by the close of fiscal year 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

WEST SABINE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

1

Data Control Codes		Governmental Activities
ASSETS:		
1110	Cash and Cash Equivalents	\$ 3,697,550
1225	Property Taxes Receivable (Net)	22,840
1240	Due from Other Governments	463,387
1290	Other Receivables (Net)	8,903
Capital Assets:		
1510	Land	283,918
1520	Buildings and Improvements, Net	13,977,226
1530	Furniture and Equipment, Net	634,118
1000	Total Assets	<u>19,087,942</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	Deferred Outflow of Resources	625,109
1705	Deferred Outflow Related to Pensions	133,633
1700	Total Deferred Outflows of Resources	<u>758,742</u>
LIABILITIES:		
2140	Interest Payable	11,871
2165	Accrued Liabilities	202,692
Noncurrent Liabilities:		
2501	Due Within One Year	270,000
2502	Due in More Than One Year	8,990,226
2540	Net Pension Liability	474,635
2000	Total Liabilities	<u>9,949,424</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflow Related to Pensions	145,192
2600	Total Deferred Inflows of Resources	<u>145,192</u>
NET POSITION:		
3200	Net Investment in Capital Assets	6,260,145
Restricted For:		
3820	State and Federal Programs	77,755
3850	Debt Service	127,568
3860	Capital Projects	49,203
3900	Unrestricted	3,237,397
3000	Total Net Position	<u>\$ 9,752,068</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 4,004,872	\$ --	\$ 341,290	\$ (3,663,582)
12	Instructional Resources and Media Services	62,381	--	3,236	(59,145)
13	Curriculum and Staff Development	61,032	--	4,496	(56,536)
21	Instructional Leadership	19,866	--	2,920	(16,946)
23	School Leadership	356,402	--	14,090	(342,312)
31	Guidance, Counseling, & Evaluation Services	137,207	--	8,532	(128,675)
32	Social Work Services	253	--	249	(4)
33	Health Services	74,847	--	4,226	(70,621)
34	Student Transportation	205,808	--	3,452	(202,356)
35	Food Service	447,753	71,941	332,105	(43,707)
36	Cocurricular/Extracurricular Activities	494,379	23,001	16,959	(454,419)
41	General Administration	391,945	--	17,092	(374,853)
51	Facilities Maintenance and Operations	679,910	5,968	44,356	(629,586)
52	Security and Monitoring Services	18,198	--	--	(18,198)
53	Data Processing Services	86,089	--	4,554	(81,535)
72	Interest on Long-term Debt	287,243	--	--	(287,243)
73	Bond Issuance Costs and Fees	105,179	--	--	(105,179)
93	Payments Related to Shared Services Arrangements	69,699	--	--	(69,699)
99	Other Intergovernmental Charges	33,878	--	--	(33,878)
TG	Total Governmental Activities	<u>7,536,941</u>	<u>100,910</u>	<u>797,557</u>	<u>(6,638,474)</u>
TP	Total Primary Government	<u>\$ 7,536,941</u>	<u>\$ 100,910</u>	<u>\$ 797,557</u>	<u>(6,638,474)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				941,396
DT	Property Taxes, Levied for Debt Service				284,691
IE	Investment Earnings				8,797
GC	Grants and Contributions Not Restricted to Specific Programs				4,941,243
MI	Miscellaneous				155,247
TR	Total General Revenues				<u>6,331,374</u>
CN	Change in Net Position				(307,100)
NB	Net Position - Beginning				10,596,932
PA	Prior Period Adjustment				(537,764)
	Net Position - Beginning, as Restated				10,059,168
NE	Net Position - Ending				<u>\$ 9,752,068</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund
ASSETS:		
1110 Cash and Cash Equivalents	\$ 3,468,213	\$ 107,881
1225 Taxes Receivable, Net	18,353	4,487
1240 Due from Other Governments	435,888	15,201
1260 Due from Other Funds	1,469	--
1290 Other Receivables	8,903	--
1000 Total Assets	<u>3,932,826</u>	<u>127,569</u>
LIABILITIES:		
Current Liabilities:		
2150 Payroll Deductions & Withholdings	\$ 106	\$ --
2160 Accrued Wages Payable	136,009	--
2170 Due to Other Funds	--	--
2200 Accrued Expenditures	61,249	--
2000 Total Liabilities	<u>197,364</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred Revenue	18,353	4,487
2600 Total Deferred Inflows of Resources	<u>18,353</u>	<u>4,487</u>
FUND BALANCES:		
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3470 Capital Acquisitions & Contractual Obligations	--	--
3480 Retirement of Long-Term Debt	--	123,082
Committed Fund Balances:		
3510 Construction	2,000,000	--
3530 Capital Expenditures for Equipment	350,000	--
3600 Unassigned	1,367,109	--
3000 Total Fund Balances	<u>3,717,109</u>	<u>123,082</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 3,932,826</u>	<u>\$ 127,569</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ 49,203	\$ 72,254	\$ 3,697,551
--	--	22,840
--	12,298	463,387
--	--	1,469
--	--	8,903
<u>49,203</u>	<u>84,552</u>	<u>4,194,150</u>
\$ --	\$ --	\$ 106
--	4,808	140,817
--	1,469	1,469
--	520	61,769
<u>--</u>	<u>6,797</u>	<u>204,161</u>
<u>--</u>	<u>--</u>	<u>22,840</u>
<u>--</u>	<u>--</u>	<u>22,840</u>
--	77,755	77,755
49,203	--	49,203
--	--	123,082
--	--	2,000,000
--	--	350,000
--	--	1,367,109
<u>49,203</u>	<u>77,755</u>	<u>3,967,149</u>
<u>\$ 49,203</u>	<u>\$ 84,552</u>	<u>\$ 4,194,150</u>

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WEST SABINE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2015

Total fund balances - governmental funds balance sheet	\$ 3,967,149
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.	14,895,262
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	22,840
Payables for bond principal which are not due in the current period are not reported in the funds.	(8,816,288)
Payables for bond interest which are not due in the current period are not reported in the funds.	(455,810)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	625,109
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(474,635)
Deferred Resource Inflows related to TRS are not reported in the funds.	(145,192)
Deferred Resource Outflows related to TRS are not reported in the funds.	<u>133,633</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 9,752,068</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	10 General Fund	50 Debt Service Fund
REVENUES:		
5700 Local and Intermediate Sources	\$ 1,127,192	\$ 284,227
5800 State Program Revenues	4,737,625	333,855
5900 Federal Program Revenues	129,182	--
5020 Total Revenues	<u>5,993,999</u>	<u>618,082</u>
EXPENDITURES:		
Current:		
0011 Instruction	3,306,789	--
0012 Instructional Resources and Media Services	62,899	--
0013 Curriculum and Staff Development	56,532	--
0021 Instructional Leadership	16,943	--
0023 School Leadership	360,245	--
0031 Guidance, Counseling, & Evaluation Services	137,419	--
0032 Social Work Services	--	--
0033 Health Services	75,556	--
0034 Student Transportation	122,688	--
0035 Food Service	--	--
0036 Cocurricular/Extracurricular Activities	465,158	--
0041 General Administration	388,659	--
0051 Facilities Maintenance and Operations	643,739	--
0052 Security and Monitoring Services	18,198	--
0053 Data Processing Services	135,911	--
0071 Principal on Long-term Debt	--	305,000
0072 Interest on Long-term Debt	--	325,306
0073 Bond Issuance Costs and Fees	--	105,179
0093 Payments to Shared Service Arrangements	69,699	--
0099 Other Intergovernmental Charges	33,878	--
6030 Total Expenditures	<u>5,894,313</u>	<u>735,485</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>99,686</u>	<u>(117,403)</u>
Other Financing Sources and (Uses):		
7901 Refunding Bonds Issued	--	7,969,999
7916 Premium or Discount on Issuance of Bonds	--	955,789
7917 Prepaid Interest	--	22,207
8940 Payment to Bond Refunding Escrow Agent	--	(8,816,393)
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>131,602</u>
1200 Net Change in Fund Balances	99,686	14,199
0100 Fund Balances - Beginning	3,617,423	108,883
3000 Fund Balances - Ending	<u>\$ 3,717,109</u>	<u>\$ 123,082</u>

The accompanying notes are an integral part of this statement.

60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
\$ --	\$ 77,909	\$ 1,489,328
--	7,605	5,079,085
--	530,533	659,715
<u> </u>	<u>616,047</u>	<u>7,228,128</u>
--	169,648	3,476,437
--	--	62,899
--	4,500	61,032
--	2,923	19,866
--	--	360,245
--	1,159	138,578
--	253	253
--	--	75,556
--	--	122,688
--	422,677	422,677
--	--	465,158
--	--	388,659
--	35,051	678,790
--	--	18,198
--	--	135,911
--	--	305,000
--	--	325,306
--	--	105,179
--	--	69,699
--	--	33,878
<u> </u>	<u>636,211</u>	<u>7,266,009</u>
<u> </u>	<u>(20,164)</u>	<u>(37,881)</u>
--	--	7,969,999
--	--	955,789
--	--	22,207
--	--	(8,816,393)
<u> </u>	<u> </u>	<u>131,602</u>
<u> </u>	<u>(20,164)</u>	<u>93,721</u>
49,203	97,919	3,873,428
<u>\$ 49,203</u>	<u>\$ 77,755</u>	<u>\$ 3,967,149</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Net change in fund balances - total governmental funds	\$ 93,721
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	89,089
The depreciation of capital assets used in governmental activities is not reported in the funds.	(754,654)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1,714
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	305,000
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	12,518
The accretion of interest on capital appreciation bonds is not reported in the funds.	(2,090)
(Increase) decrease in accrued interest from beginning of period to end of period.	5,428
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(7,969,999)
Bond premiums are reported in the funds but not in the SOA.	(955,789)
Bond discounts are reported in the funds but not in the SOA.	8,816,393
District's share of plan pension expense are not reported in the funds.	(43,869)
Pension contributions made after the measurement date were de-expended & reported as deferred outflow.	95,439
Rounding difference	(1)
Change in net position of governmental activities - Statement of Activities	<u>\$ (307,100)</u>

The accompanying notes are an integral part of this statement.

WEST SABINE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2015

Data Control Codes		<u>Agency Fund</u>
<u>ASSETS:</u>		<u>Student Activity</u>
1110	Cash and Cash Equivalents	\$ 120,578
1000	Total Assets	<u>120,578</u>
<u>LIABILITIES:</u>		
Current Liabilities:		
2190	Due to Student Groups	\$ 120,578
2000	Total Liabilities	<u>120,578</u>
<u>NET POSITION:</u>		
3000	Total Net Position	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Required Supplementary Information

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

In addition, the District reports the following fund types:

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

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

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

Allowances for uncollectible tax receivables totaling \$91,359 within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible property

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

taxes was \$91,359 at August 31, 2015.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	30
Building Improvements	15
Vehicles	8
Equipment	5-25

e. 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.

f. 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.

g. 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"

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

line of the government-wide statement of net position.

h. Use of Estimates

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

i. 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.

j. 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 conveys 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.

k. Net Position Flow Assumption

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

I. Fund Balance Flow Assumptions

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

4. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS' 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.

At August 31, 2015 the District reported the following:

Net Pension Asset	\$	--
Net Pension Liability	\$	474,635

5. New Accounting Standards Adopted

In fiscal year 2015, the District adopted five new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Governmental Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68.*

- a. Statement No. 67 establishes financial reporting standards, but not funding or budgetary standards, for state and local government defined benefit pension plans and defined contribution pension plans that are administered through trusts or equivalent arrangements (Pension Trusts) in which:
- 1) Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
 - 2) Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
 - 3) Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit pension plans, this Statement establishes standards of financial reporting for separately issued financial reports and presentation as pension trust funds in the financial statements of another government, and specifies the required approach to measuring the pension liability of employers and any nonemployer contributing entities for benefits provided through the pension plan (the net pension liability), about which certain information is required to be presented. Distinctions are made

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

regarding the particular presentation requirements depending upon the type of pension plan administered. For defined contribution plans, the Statement provides specific note disclosure requirements.

The adoption of Statement No. 67 has no impact on the District's financial statements.

- b. Statement No. 68 establishes standards of accounting and financial reporting, but not funding or budgetary standards, for defined benefit pensions and defined contribution pensions provided to the employees of state and local government employers through pension plans that are administered through trusts or equivalent arrangements criteria detailed above in the description of Statement No. 67. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans within the scope of the Statement.

The requirements of Statement No. 68 apply to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts or equivalent arrangements as described above, and to the financial statements of state and local governmental nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. Note disclosure and RSI requirements about pensions also are addressed. For defined benefit pension plans, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The adoption of Statement No. 68 has no impact on the District's governmental fund financial statements, which continue to report expenditures in the contribution amount determined legislatively for the TRS plan. The calculation of pension contributions is unaffected by the change. However, the adoption has resulted in the restatement of the District's beginning net position for the fiscal year 2014 government-wide financial statements to reflect the reporting of net pension liability and deferred inflows of resources and deferred outflows of resources for its qualified pension plan and the recognition of pension expense in accordance with the provisions of the Statement.

- c. Statement No. 69 improves financial reporting by addressing accounting and financial reporting for government combinations and disposals of government operation. The term "government combinations" is used to refer to a variety of arrangements including mergers and acquisitions. Mergers include combinations of legally separate entities without the exchange of significant consideration. Government acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration. Government combinations also include transfers of operations that do not constitute entire legally separate entities in which no significant consideration is exchanged. Transfers of operations may be present in shared service arrangements, reorganizations, redistricting, annexations, and arrangements in which an operation is transferred to a new government created to provide those services.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 69.

- d. Statement No. 70 was issued to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

The Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. The Statement requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units.

There was no impact on the District's financial statements as a result of the implementation of Statement No. 70.

- e. Statement No. 71 amends Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Since the measurement date of the pension plan was different than the District's final year-end, the effects from the District's reported contributions to the plan subsequent to the respective measurement date of the plan as an increase in deferred outflow of resources and a decrease in net position.

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>
Actual Expenditures exceeded budget in Debt Service Fund.	Cost of refinancing the bonds were not budgeted

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

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 August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,818,129 and the bank balance was \$3,869,103. The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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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 August 31, 2015 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Brokered certificates of deposit	< 1 year	\$ 2,739,000
Federated money market	N/A	664,130
Total Investments		<u>\$ 3,403,130</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2015, 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:

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.

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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.

D. Capital Assets

Capital asset activity for the year ended August 31, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 283,918	\$ --	\$ --	\$ 283,918
Total capital assets not being depreciated	<u>283,918</u>	<u>--</u>	<u>--</u>	<u>283,918</u>
Capital assets being depreciated:				
Buildings and improvements	19,991,211	31,702	--	20,022,913
Equipment	617,339	57,386	--	674,725
Vehicles	1,164,320	--	176,924	987,396
Total capital assets being depreciated	<u>21,772,870</u>	<u>89,088</u>	<u>176,924</u>	<u>21,685,034</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,428,639)	(617,048)	--	(6,045,687)
Equipment	(295,079)	(53,073)	--	(348,152)
Vehicles	(772,243)	(84,532)	(176,924)	(679,851)
Total accumulated depreciation	<u>(6,495,961)</u>	<u>(754,653)</u>	<u>(176,924)</u>	<u>(7,073,690)</u>
Total capital assets being depreciated, net	15,276,909	(665,565)	--	14,611,344
Governmental activities capital assets, net	<u>\$ 15,560,827</u>	<u>\$ (665,565)</u>	<u>\$ --</u>	<u>\$ 14,895,262</u>

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Depreciation was charged to functions as follows:

Instruction	\$ 592,568
Student Transportation	83,764
Food Services	26,835
Extracurricular Activities	32,666
General Administration	6,558
Plant Maintenance and Operations	3,948
Data Processing Services	8,314
	<u>\$ 754,653</u>

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2015, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 1,469	Supplement cash needs
	Total	<u>\$ 1,469</u>	

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

2. Transfers To and From Other Funds

There were no transfers to and from other funds in the year ended August 31, 2015.

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 August 31, 2015, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 8,610,000	\$ 7,969,999	\$ 8,275,000	\$ 8,304,999	\$ 270,000
Bond premium (discount)	231,150	513,938	233,800	511,288	--
Accrued interest on CAB's	--	443,939	--	443,939	--
Net Pension Liability *	--	474,635	--	474,635	--
Total governmental activities	<u>\$ 8,841,150</u>	<u>\$ 9,402,511</u>	<u>\$ 8,508,800</u>	<u>\$ 9,734,861</u>	<u>\$ 270,000</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	

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Bonds payable are comprised of the following individual issues:

	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Balance</u>
<u>Governmental Activities:</u>				
Current interest bonds:				
2008 Unlimited Tax School Bldg Bonds	4.00 to 5.00%	9,500,000	2038	435,000
2015 Unlimited Tax Refunding Bonds	3.00 to 5.00%	7,860,000	2038	7,760,000
Capital appreciation bonds (CAB's)				
2015 Unlimited Tax Refunding Bonds	zero coupon	109,999	2038	109,999
Total governmental activities				<u>\$ 8,304,999</u>

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2015, are as follows:

<u>Year Ending August 31.</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 270,000	\$ 288,075	\$ 558,075
2017	280,000	276,725	556,725
2018	66,106	483,819	549,925
2019	43,893	521,032	564,925
2020	300,000	264,925	564,925
2021-2025	1,685,000	1,087,875	2,772,875
2026-2030	1,935,000	751,325	2,686,325
2031-2035	2,210,000	446,075	2,656,075
2036-2040	1,515,000	98,838	1,613,838
Totals	<u>\$ 8,304,999</u>	<u>\$ 4,218,689</u>	<u>\$ 12,523,688</u>

3. Advance Refunding of Debt

GASB Statement No. 7, "Advance Refundings Resulting in Defeasance of Debt," provides that refunded debt and assets placed in escrow for the payment of related debt service be excluded from the financial statements. As of August 31, 2015, outstanding balances of bond issues that have been refunded and defeased in-substance by placing existing assets and the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments are as follows.

<u>Bond Issue</u>	<u>Amount</u>
2008 Unlimited Tax School Bldg Bonds	\$ 7,970,000
Total	<u>\$ 7,970,000</u>

To take advantage of favorable interest rates, the District delivered the Unlimited Tax Refunding Bonds, Series 2015 (2015 Bonds), which provided funds sufficient to defease a portion of the future maturities of the District's outstanding Unlimited Tax School Building Bonds, Series 2008, in the amount of \$7,970,000. The amount of defeased debt still outstanding was \$7,970,000 at August 31, 2015. As a result of this refunding, the District retired or defeased existing debt and had an economic gain of \$1,179,240, which is the present value (calculated at the yield of 2.57385%) of the cash flow savings as follows:

Cash flow required to service old debt	\$ 13,800,339
Cash flow required to service new debt	(12,260,100)
Prepaid interest	22,207
Net savings in cash flow	<u>\$ 1,562,446</u>
Present value of net savings in cash flow	<u>\$ 1,179,240</u>

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According to GASB 65, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

Reacquisition price (payment to escrow)	\$ 8,816,393
Net carrying amount of defeased debt	(7,970,000)
Unamortized premium of defeased debt	(204,052)
Deferred outflow of resource	<u>\$ 642,341</u>

The resulting deferred outflow of resources is amortized over 23 years using the interest method.

The sources and uses of the refunding issue are summarized as follows:

<u>Sources:</u>	
Par value of Current Issue Bonds	\$ 7,860,000
Par value Capital Appreciation Bonds	109,999
Premium on Current Issue Bonds	513,940
Prepaid interest on Current Issue Bonds	22,207
Accrued Interest - Capital Appreciation Bonds	441,849
Total sources	<u>\$ 8,947,995</u>
<u>Uses:</u>	
Deposit to escrow for defeasance	\$ 8,816,393
Cost of issuing new bonds	104,429
Deposit to Interest & Sinking Fund	27,173
Total sources	<u>\$ 8,947,995</u>

G. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2015, as follows:

<u>Year Ending August 31,</u>	
2016	\$ 19,860
2017	19,860
2018	19,860
Total Minimum Rentals	<u>\$ 59,580</u>
Rental Expenditures in 2015	<u>\$ 33,090</u>

H. 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 2015, the District purchased commercial insurance to cover general liabilities. The District participates in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. Under the terms of this plan, the District pays its share of administrative fees plus its actual claims, up to a predetermined maximum loss figure. Member districts share in claim costs for individual claims with claims that exceed their individual maximum loss amount, but total payments for any district will not exceed their individual maximum loss amount. The maximum loss per individual claim for the pool is \$250,000, of which the District's share is \$25,551 for the year ended August 31, 2015. The risk pool does maintain catastrophic insurance coverage for individual claims that exceed \$250,000 up to \$5,000,000 in total coverage. The risk pool estimates each District's aggregate liability each year based on the number of claims, types of claims and other relevant information. The District accounts for the workers compensation activity in the general fund. Liabilities include an estimated undiscounted amount for claims that have been incurred but not reported. Changes in the balances of workers' compensation claim liabilities during the past three years are as follows:

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	Beginning Balance	Incurred Claims (IBNR)	Claims Paid	Ending Balance
Year ended August 31, 2013	25,501	1,616	4,630	22,487
Year ended August 31, 2014	22,487	16,310	5,501	33,296
Year ended August 31, 2015	33,296	(4,451)	3,643	25,202

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the TRS' fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at 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

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employee contribution rates for fiscal years 2014 through 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>Contribution Rates</u>	
	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2014 Employer Contributions	\$ 45,051	
District's 2014 Member Contributions	\$ 256,983	
NECE 2014 On-Behalf Contributions to District	\$ 214,347	

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 TRS 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, when employing a retiree of the TRS the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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5. Actuarial Assumptions

The total pension liability in the August 31, 2014 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 Year Market Value
Discount Rate	8%
Long-term Expected Rate of Return*	8%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.5%

* Includes inflation of 3%

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011, they contained significant margin for possible future mortality improvements. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards Practice No. 35.

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 fiscal 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 expected 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, 2014 are summarized below:

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Asset Class	Target Allocation	Real Return Geometric Basis	Long-term Expected Portfolio Real Rate of Return *
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflat. Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy & Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

* 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 percentage point less and 1 percentage point greater than the discount rate that was used (8%) in measuring the 2014 net pension liability.

	1% Decrease 7%	Current Discount Rate 8%	1% Increase 9%
District's proportionate share of the net pension liability	\$ 848,144	\$ 474,635	\$ 195,320
Plan net pension liability (in millions from TRS CAFR)	\$ 47,737	\$ 26,717	\$ 10,998

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

At August 31, 2015, the District reported a liability of \$474,635 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:

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District's proportionate share of the collective net pension liability	\$ 474,635
State's proportionate share of the net pension liability associated with the District	<u>2,263,151</u>
Total	<u>\$ 2,737,786</u>

The net pension liability was measured as of August 31, 2014 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, 2013 through August 31, 2014.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's measurement date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective September 1, 2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2015, the District recognized pension expense of \$259,419 and revenue of \$259,419 for support provided by the State.

At August 31, 2015, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Differences between expected and actual economic experience	\$ 7,340	\$ --
Changes in actuarial assumptions	30,852	--
Difference between projected and actual investment earnings	--	145,068
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	--	124
District contributions paid to TRS subsequent to the measurement date	<u>95,441</u>	<u> </u>
Total	<u>\$ 133,633</u>	<u>\$ 145,192</u>

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

Year Ended August 31		
2015	\$	(29,845)
2016	\$	(29,845)
2017	\$	(29,845)
2018	\$	(29,845)
2019	\$	6,422
Thereafter	\$	5,958

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J. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

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

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas contribution rate was 1% for fiscal year 2014, 0.5% for fiscal year 2013 and 1.0% for fiscal year 2012 and the active public school employee contributions rates were 0.65% of public school payroll, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2015, 2014 and 2013. For the years ended August 31, 2015, 2014, and 2013, the State's contributions to TRS-Care were \$263,625, \$248,174, and \$214,815, respectively, the active member contributions were \$285,927, \$256,983, and \$250,316, respectively, and the District's contributions were \$95,441, \$34,093, and \$29,609, respectively, which equaled the required contributions each year.

2. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2015, 2014, and 2013, the subsidy payments received by TRS-Care on behalf of the District were \$11,573, \$9,662, and \$9,480, respectively.

K. Employee Health Care Coverage

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$500 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.

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2015

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2015.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Broaddus ISD
Brookeland ISD
Hemphill ISD, fiscal agent
West Sabine ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Hemphill ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. Other Disclosures

The district recorded a net prior period adjustment of (\$537,764) to restate the beginning net pension liability of the TRS pension plan, in accordance with GASB Statement No. 68. The restatement was required to record the beginning net pension liability, contributions made after the measurement date and during the District's 2014 fiscal year. This adjustment affected the government-wide Statement of Net Position and did not affect any individual governmental fund.

Required Supplementary Information

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 1,052,418	\$ 1,101,297	\$ 1,127,192	\$ 25,895
5800	State Program Revenues	4,771,638	4,779,713	4,737,625	(42,088)
5900	Federal Program Revenues	--	--	129,182	129,182
5020	Total Revenues	<u>5,824,056</u>	<u>5,881,010</u>	<u>5,993,999</u>	<u>112,989</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	3,286,535	3,342,215	3,306,789	35,426
0012	Instructional Resources and Media Services	65,714	65,714	62,899	2,815
0013	Curriculum and Staff Development	94,200	78,384	56,532	21,852
	Total Instruction & Instr. Related Services	<u>3,446,449</u>	<u>3,486,313</u>	<u>3,426,220</u>	<u>60,093</u>
Instructional and School Leadership:					
0021	Instructional Leadership	15,250	18,000	16,943	1,057
0023	School Leadership	343,195	373,195	360,245	12,950
	Total Instructional & School Leadership	<u>358,445</u>	<u>391,195</u>	<u>377,188</u>	<u>14,007</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	143,813	143,912	137,419	6,493
0033	Health Services	80,074	80,074	75,556	4,518
0034	Student (Pupil) Transportation	144,092	144,092	122,688	21,404
0036	Cocurricular/Extracurricular Activities	467,623	480,333	465,158	15,175
	Total Support Services - Student (Pupil)	<u>835,602</u>	<u>848,412</u>	<u>800,821</u>	<u>47,591</u>
Administrative Support Services:					
0041	General Administration	409,132	409,131	388,659	20,472
	Total Administrative Support Services	<u>409,132</u>	<u>409,131</u>	<u>388,659</u>	<u>20,472</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	616,330	678,080	643,739	34,341
0052	Security and Monitoring Services	4,060	18,701	18,198	503
0053	Data Processing Services	79,742	141,129	135,911	5,218
	Total Support Services - Nonstudent Based	<u>700,132</u>	<u>837,910</u>	<u>797,848</u>	<u>40,062</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	72,000	72,000	69,699	2,301
0099	Other Intergovernmental Charges	34,000	34,000	33,878	122
	Total Intergovernmental Charges	<u>106,000</u>	<u>106,000</u>	<u>103,577</u>	<u>2,423</u>
6030	Total Expenditures	<u>5,855,760</u>	<u>6,078,961</u>	<u>5,894,313</u>	<u>184,648</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(31,704)	(197,951)	99,686	297,637
1200	Net Change in Fund Balance	<u>(31,704)</u>	<u>(197,951)</u>	<u>99,686</u>	<u>297,637</u>
0100	Fund Balance - Beginning	3,617,424	3,617,423	3,617,423	--
3000	Fund Balance - Ending	<u>\$ 3,585,720</u>	<u>\$ 3,419,472</u>	<u>\$ 3,717,109</u>	<u>\$ 297,637</u>

WEST 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 *

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
District's proportion of the net pension liability (asset)	0.002%	--	--	--	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 474,635	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	2,263,151	--	--	--	--	--	--	--	--	--
Total	\$ 2,737,786	\$ --								
District's covered-employee payroll	\$ 3,644,952	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.02%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	83.25%	--	--	--	--	--	--	--	--	--

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

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

	Fiscal Year									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually required contribution	\$ 95,441	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	95,441	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	<u>\$ --</u>									
District's covered-employee payroll	\$ 3,889,232	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.45%	--	--	--	--	--	--	--	--	--

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED AUGUST 31, 2015

Budget

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

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

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Combining Statements 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.

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WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2015

Data Control Codes	240 National School Breakfast/Lunch Program	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 72,254	\$ --	\$ 72,254
1240	Due from Other Governments	10,829	1,469	12,298
1000	Total Assets	<u>83,083</u>	<u>1,469</u>	<u>84,552</u>
LIABILITIES:				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 4,808	\$ --	\$ 4,808
2170	Due to Other Funds	--	1,469	1,469
2200	Accrued Expenditures	520	--	520
2000	Total Liabilities	<u>5,328</u>	<u>1,469</u>	<u>6,797</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	77,755	--	77,755
3000	Total Fund Balances	<u>77,755</u>	<u>--</u>	<u>77,755</u>
4000	Total Liabilities and Fund Balances	<u>\$ 83,083</u>	<u>\$ 1,469</u>	<u>\$ 84,552</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	211 ESEA Title I Improving Basic Programs	240 National School Breakfast/Lunch Program	244 Career and Tech Basic Grant
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ 77,909	\$ --
5800 State Program Revenues	--	2,430	--
5900 Federal Program Revenues	112,971	357,225	2,378
5020 Total Revenues	<u>112,971</u>	<u>437,564</u>	<u>2,378</u>
EXPENDITURES:			
Current:			
0011 Instruction	105,910	--	2,378
0013 Curriculum and Staff Development	4,500	--	--
0021 Instructional Leadership	2,308	--	--
0031 Guidance, Counseling, & Evaluation Services	--	--	--
0032 Social Work Services	253	--	--
0035 Food Service	--	422,677	--
0051 Facilities Maintenance and Operations	--	35,051	--
6030 Total Expenditures	<u>112,971</u>	<u>457,728</u>	<u>2,378</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	--	(20,164)	--
1200 Net Change in Fund Balances	--	(20,164)	--
0100 Fund Balances - Beginning	--	97,919	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ 77,755</u>	<u>\$ --</u>

EXHIBIT H-2

255 ESEA Title II Training & Recruiting	270 ESEA, Title VI Part B, Subpart 2 Rural School	410 State Textbook Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ -- -- 29,993 <u>29,993</u>	\$ -- -- 27,966 <u>27,966</u>	\$ -- 5,175 -- <u>5,175</u>	\$ 77,909 7,605 530,533 <u>616,047</u>
29,378 -- 615 -- -- -- <u>29,993</u>	26,807 -- -- 1,159 -- -- <u>27,966</u>	5,175 -- -- -- -- -- <u>5,175</u>	169,648 4,500 2,923 1,159 253 422,677 35,051 <u>636,211</u>
-- --	-- --	-- --	(20,164) <u>(20,164)</u>
\$ -- <u>--</u>	\$ -- <u>--</u>	\$ -- <u>--</u>	97,919 <u>77,755</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-3

CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5020 Total Revenues	\$ --	\$ --	\$ --
EXPENDITURES:			
Capital Outlay:			
0081 Capital Outlay	49,203	--	49,203
Total Capital Outlay	49,203	--	49,203
6030 Total Expenditures	49,203	--	49,203
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(49,203)	--	49,203
1200 Net Change in Fund Balance	(49,203)	--	49,203
0100 Fund Balance - Beginning	49,203	49,203	--
3000 Fund Balance - Ending	\$ --	\$ 49,203	\$ 49,203

Other Supplementary Information

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

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2015

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance		Debt Service		
2006 and Prior Years	\$	Various	\$	Various	\$ Various
2007		1.237		--	88,285,402
2008		.99		--	89,635,355
2009		1.036		.314	85,507,842
2010		1.04		.34	83,829,831
2011		1.04		.34	82,464,119
2012		1.04		.3385	87,533,343
2013		1.04		.32	90,300,618
2014		1.04		.315	96,633,275
2015 (School Year Under Audit)		1.04		.31	92,433,365

1000 Totals

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

10 Beginning Balance 9/1/14	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/15
\$ 16,853	\$ --	\$ 817	\$ --	\$ --	\$ 16,036
2,127	--	457	--	--	1,670
2,259	--	449	--	--	1,810
4,097	--	289	93	(27)	3,688
5,907	--	1,194	357	(28)	4,328
9,872	--	1,639	522	(154)	7,557
10,336	--	1,635	502	(164)	8,035
16,217	--	3,500	1,129	(382)	11,206
37,960	--	12,975	4,027	(403)	20,555
--	1,237,560	913,325	277,043	(7,879)	39,313
<u>\$ 105,628</u>	<u>\$ 1,237,560</u>	<u>\$ 936,280</u>	<u>\$ 283,673</u>	<u>\$ (9,037)</u>	<u>\$ 114,198</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT J-2

Data Control Codes	1	2	3
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
5700 Local and Intermediate Sources	\$ 74,329	\$ 77,909	\$ 3,580
5800 State Program Revenues	2,300	2,430	130
5900 Federal Program Revenues	<u>336,000</u>	<u>357,225</u>	<u>21,225</u>
5020 Total Revenues	<u>412,629</u>	<u>437,564</u>	<u>24,935</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	<u>432,629</u>	<u>422,677</u>	<u>9,952</u>
Total Support Services - Student (Pupil)	<u>432,629</u>	<u>422,677</u>	<u>9,952</u>
Support Services - Nonstudent Based:			
0051 Plant Maintenance and Operations	<u>41,000</u>	<u>35,051</u>	<u>5,949</u>
Total Support Services - Nonstudent Based	<u>41,000</u>	<u>35,051</u>	<u>5,949</u>
6030 Total Expenditures	<u>473,629</u>	<u>457,728</u>	<u>15,901</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(61,000)</u>	<u>(20,164)</u>	<u>40,836</u>
1200 Net Change in Fund Balance	<u>(61,000)</u>	<u>(20,164)</u>	<u>40,836</u>
0100 Fund Balance - Beginning	97,919	97,919	--
3000 Fund Balance - Ending	<u>\$ 36,919</u>	<u>\$ 77,755</u>	<u>\$ 40,836</u>

WEST SABINE INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT J-3

Data Control Codes	1	2	3
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
5700 Local and Intermediate Sources	\$ 299,053	\$ 284,227	\$ (14,826)
5800 State Program Revenues	337,587	333,855	(3,732)
5020 Total Revenues	<u>636,640</u>	<u>618,082</u>	<u>(18,558)</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	305,000	305,000	--
0072 Interest on Long-Term Debt	325,306	325,306	--
0073 Bond Issuance Costs and Fees	750	105,179	(104,429)
Total Debt Service	<u>631,057</u>	<u>735,485</u>	<u>(104,428)</u>
6030 Total Expenditures	<u>631,057</u>	<u>735,485</u>	<u>(104,428)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>5,583</u>	<u>(117,403)</u>	<u>(122,986)</u>
Other Financing Sources (Uses):			
7901 Refunding Bonds Issued	--	7,969,999	7,969,999
7916 Premium or Discount on Issuance of Bonds	--	955,789	955,789
7917 Prepaid Interest	--	22,207	22,207
8940 Payment to Bond Refunding Escrow Agent	--	(8,816,393)	(8,816,393)
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>131,602</u>	<u>131,602</u>
1200 Net Change in Fund Balance	5,583	14,199	8,616
0100 Fund Balance - Beginning	108,884	108,883	(1)
3000 Fund Balance - Ending	<u>\$ 114,467</u>	<u>\$ 123,082</u>	<u>\$ 8,615</u>

Halls, Johnson, McLemore & Redfield, LLP
1329 N University Drive, Ste A3
Nacogdoches, Texas 75961

Independent Auditor's Report on Internal Control over Financial Reporting and
On Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance With Government Auditing Standards

Board of Trustees
West Sabine Independent School District
P.O. Box 869
Pineland, Texas 75968-0869

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of West Sabine Independent School District, as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively comprise West Sabine Independent School District's basic financial statements, and have issued our report thereon dated December 18, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the West Sabine Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the West Sabine Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the West Sabine Independent School District's internal control.

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

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

Compliance and Other Matters

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

West Sabine Independent School District's Response to Findings

West Sabine Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. West Sabine Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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,

A handwritten signature in black ink that reads "Halls, Johnson, McLemore & Redfield, LLP". The signature is written in a cursive, flowing style.

Halls, Johnson, McLemore & Redfield, LLP

Nacogdoches, Texas
December 18, 2015

Halls, Johnson, McLemore & Redfield, LLP
1329 N University Drive, Ste A3
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Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control Over Compliance Required by OMB Circular A-133

Board of Trustees
West Sabine Independent School District
P.O. Box 869
Pineland, Texas 75968-0869

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the West Sabine Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on West Sabine Independent School District's major federal program for the year ended August 31, 2015. West Sabine Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of West 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 West 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 West Sabine Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the West Sabine Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended August 31, 2015.

Report on Internal Control Over Compliance

Management of the West 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 West 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 OMB Circular A-133, 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 West 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Halls, Johnson, McLemore & Redfield, LLP

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Nacogdoches, Texas
December 18, 2015

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

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 section 510(a) of OMB Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program
10.553	National School Lunch Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
N/A - No Prior Findings		

WEST SABINE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

N/A - No Findings

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA Title I Part A - Improving Basic Programs *	84.010a	15610101202905	\$ 112,971
ESEA, Title VI, Part B, Subpart 2 - Rural and Low Income School	84.358	15696001202905	27,966
ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367a	15694501202905	29,993
Total Passed Through State Department of Education			<u>170,930</u>
Passed Through Hemphill ISD:			
Career and Technical - Basic Grant	84.048	15420006202903	2,378
Total U. S. Department of Education			<u>173,308</u>
U. S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Education:			
School Breakfast Program *	10.553	202-905	87,910
National School Lunch Program *	10.555	202-905	241,771
Commodity Supplemental Food Program (Non-cash) *	10.565	202-905	27,544
Total Passed Through State Department of Education			<u>357,225</u>
Passed Through Sabine County:			
Schools and Roads - Grants to Counties *	10.666	202-905	129,182
Total U. S. Department of Agriculture			<u>486,407</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 659,715</u></u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

WEST SABINE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of West Sabine Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

WEST SABINE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2015

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?	\$ 443,939
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 474,635
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ 43,869