

SILSBEE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014

**SILSBEE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2014**

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CERTIFICATE OF BOARD

Silsbee Independent School District
Name of School District

Hardin
County

100-904
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, 2014, at a meeting of the Board of Trustees of such school district on the ___ day of December, 2014.

Signature of Board Secretary

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.)

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA, CFE, CFF



Troy W. Domingue, CPA
Stanley "Chip" Majors, Jr., CPA.CITP
Jane P. Burns, CPA, CDFA

November 17, 2014

INDEPENDENT AUDITOR'S REPORT

UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER INFORMATION

Board of Trustees
Silsbee Independent School District
Silsbee, Texas 77656

Members of the Board:

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 Silsbee Independent School District as of and for the year ended August 31, 2014 and the related notes to the financial statements, which collectively comprise the Silsbee Independent School 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 misstatements, 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Silsbee Independent School District as of August 31, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 through 11 and the budgetary comparison information on page 40 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 on pages 5 through 11 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. The required supplementary information on page 40 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 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, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Silsbee Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. In addition, the TEA required schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the TEA required schedules 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. This 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 schedule of expenditures of federal awards and the TEA required schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014, on our consideration of Silsbee 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 considering Silsbee Independent School District's internal control over financial reporting and compliance.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Silsbee 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, 2014. 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 \$13,674,202 at August 31, 2014.
- During the year, the District's expenses were \$102,617 less than the \$29,152,462 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$29,409,845.
- The General Fund reported a fund balance this year of \$5,651,195.
- 2013 F.I.R.S.T. Rating – Superior Achievement.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

- 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.

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.

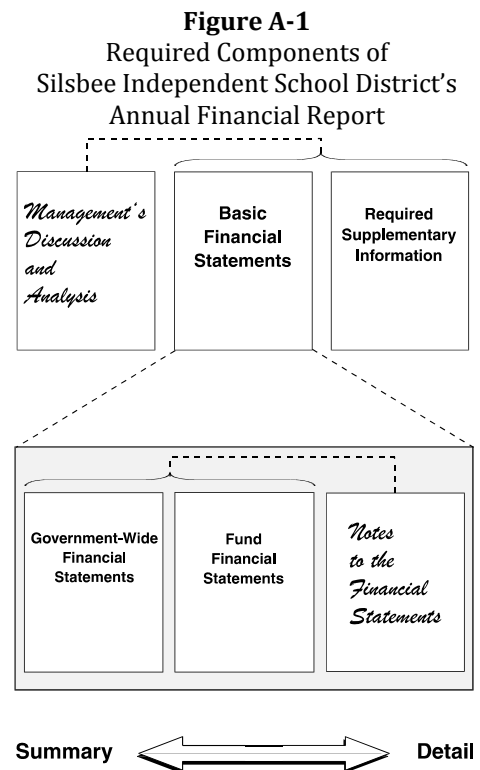


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District’s Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	Statement of net position	Balance sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures & changes in fund balance	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both short-term and long-term, the District's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

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, you need to consider additional nonfinancial factors such as changes in the District’s tax base.
- As of the 2014-15 fall PEIMS submission, the District employed 378 full-time positions, of which 253 were classroom teaching and paraprofessional positions. Total student enrollment was 2,787, with 2,784 being in membership. The District’s student population consisted of 28.9% minority students, 10.5% special education students, and 56.4% economically disadvantaged students.
- As of August 31, 2014, student enrollment was 2,737. With a declining student population, the District must continuously monitor its financial position, specifically in the areas of staffing and state revenue.

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 two 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 on the subsequent page that explains 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 position and a statement of changes in fiduciary fund net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's *combined* net position was \$13,674,202 at August 31, 2014. (See Table A-1).

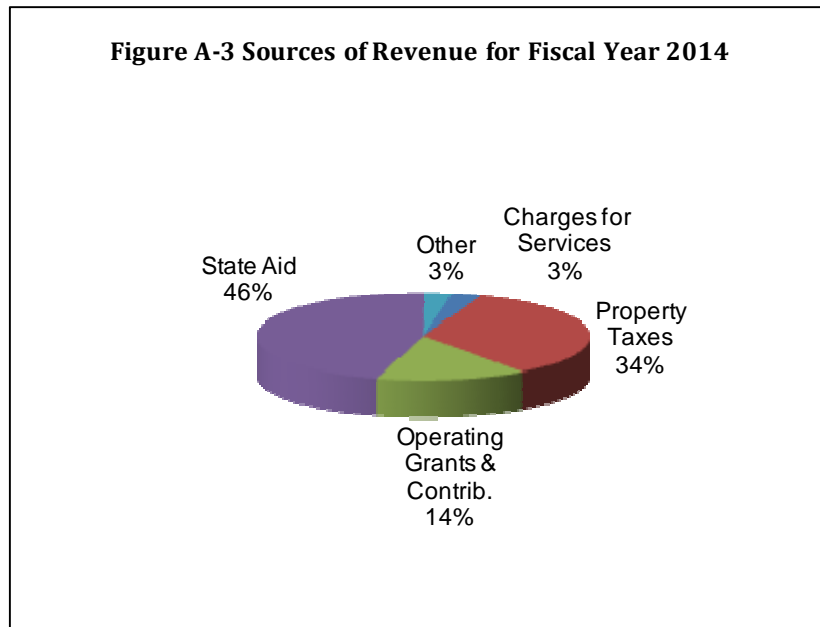
Table A-1
The District's Net Position

	Governmental Activities		Percentage Change
	2014	2013	
Current and Other Assets	\$ 32,513,577	\$ 8,755,228	271.4%
Capital and Non-Current Assets	20,182,499	19,146,133	5.4%
Total Assets	52,696,076	27,901,361	88.9%
Current Liabilities	3,529,935	3,141,571	12.4%
Long Term Liabilities	35,491,939	11,188,205	217.2%
Total Liabilities	39,021,874	14,329,776	172.3%
Net Position:			
Invested in Capital Assets	6,332,735	6,689,490	-5.3%
Restricted	335,958	607,060	-44.7%
Unrestricted	7,005,509	6,275,035	11.6%
Total Net Position	\$ 13,674,202	\$ 13,571,585	0.8%

The District's restricted net position consists of \$335,958 for debt service.

Changes in net position. The District's total revenues were \$29,152,462. A significant portion, 34%, of the District's revenue comes from taxes. (See Figure A-3). 46% comes from state aid – formula grants, while only 3% relates to charges for services.

The total cost of all programs and services was \$29,049,845; 70.2% of these costs are for instructional and student services.



Governmental Activities

Property tax rates remained at \$1.3178 per \$100 valuation. Of the \$1.3178, \$1.17 is the Maintenance and Operations Rate, with \$0.1478 being the Interest and Sinking Rate. The total taxes levied increased by \$584,474 due to an increase in the appraised value. By State Law, the maximum Maintenance and Operations Tax Rate allowable without a Rollback Election is \$1.04. Silsbee Independent School District held a successful Rollback Election in November, 2007, authorizing the District to levy an additional \$0.13 above the \$1.04 limit, resulting in a Maintenance and Operations Rate of \$1.17.

Average daily attendance increased by 4 students from 2012/2013 to 2013/2014.

**Table A-2
Changes in the District's Net Position**

	Governmental Activities		Total % Change
	2014	2013	
Revenues:			
<u>Program Revenues</u>			
Charges for Services	\$ 833,556	\$ 937,582	-11.1%
Operating Grants and Contributions	4,211,082	4,155,411	1.3%
<u>General Revenues</u>			
Property Taxes	10,025,516	9,108,299	10.1%
Investment Earnings	21,428	10,597	102.2%
State Aid - formula	13,304,122	12,526,803	6.2%
Other	756,758	829,457	-8.8%
Total Revenues	<u>29,152,462</u>	<u>27,568,149</u>	5.7%
Expenses:			
Instruction and instructional related	14,974,947	14,548,030	2.9%
Instructional leadership/school administration	2,094,627	2,105,265	-0.5%
Guidance, social work, health, transportation	2,342,360	2,339,260	0.1%
Food services	1,574,304	1,646,369	-4.4%
Extracurricular activities	1,510,769	1,405,319	7.5%
General Administration	972,130	888,562	9.4%
Plant maintenance and security	4,044,630	3,956,296	2.2%
Data processing services	474,988	504,581	-5.9%
Community Services	9,373	6,784	38.2%
Debt Service	1,051,717	516,471	103.6%
Total Expenses	<u>29,049,845</u>	<u>27,916,937</u>	4.1%
Change in Net Position	102,617	(348,788)	-129.4%
Beginning Net Position	13,571,585	14,132,820	-4.0%
Prior Period Bond issue costs and depreciation	-	(212,447)	n/a
Ending Net Position	<u>\$ 13,674,202</u>	<u>\$ 13,571,585</u>	0.8%

Table A-3 presents cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$29,049,845.
- The amount that our taxpayers paid for these activities through property taxes was \$10,025,516.
- Some of the cost was paid by those who directly benefited from the programs \$833,556, or
- By grants and contributions \$4,211,082.

**Table A-3
Net Cost of Selected District Functions**

	Total Cost of Services		%	Net Cost of Services		%
	2014	2013		2014	2013	
Instruction	\$ 14,285,425	\$ 13,779,785	3.7%	\$ 11,894,334	\$ 11,503,395	3.4%
School Leadership	1,720,941	1,682,188	2.3%	1,637,172	1,611,630	1.6%
Student Transportation	1,075,091	1,089,359	-1.3%	743,651	764,345	-2.7%
Food Services	1,574,304	1,646,369	-4.4%	142,917	88,426	61.6%
Extracurricular Activities	1,510,769	1,405,319	7.5%	1,103,757	999,673	10.4%
General Administration	972,130	888,562	9.4%	952,883	871,371	9.4%
Facilities Maintenance and Operations	3,762,231	3,715,698	1.3%	3,702,791	3,660,220	1.2%
Interest on Long-term Debt	627,295	497,004	26.2%	627,295	497,004	26.2%
Bond Issuance Cost and Fees	424,422	19,467	2080.2%	424,422	19,467	2080.2%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$29,036,097, an increase of 5.4% from the preceding year. Local revenues increased by \$759,041 due primarily to increases in tax revenues. State revenues increased by \$757,817 due primarily to a decrease in School Program Entitlements and Available School Fund Allotment. Federal revenues decreased by \$35,514 due to a decrease in the National School Lunch Program.

General Fund Budgetary Highlights

- The District had multiple revisions to its budget during the fiscal year. Actual expenditures were \$1,006,748 below final budget amounts. The most significant variances were Instruction under budget \$137,524, Facilities Maintenance and Operations under budget by \$140,922, Extracurricular Activities under budget by \$232,232 and Student Transportation under budget \$158,915. Actual revenues were \$68,987 above budgeted amounts due primarily to state revenue budgeted amounts.
- The District has made significant effort over the past several years to bring the General Fund budgeted expenditures in line with supporting revenues. In order to maintain this balance, the District must continuously monitor its General Fund revenues and expenditures, revenues and expenditures in specific program areas, and District staffing levels.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, the District had invested \$45 million in capital assets, including land, equipment, buildings and vehicles. (See Table A-4). This amount represents a net increase of \$2,271,920 or 5.5% above last year.

Table A-4
District's Capital Assets

	Governmental Activities		% Change
	2014	2013	
Land	\$ 643,812	\$ 643,812	0.0%
Construction in Progress	2,273,280	-	n/a
Buildings and Improvements	36,062,564	36,069,789	0.0%
Furniture and Equipment	6,093,767	6,087,902	0.1%
Totals at Historical Cost	45,073,423	42,801,503	5.3%
Total Accumulated Depreciation	(24,890,924)	(23,668,800)	5.2%
Net Capital Assets	<u>\$ 20,182,499</u>	<u>\$ 19,132,703</u>	5.5%

Long-Term Debt

At the end of the fiscal year, the District had \$37.4 million in bonds outstanding as shown in Table A-5. The District's bonds presently carry a Moody's Investors Services rating of "Aaa" on its Permanent School Fund (PSF) guaranteed obligations and "Aa3" on its insured obligations. The District's underlying rating is "A1".

Table A-5
Long-Term Debt

	Governmental Activities		% Change
	2014	2013	
Bonds payable	\$ 36,655,000	\$ 12,575,000	191.5%
Premiums	855,659	-	N/A
Less unamortized discount	(116,795)	(131,787)	-11.4%
Total long-term debt	<u>\$ 37,393,864</u>	<u>\$ 12,443,213</u>	200.5%

More detailed information about the District's debt is presented in the Notes to the Financial Statements.

Prior Period Adjustment - 2013

In periods prior to 2013, in accordance with then existing generally accepted accounting principles, the District capitalized and amortized, over the life of the related bonds, the costs incurred in the issuance and sale of bonds. During the period ended August 31, 2013, in accordance with Government Accounting Standards Board Statement No. 65, previously capitalized, unamortized issue costs were recorded as a prior period adjustment to the District's net position, see table A-2.

During the fiscal year ended August 31, 2013, the District increased beginning accumulated depreciation by \$20,832 for certain computer equipment purchased in prior years.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Certified appraised value used for the 2015 budget preparation will increase \$31,543,670, or 4.0% from 2014.
- General operating fund spending per student, exclusive of a major renovation program, increases in the 2015 budget from \$8,587 to \$8,686. This is a 1.2% increase from the preceding year.
- The District's 2015 refined average daily attendance is expected to be 2,540, which is a slight decrease in the average daily attendance attained in 2014.

These indicators were taken into account when adopting the General Fund budget for 2015. Amounts available for appropriation in the General Fund budget, exclusive of a major renovation program, are \$23.9 million which is the same level of revenue as the final 2014 actual revenue of \$23.9 million.

Operating expenditures are budgeted at \$23.9 million, an increase of 3.0% from the final 2014 actual expenditures of \$23.2 million.

If these estimates are realized, the District's budgetary undesignated General Fund fund balance is expected to increase \$4,614 at the close of 2015.

The District has committed \$1,536,403 for major deferred maintenance and renovation programs for the fiscal year ended August 31, 2015. This program consists of a variety of district-wide and campus-specific projects including facility improvements and equipment replacements, technology enhancements and the purchase of school buses.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, parents 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 Department.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SILSBEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 653,790
1120 Current Investments	29,495,067
1220 Property Taxes Receivable (Delinquent)	1,835,170
1230 Allowance for Uncollectible Taxes	(458,792)
1240 Due from Other Governments	662,422
1290 Other Receivables, net	23,323
1300 Inventories	44,877
1410 Prepayments	244,290
Capital Assets:	
1510 Land	643,812
1520 Buildings, Net	15,421,398
1530 Furniture and Equipment, Net	1,844,009
1580 Construction in Progress	2,273,280
1800 Restricted Assets	13,430
1000 Total Assets	52,696,076
LIABILITIES	
2110 Accounts Payable	262,397
2160 Accrued Wages Payable	1,018,922
2200 Accrued Expenses	9,291
2300 Unearned Revenue	323,970
2400 Payable from Restricted Assets	13,430
Noncurrent Liabilities	
2501 Due Within One Year	1,901,925
2502 Due in More Than One Year	35,491,939
2000 Total Liabilities	39,021,874
NET POSITION	
3200 Net Investment in Capital Assets	6,332,735
3850 Restricted for Debt Service	335,958
3900 Unrestricted	7,005,509
3000 Total Net Position	\$ 13,674,202

The notes to the financial statements are an integral part of this statement.

SILSBEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2014

EXHIBIT B-1

Net (Expense)
Revenue and
Changes in Net
Position

Data Control Codes	Program Revenues			6 Primary Gov. Governmental Activities
	1 Expenses	3 Charges for Services	4 Operating Grants and Contributions	
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 14,285,425	\$ -	\$ 2,391,091	\$ (11,894,334)
12 Instructional Resources and Media Services	416,065	-	13,894	(402,171)
13 Curriculum and Staff Development	273,457	-	77,097	(196,360)
21 Instructional Leadership	373,686	-	95,330	(278,356)
23 School Leadership	1,720,941	-	83,769	(1,637,172)
31 Guidance, Counseling and Evaluation Services	889,996	-	83,138	(806,858)
32 Social Work Services	61,737	-	4,493	(57,244)
33 Health Services	315,536	-	17,472	(298,064)
34 Student (Pupil) Transportation	1,075,091	-	331,440	(743,651)
35 Food Services	1,574,304	453,275	978,112	(142,917)
36 Extracurricular Activities	1,510,769	372,852	34,160	(1,103,757)
41 General Administration	972,130	-	19,247	(952,883)
51 Facilities Maintenance and Operations	3,762,231	7,429	52,011	(3,702,791)
52 Security and Monitoring Services	282,399	-	880	(281,519)
53 Data Processing Services	474,988	-	19,575	(455,413)
61 Community Services	9,373	-	9,373	-
72 Debt Service - Interest on Long Term Debt	627,295	-	-	(627,295)
73 Debt Service - Bond Issuance Cost and Fees	424,422	-	-	(424,422)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 29,049,845</u>	<u>\$ 833,556</u>	<u>\$ 4,211,082</u>	<u>\$ (24,005,207)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	8,798,204
DT	Property Taxes, Levied for Debt Service	1,227,312
SF	State Aid - Formula Grants	13,304,122
GC	Grants and Contributions not Restricted	170,558
IE	Investment Earnings	21,428
MI	Miscellaneous Local and Intermediate Revenue	586,200
TR	Total General Revenues	<u>24,107,824</u>
CN	Change in Net Position	102,617
NB	Net Position - Beginning	<u>13,571,585</u>
NE	Net Position--Ending	<u>\$ 13,674,202</u>

The notes to the financial statements are an integral part of this statement.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

SILSBEE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2014

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 841,085	\$ 2,376	\$ (189,671)	\$ 653,790
1120 Investments - Current	5,620,567	23,679,230	195,270	29,495,067
1220 Property Taxes - Delinquent	1,642,049	-	193,121	1,835,170
1230 Allowance for Uncollectible Taxes (Credit)	(410,512)	-	(48,280)	(458,792)
1240 Receivables from Other Governments	512,908	-	149,514	662,422
1260 Due from Other Funds	7,584	-	136	7,720
1290 Other Receivables	23,277	-	46	23,323
1300 Inventories	39,792	-	5,085	44,877
1410 Prepayments	41,491	-	202,799	244,290
1800 Restricted Assets	-	-	13,430	13,430
1000 Total Assets	<u>\$ 8,318,241</u>	<u>\$ 23,681,606</u>	<u>\$ 521,450</u>	<u>\$ 32,521,297</u>
LIABILITIES				
2110 Accounts Payable	\$ 89,248	\$ 137,504	\$ 35,645	\$ 262,397
2160 Accrued Wages Payable	1,012,864	-	6,058	1,018,922
2170 Due to Other Funds	136	-	7,584	7,720
2200 Accrued Expenditures	9,291	-	-	9,291
2300 Unearned Revenues	323,970	-	-	323,970
2400 Payable from Restricted Assets	-	-	13,430	13,430
2000 Total Liabilities	<u>1,435,509</u>	<u>137,504</u>	<u>62,717</u>	<u>1,635,730</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,231,537	-	144,841	1,376,378
2600 Total Deferred Inflows of Resources	<u>1,231,537</u>	<u>-</u>	<u>144,841</u>	<u>1,376,378</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	39,792	-	5,085	44,877
Restricted Fund Balance:				
3470 Capital Acquisition and Contractual Obligation	-	23,544,102	-	23,544,102
3480 Retirement of Long-Term Debt	-	-	191,117	191,117
Committed Fund Balance:				
3510 Construction	1,536,403	-	-	1,536,403
3530 Capital Expenditures for Equipment	75,000	-	-	75,000
3545 Other Committed Fund Balance	-	-	117,690	117,690
3600 Unassigned Fund Balance	4,000,000	-	-	4,000,000
3000 Total Fund Balances	<u>5,651,195</u>	<u>23,544,102</u>	<u>313,892</u>	<u>29,509,189</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 8,318,241</u>	<u>\$ 23,681,606</u>	<u>\$ 521,450</u>	<u>\$ 32,521,297</u>

The notes to the financial statements are an integral part of this statement.

SILSBEE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2014

Total Fund Balances - Governmental Funds	\$ 29,509,189
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	20,182,499
2 Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.	1,376,378
3 Bonds are not due and payable in the current period and, therefore, are not reported in the funds.	(37,510,659)
4 Discount on issuance of debt reported as reductions of other sources in the funds.	116,795
19 Net Position of Governmental Activities	<u>\$ 13,674,202</u>

The notes to the financial statements are an integral part of this statement.

SILSBEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes		10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 9,449,022	\$ 15,905	\$ 1,885,408	\$ 11,350,335
5800	State Program Revenues	14,301,996	-	534,546	14,836,542
5900	Federal Program Revenues	156,836	-	2,692,384	2,849,220
5020	Total Revenues	23,907,854	15,905	5,112,338	29,036,097
EXPENDITURES:					
Current:					
0011	Instruction	11,940,494	-	1,741,129	13,681,623
0012	Instructional Resources and Media Services	377,893	-	27	377,920
0013	Curriculum and Instructional Staff Development	172,178	-	69,730	241,908
0021	Instructional Leadership	284,645	-	84,085	368,730
0023	School Leadership	1,683,712	-	-	1,683,712
0031	Guidance, Counseling and Evaluation Services	823,673	-	40,085	863,758
0032	Social Work Services	60,546	-	1,191	61,737
0033	Health Services	293,549	-	-	293,549
0034	Student (Pupil) Transportation	1,133,865	-	-	1,133,865
0035	Food Services	-	-	1,527,893	1,527,893
0036	Extracurricular Activities	1,052,164	-	297,870	1,350,034
0041	General Administration	968,859	-	-	968,859
0051	Facilities Maintenance and Operations	3,574,707	-	-	3,574,707
0052	Security and Monitoring Services	285,417	-	-	285,417
0053	Data Processing Services	351,556	-	-	351,556
0061	Community Services	-	-	9,373	9,373
Debt Service:					
0071	Principal on Long Term Debt	160,000	-	1,110,000	1,270,000
0072	Interest on Long Term Debt	17,820	-	669,579	687,399
0073	Bond Issuance Cost and Fees	3,425	-	406,006	409,431
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	2,273,280	-	2,273,280
6030	Total Expenditures	23,184,503	2,273,280	5,956,968	31,414,751
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	723,351	(2,257,375)	(844,630)	(2,378,654)
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	25,350,000	-	25,350,000
7915	Transfers In	-	-	70,000	70,000
7916	Premium or Discount on Issuance of Bonds	-	424,000	457,550	881,550
7917	Prepaid Interest	-	-	34,214	34,214
8911	Transfers Out (Use)	(70,000)	-	-	(70,000)
7080	Total Other Financing Sources (Uses)	(70,000)	25,774,000	561,764	26,265,764
1200	Net Change in Fund Balances	653,351	23,516,625	(282,866)	23,887,110
0100	Fund Balance - September 1 (Beginning)	4,997,844	27,477	596,758	5,622,079
3000	Fund Balance - August 31 (Ending)	\$ 5,651,195	\$ 23,544,102	\$ 313,892	\$ 29,509,189

The notes to the financial statements are an integral part of this statement.

SILSBEE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2014

Total Net Change in Fund Balances - Governmental Funds	\$	23,887,110
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation.		1,049,793
Capital outlays	\$2,626,723	
Depreciation expense	(1,576,930)	
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		116,365
Prior year delinquent taxes collected in year ended August 31, 2014	(\$173,183)	
Current year uncollected levy net of allowance for uncollectible portion	289,548	
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction has no effect on net assets.		1,270,000
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(870,651)
Bond proceeds net of refunding are reported as other financing sources in the governmental funds. This transaction has no effect on net assets.		(25,350,000)
Change in Net Position of Governmental Activities	\$	102,617

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND FINANCIAL STATEMENTS

SILSBEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2014

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 14,287	\$ 126,579
Restricted Assets	314,562	-
Total Assets	<u>328,849</u>	<u>\$ 126,579</u>
LIABILITIES		
Due to Student Groups	-	\$ 126,579
Total Liabilities	<u>-</u>	<u>\$ 126,579</u>
NET POSITION		
Unrestricted Net Position	<u>328,849</u>	
Total Net Position	<u>\$ 328,849</u>	

The notes to the financial statements are an integral part of this statement.

SILSBEE INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2014

	Private Purpose Trust Funds
ADDITIONS:	
Local and Intermediate Sources	\$ 45,797
Total Additions	<u>45,797</u>
DEDUCTIONS:	
Professional and Contracted Services	41,850
Other Operating Costs	6
Total Deductions	<u>41,856</u>
Change in Net Position	3,941
Total Net Position - September 1 (Beginning)	<u>324,908</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 328,849</u></u>

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Board of 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 these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14 "The Financial Reporting Entity" and there are no component units included within this reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges for services such as food service or extracurricular activities and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

SILSBEE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The **General Fund** is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board to implement its responsibilities.

The **Capital Projects Fund** is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction along with the related capital expenditures.

Additionally, the District reports the following Fiduciary Fund types:

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.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments not reported in other fiduciary fund types. The District's private-purpose trust funds represent scholarship funds being held in trust for students.

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.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed (first committed, then unassigned resources).

In accordance with the FASRG, the District has adopted and installed an accounting system, which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FASRG. Mandatory codes are utilized in the form provided in that section

D. ASSETS, LIABILITIES, AND NET ASSETS

1. Cash and cash equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Property taxes

Property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 25% of the outstanding property taxes at August 31, 2014.

3. Inventories

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. The General Fund and The Food Service Special Revenue Fund reported inventories are offset by a nonspendable fund balance indicating that they are unavailable as current expendable financial resources.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

SILSBEE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

4. *Capital Assets (Continued)*

Property, plant and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	30
Equipment	5-18
Buses	10
Vehicles	10

5. *Compensated absences*

Vacations are to be taken within the same year they are earned. Any liability would be immaterial and none has been accrued in the accompanying financial statements. Employees of the District are entitled to sick leave based on category/class of employment. Portions of the sick leave may accumulate but do not vest. Sick leave is paid only in the form of salary continuation while on medical leave. Silsbee Independent School District does not have a policy to pay any amounts when employees separate from service. Therefore, no liability for unused sick leave has been recorded in the accompanying financial statements.

6. *Long-term obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

7. *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position (Exhibit A-1) 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has no items that qualify for reporting in this category.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position (Exhibit A-1) 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 a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for the reporting in this category. Accordingly, the item unavailable revenue – property taxes, is reported only in the governmental funds balance sheet (Exhibit C-1). This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

8. Fund equity

The District has implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable fund balance* – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- *Restricted fund balance* – amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or by enabling legislation.
- *Committed fund balance* – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- *Assigned fund balance* – amounts the District intends to use for a specific purpose. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority.
- *Unassigned fund balance* – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. At August 31, 2014, the Silsbee Independent School District General Fund reported \$1,536,403 as committed to construction or improvements and \$75,000 as committed to equipment. At August 31, 2014, the District Special Revenue Funds reported \$81,871 as committed to campus level activities and \$35,819 as committed to food service activities.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2014**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION (CONTINUED)

9. 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 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.

10. 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.

11. Use of estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Formal budgetary accounting is employed for all required Governmental Fund Types, as outlined in TEA's FASRG module, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required Governmental Fund Types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2014**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

A. BUDGETARY INFORMATION (CONTINUED)

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund and the Food Service Special Revenue Fund. The remaining special revenue funds adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget is amended throughout the year by the Board of Trustees. Such amendments are reflected in the official minutes of the Board.

B. REQUIRED INDIVIDUAL FUND DISCLOSURES

For the year ended August 31, 2014 in the Debt Service Fund, functional expenditure categories Function 72 Interest on Long Term Debt exceeded budget by the amount of \$227,488, and Function 73, Bond Issuance Cost exceeded budget by the amount of \$749.

C. DATA CONTROL CODES

Data control codes refer to the account code structure prescribed by the Texas Education Agency, Financial Accountability System Resource Guide.

D. HEALTH CARE

The District contributes to the State sponsored healthcare program \$200 per month per employee (in addition to the \$75 per month that is provided by the State of Texas). Employees, at their option, contribute for dependent coverage through payroll withholdings.

The District does not provide any post-retirement health benefits to its employees.

E. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Most of these risks are protected by insurance. There were no significant reductions in coverage in the past fiscal year, and there were no settlements or significant losses exceeding insurance coverage or state and federal reimbursement awards for each of the past three fiscal years.

The District participates in the following risk pools:

During the year ended August 31, 2014, the District met its statutory workers' compensation obligations as a self-funded member in the Workers' Compensation Solutions Program (WCS). The WCS was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The WCS program is authorized by Chapter 504 of the Texas Labor Code. All districts participating in the WCS execute Interlocal Agreements that define the responsibilities of the parties. The WCS provides statutory workers' compensation benefits to its members and their injured employees.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2014**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

E. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS (CONTINUED)

The estimated liability for open claims is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The liability is the undiscounted estimate of the actuary. Changes in the balances of claims liabilities during the most recent two years are as follow:

	2014	2013
Claims liabilities (including incurred but not reported), beginning of year	\$ 38,985	\$ -
Incurred claims (net of adjustment of prior year allowances)	20,568	81,760
Claims paid	(50,262)	(42,775)
Claims liabilities (including incurred but not reported), end of year	\$ 9,291	\$ 38,985

The WCS engages the services of an independent auditor to conduct a financial audit after the close of each plan year. The WCS Board of Directors approves this audit in March of the following year. The WCS audited financial statements are available in the WCS offices after the approval of the Board of Directors.

During the year ended August 31, 2014, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund’s employee benefits program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool members.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. This Fund’s Board of Trustees approves the audit in February of the following year. The Fund’s audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

During the year ended August 31, 2014, the District participated in the Property Casualty Alliance of Texas’s (PCAT) Property Casualty Program. The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

E. RISK MANAGEMENT AND PARTICIPATION IN RISK POOLS (CONTINUED)

Based on information currently available for the year ended August 31, 2014, the District will have no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in July of the following year. The fund's audited financial statements as of August 31, 2013, are available at the PCAT offices and have been filed with the Texas Department of Insurance in Austin.

NOTE 3. BUDGETARY LEGAL COMPLIANCE

The Official Budget was prepared for adoption for the General Fund, Food Service Fund and Debt Service Fund prior to August 20, 2013. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the Board unless the intent is to increase the overall budget allocations. Control of appropriations by the Board is maintained within Fund Groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System.

Should any change in the approved budget be required, budget amendment requests are presented to the Board for consideration. Amendments are to be requested and approved before the fact and once approved are reflected in the official minutes. The Board approved the final amendment on August 26, 2014.

NOTE 4. DEPOSITS AND INVESTMENTS

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

1. Cash Deposits: At August 31, 2014, the carrying amount of the District's cash, savings and time deposits was \$794,656. The bank balance was \$1,359,361. During 2013-2014, the District's combined deposits were fully insured by federal depository insurance or securities pledged to the District and held by the depository's agent in the District's name.
2. Investments: The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

2. Investments (continued): 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 programs, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools (9) guaranteed investment contracts and (10) commercial paper.

A private purpose trust fund, the earnings of which are restricted to scholarship awards, holds publicly traded common stock donated to the District by the initiator of the scholarship fund.

3. Deposit and Investment Risks:

Interest rate risk. In accordance with its investing policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to one year or less.

Credit risk. For fiscal year 2014, the District invested in TexPool and Lone Star Investment Pool. TexPool is duly chartered and administered by the State Comptroller's Office. As of August 31, 2014, the District's investments in TexPool were rated AAA by Standard & Poor's Investors Service. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC formerly the Texas Association of School Boards Financial Services. The District's investments in Lone Star Investment Pool were rated AAA by Standard & Poor's Investors Service.

Concentration of credit risk. The District's investment policy does not limit an investment in any one issuer. The District monitors the need to diversify investments on a regular basis.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2014, District deposits at the local depository were insured and collateralized with securities held by the depository's agent and in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District is not exposed to custodial risk due to the fact that investments are insured or registered, or the investments are held by the District or its agent in the District's name.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
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NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

3. Deposit and Investment Risks (continued):

The District's investments at August 31, 2014 are shown below:

	<u>Maturity</u>	<u>Governmental Funds Fair Value</u>	<u>Private Purpose Trust Funds Fair Value</u>
Lone Star Investment Pool	N/A	\$ 23,849,538	\$ -
TexPool	N/A	5,645,529	-
Donated Publicly Traded Common Stock	N/A	-	157,670
Certificate of Deposit	12/5/2014	-	73,675
Certificate of Deposit	3/17/2015	-	54,000
Certificate of Deposit	1/4/2015	-	10,000
		<u>\$ 29,495,067</u>	<u>\$ 295,345</u>

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.

Public Funds Investment Pools

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

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

Fair values of TexPool are based on quoted market prices of the underlying assets as provided by the Fund Sponsor, The State of Texas. Fair values of Lone Star Investment Pool Liquidity Fund are based on quoted market prices of the underlying assets as provided by the Fund Sponsor, First Public, LLC. These investments are reported by the District at cost which approximates fair value. Governmental Accounting Standards Board Statement (GASB) No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" allows the reporting of these investments at cost due to short-term maturities.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5. PROPERTY TAXES

Property taxes are considered available when collected within the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on August 1, 2013, upon which the levy for the 2013-2014 fiscal year was based, was \$743,526,635. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2014, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$.1478 per \$100 valuation, respectively, for a total of \$1.3178 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2014 were 96.1% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2014, property taxes receivable, net of estimated uncollectible taxes of \$410,512 and \$48,280, totaled \$1,231,537 and \$144,841 for the General and Debt Service Funds, respectively.

NOTE 6. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2014, are summarized below. All federal grants shown below are passed through the TEA or other pass-through entities and are reported on the combined financial statements as Due from Other Governments.

<u>Fund</u>	<u>Local Governments</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Total</u>
General	\$ 47,513	\$ 359,402	\$ 105,993	\$ 512,908
Special Revenue	-	-	144,349	144,349
Debt Service Fund	5,165	-	-	5,165
Total	\$ 52,678	\$ 359,402	\$ 250,342	\$ 662,422

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2014 was as follows:

	Balance September 1, 2013	Additions	Deletions	Balance August 31, 2014
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 643,812	\$ -	\$ -	\$ 643,812
Construction in Progress	-	2,273,280	-	2,273,280
Total capital assets, not being depreciated	<u>643,812</u>	<u>2,273,280</u>	<u>-</u>	<u>2,917,092</u>
Capital assets, being depreciated				
Buildings and Improvements	36,069,789	-	(7,225)	36,062,564
Furniture and Equipment	6,087,902	353,446	(347,581)	6,093,767
Total capital assets being depreciated	<u>42,157,691</u>	<u>353,446</u>	<u>(354,806)</u>	<u>42,156,331</u>
Less accumulated depreciation for:				
Buildings and Improvements	(19,545,069)	(1,103,322)	7,225	(20,641,166)
Furniture and Equipment	(4,123,731)	(473,608)	347,581	(4,249,758)
Total accumulated depreciation	<u>(23,668,800)</u>	<u>(1,576,930)</u>	<u>354,806</u>	<u>(24,890,924)</u>
Total capital assets being depreciated, net	<u>18,488,891</u>	<u>(1,223,484)</u>	<u>-</u>	<u>17,265,407</u>
Governmental activities capital assets, net	<u>\$ 19,132,703</u>	<u>\$ 1,049,796</u>	<u>\$ -</u>	<u>\$ 20,182,499</u>

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

Governmental activities:		
11	Instruction	\$ 627,738
12	Library & Media	38,145
13	Curriculum	31,549
21	Instructional Development	4,956
23	Campus Administration	37,229
31	Counselor	26,238
33	Health Services	21,987
34	Transportation	127,912
35	Food Services	46,411
36	Athletics & Co-Curricular	201,476
41	General Administration	3,271
51	Maintenance	258,154
52	Security and Monitoring Services	28,432
53	Data Processing	123,432
Total depreciation expense-governmental activities		<u>\$ 1,576,930</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 7. CAPITAL ASSETS (CONTINUED)

Construction commitments:

The District is in the process of constructing a new elementary school and renovating two existing schools. The following represents the District's construction commitments for the year ended August 31, 2014:

Project	<u>Commitment</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
New Elementary School (grades 1-5)	\$ 21,647,840	\$ 1,734,786	\$ 19,913,054
Laura Reeves Renovations	1,296,960	501,687	795,273
Middle School Renovations	<u>2,829,200</u>	<u>14,079</u>	<u>2,815,121</u>
Totals	<u>\$ 25,774,000</u>	<u>\$ 2,250,552</u>	<u>\$ 23,523,448</u>

The construction costs are financed by bond proceeds reported in the capital projects fund.

NOTE 8. RETIREMENT PLAN

Plan Description. Silsbee Independent School District contributes to the Teacher Retirement System of Texas (TRS), a cost sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas State legislative has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. Contribution requirements are not actuarially determined but are established and amended pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during the fiscal year; (2) state statute prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS's 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.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8. RETIREMENT PLAN (CONTINUED)

Contribution rates and contributions for fiscal years 2014 – 2012 are shown in the table below. These rates are set by the General Appropriations Act. In certain instances, the reporting district is required to make all or a portion of the state’s and/or member’s contribution and on the portion of the employees’ salaries that exceeded the statutory minimum.

Contribution Rates and Contribution Amounts

Year	Member		State		Statutory Minimum Amount
	Rate	Amount	Rate	Amount	
2014	6.400%	\$955,155	6.800%	\$993,573	\$221,162
2013	6.400%	947,555	6.400%	915,348	218,010
2012	6.400%	938,440	6.000%	834,884	161,857

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN

Plan Description. The Silsbee Independent School 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-Care 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.trs.state.tx.us, under the TRS Publication heading, or by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701 or by calling 1-800-223-8778.

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. Contribution rates and amounts are shown in the table below for the fiscal years 2014 – 2012.

Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2014	0.65%	\$ 97,004	1.00%	\$ 149,236	0.55%	\$ 82,081
2013	0.65%	96,236	0.50%	74,028	0.55%	81,431
2012	0.65%	95,310	1.00%	146,631	0.55%	80,648

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN (CONTINUED)

Medicare Part D On-Behalf Payments. The Medicare Prescription Drug Act of 2003, which became effective January 1, 2006, established prescription drug coverage of 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. These on-behalf payments for Silsbee Independent School District for the years ended August 31, 2014, 2013 and 2012 were \$40,382, \$35,689 and \$32,366, respectively.

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement for a portion of the cost of health care benefits to retirees between the ages of 55-64 and their covered dependents. TRS-Care did not participate in this program for the year ended August 31, 2014

During the fiscal year ended August 31, 2014 the District had no previously retired public school employees for whom the District had a TRS-Care Premium payment responsibility.

NOTE 10. LONG-TERM LIABILITIES

The District's long-term liabilities consist of general obligation bonds and contractual obligation notes to provide funds for the construction of major capital facilities. General obligation bonds and contractual obligation notes are direct obligations and pledge the full faith and credit of the District. The current requirements for general obligation bonds and related interest expenditures are accounted for in the Debt Service Fund. The current requirements for the contractual obligation notes principal and related interest expenditures are accounted for in the General Fund.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
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NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2014, was as follows:

Series	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2000	5.30%	\$ 1,650,000	\$ 330,000	\$ -	\$ (160,000)	\$ 170,000	\$ 170,000
2008	2.5-4.0%	8,165,000	5,750,000	-	(630,000)	5,120,000	650,000
2008	4.0%	870,000	870,000	-	-	870,000	-
2009	2.0-4.0%	7,090,000	5,625,000	-	(480,000)	5,145,000	495,000
2013 U/L Tax Building							
Bond	2.0-4.0%	9,480,000	-	9,480,000	-	9,480,000	380,000
Premium		517,808	-	517,808	(25,890)	491,918	25,890
2014A U/L Tax Building							
Bond	2.25-4.0%	9,690,000	-	9,690,000	-	9,690,000	180,000
Premium		246,692	-	246,692	-	246,692	9,868
2014Q U/L Tax Qualified							
Construction Bond	4.5%	6,180,000	-	6,180,000	-	6,180,000	-
Premium		117,049	-	117,049	-	117,049	6,160
Total bond and contractual obligation payable - principal			12,575,000	26,231,549	(1,295,890)	37,510,659	1,916,918
Less 2008 unamortized discount			(72,584)	-	9,072	(63,512)	(9,073)
Less 2009 unamortized discount			(59,203)	-	5,920	(53,283)	(5,920)
			(131,787)	-	14,992	(116,795)	(14,993)
Total governmental activities long-term liabilities			<u>\$ 12,443,213</u>	<u>\$ 26,231,549</u>	<u>\$ (1,280,898)</u>	<u>\$ 37,393,864</u>	<u>\$ 1,901,925</u>

Annual debt service requirements to maturity are as follows:

Year Ended August 31	Governmental Obligations	
	Principal	Interest
2015	\$ 1,875,000	\$ 1,505,265
2016	1,860,000	1,272,441
2017	1,920,000	1,215,391
2018	1,980,000	1,156,453
2019	2,035,000	1,092,028
2020 - 2024	8,895,000	4,367,516
2025 - 2029	4,560,000	3,282,963
2030 - 2034	10,910,000	2,131,325
2035 - 2039	2,620,000	321,387
	<u>\$ 36,655,000</u>	<u>\$ 16,344,769</u>

As of August 31, 2014, the District had \$4,000,000 of authorized but unissued bonds.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 11. LEASE OBLIGATIONS

Operating Leases

The Silsbee Independent School District is obligated under operating (non-capitalized) leases for equipment. For the year ended August 31, 2014, lease expenditures were \$171,065 from the General Fund. The following is a schedule of minimum lease payments under non-cancelable operating leases as of August 31, 2014.

<u>Year Ended August 31</u>	<u>Amount</u>
2015	\$ 160,008
2016	160,008
2017	160,008
2018	160,008
2019	154,989
2020	113,488
	<u>\$ 908,509</u>

Capital Leases

The Silsbee Independent School District was not obligated under any capital leases at August 31, 2014.

NOTE 12. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources consisted of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$ 8,803,856	\$ -	\$ 1,111,663	\$ -	\$ 9,915,519
Food Sales	-	453,275	-	-	453,275
Investment Income	4,102	-	1,421	15,905	21,428
Penalties, interest and other tax related income	168,699	-	20,289	-	188,988
Co-curricular student activities	74,093	298,760	-	-	372,853
Other	398,272	-	-	-	398,272
Total	<u>\$ 9,449,022</u>	<u>\$ 752,035</u>	<u>\$ 1,133,373</u>	<u>\$ 15,905</u>	<u>\$ 11,350,335</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 13. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund
Football Season Ticket Sales	\$ 7,546
Foundation Funds	316,424
Total Unearned Revenue	\$ 323,970

NOTE 14. INTERFUND PAYABLES AND RECEIVABLES

Interfund balances at August 31, 2014 consisted of the following individual fund receivables and payables:

Fund	Receivable	Payable
General Fund:		
Special Revenue Fund	\$ 7,584	\$ 136
Special Revenue Fund:		
General Fund	136	7,584
Total	\$ 7,720	\$ 7,720

NOTE 15. INTERFUND TRANSFERS

During the fiscal year ended August 31, 2014, the District transferred \$70,000 from the General Fund to the Special Revenue Food Service Fund.

NOTE 16. LITIGATION AND CONTINGENCIES

The District is a party to various actual and threatened legal actions none of which is believed by the administration to have a material effect on the financial condition of the District. Accordingly, no provision for potential losses or legal expenses has been recorded in the accompanying financial statements.

The District participates in numerous state and Federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2014 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 financial statements for such contingencies.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2014**

NOTE 17. NONMONETARY TRANSACTIONS

During the fiscal year ended August 31, 2014, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$137,447. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$137,447 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

REQUIRED SUPPLEMENTARY INFORMATION

SILSBEE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 8,832,794	\$ 9,502,799	\$ 9,449,022	\$ (53,777)
5800	State Program Revenues	13,281,311	14,176,068	14,301,996	125,928
5900	Federal Program Revenues	100,000	160,000	156,836	(3,164)
5020	Total Revenues	22,214,105	23,838,867	23,907,854	68,987
EXPENDITURES:					
Current:					
0011	Instruction	11,842,688	12,078,018	11,940,494	137,524
0012	Instructional Resources and Media Services	373,427	402,917	377,893	25,024
0013	Curriculum and Instructional Staff Development	201,824	200,917	172,178	28,739
0021	Instructional Leadership	357,426	305,739	284,645	21,094
0023	School Leadership	1,689,563	1,761,539	1,683,712	77,827
0031	Guidance, Counseling and Evaluation Services	822,463	878,855	823,673	55,182
0032	Social Work Services	56,815	61,605	60,546	1,059
0033	Health Services	299,419	313,774	293,549	20,225
0034	Student (Pupil) Transportation	1,185,433	1,292,780	1,133,865	158,915
0036	Extracurricular Activities	1,036,013	1,284,396	1,052,164	232,232
0041	General Administration	961,801	1,032,015	968,859	63,156
0051	Facilities Maintenance and Operations	3,695,106	3,715,629	3,574,707	140,922
0052	Security and Monitoring Services	222,823	326,321	285,417	40,904
0053	Data Processing Services	472,101	355,401	351,556	3,845
Debt Service:					
0071	Principal on Long Term Debt	180,220	160,000	160,000	-
0072	Interest on Long Term Debt	-	17,820	17,820	-
0073	Bond Issuance Cost and Fees	-	3,525	3,425	100
6030	Total Expenditures	23,397,122	24,191,251	23,184,503	1,006,748
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,183,017)	(352,384)	723,351	1,075,735
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	-	-	(70,000)	(70,000)
1200	Net Change in Fund Balances	(1,183,017)	(352,384)	653,351	1,005,735
0100	Fund Balance - September 1 (Beginning)	4,997,844	4,997,844	4,997,844	-
3000	Fund Balance - August 31 (Ending)	\$ 3,814,827	\$ 4,645,460	\$ 5,651,195	\$ 1,005,735

REQUIRED TEA SCHEDULES

SILSBEE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2014

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2005 and prior years	Various	Various	\$ Various
2006	1.500000	0.167100	505,391,600
2007	1.480000	0.185500	516,333,410
2008	1.170000	0.167400	592,097,100
2009	1.170000	0.147800	672,678,555
2010	1.170000	0.147800	657,020,640
2011	1.170000	0.147800	641,735,392
2012	1.170000	0.147800	666,373,653
2013	1.170000	0.147800	699,174,382
2014 (School year under audit)	1.170000	0.147800	743,526,635
1000 TOTALS			

(10) Beginning Balance 9/1/2013	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2014
\$ 513,195	\$ -	\$ 16,347	\$ 1,576	\$ (11,311)	\$ 483,961
80,227	-	3,043	339	(1,149)	75,696
85,716	-	4,379	549	(1,148)	79,640
78,703	-	3,225	461	(924)	74,093
93,157	-	5,584	705	159	87,027
133,577	-	13,941	1,761	473	118,348
153,783	-	23,223	2,934	1,182	128,808
199,208	-	35,225	4,450	1,031	160,564
342,454	-	287,142	36,273	221,930	240,969
-	9,798,194	8,406,095	1,061,898	55,863	386,064
<u>\$ 1,680,020</u>	<u>\$ 9,798,194</u>	<u>\$ 8,798,204</u>	<u>\$ 1,110,946</u>	<u>\$ 266,106</u>	<u>\$ 1,835,170</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2015-2016
GENERAL AND SPECIAL REVENUE FUNDS
AUGUST 31, 2014

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ -	\$ -	\$ 224,385	\$ 154,555	\$ -	\$ -	\$ 378,940
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	23,150	-	-	-	88,817	-	111,967
6212	Audit Services	-	-	-	32,500	-	-	32,500
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	316,462	-	-	-	-	316,462
6214	Lobbying	-	-	-	-	-	-	-
621X	Other Professional Services	-	-	-	350	-	-	350
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	1,750	-	-	400	-	-	2,150
6240	Contr. Maint. and Repair	-	-	-	-	-	-	-
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	2,160	-	-	27,190	-	-	29,350
6290	Miscellaneous Contr.	1,237	-	-	5,076	-	-	6,313
6320	Textbooks and Reading	-	-	-	5,260	-	-	5,260
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	310	-	962	25,442	-	-	26,714
6410	Travel, Subsistence, Stipends	15,477	-	7,196	3,403	-	-	26,076
6420	Ins. and Bonding Costs	-	-	-	-	-	-	-
6430	Election Costs	5,567	-	-	-	-	-	5,567
6490	Miscellaneous Operating	232	-	1,099	25,880	-	-	27,211
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 49,883	\$ 316,462	\$ 233,642	\$ 280,056	\$ 88,817	\$ -	\$ 968,860

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 26,955,887

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$	414,504
Total Debt & Lease(6500)	(11)	181,245
Plant Maintenance (Function 51, 6100-6400)	(12)	3,460,531
Food (Function 35, 6341 and 6499)	(13)	3,698
Stipends-(6413)	(14)	-
Column 4 (above) - Total Indirect Cost		280,056

SubTotal: 4,340,034

Net Allowed Direct Cost \$ 22,615,852

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15) \$	36,062,564
Historical Cost of Building over 50 years old	(16) \$	1,658,972
Amount of Federal Money in Building Cost (Net of #16)	(17) \$	-
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18) \$	6,093,767
Historical Cost of Furniture & Equipment over 16 years old	(19) \$	762,202
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20) \$	-

(8) NOTE A: No Function 53 expenditures are included in this report on administrative costs.
 No Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SILSBEE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 580,774	\$ 502,508	\$ 453,275	\$ (49,233)
5800	State Program Revenues	8,000	7,680	7,680	-
5900	Federal Program Revenues	964,921	1,016,144	970,432	(45,712)
5020	Total Revenues	1,553,695	1,526,332	1,431,387	(94,945)
EXPENDITURES:					
0035	Food Services	1,545,673	1,653,035	1,527,893	125,142
6030	Total Expenditures	1,545,673	1,653,035	1,527,893	125,142
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	8,022	(126,703)	(96,506)	30,197
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	-	70,000	70,000
1200	Net Change in Fund Balances	8,022	(126,703)	(26,506)	100,197
0100	Fund Balance - September 1 (Beginning)	67,410	67,410	67,410	-
3000	Fund Balance - August 31 (Ending)	\$ 75,432	\$ (59,293)	\$ 40,904	\$ 100,197

SILSBEE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2014

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,060,367	\$ 1,154,973	\$ 1,133,374	\$ (21,599)
5800	State Program Revenues	374,424	303,198	303,198	-
5020	Total Revenues	1,434,791	1,458,171	1,436,572	(21,599)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	709,139	1,110,000	1,110,000	-
0072	Interest on Long Term Debt	842,252	442,091	669,579	(227,488)
0073	Bond Issuance Cost and Fees	500	405,257	406,006	(749)
6030	Total Expenditures	1,551,891	1,957,348	2,185,585	(228,237)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(117,100)	(499,177)	(749,013)	(249,836)
OTHER FINANCING SOURCES (USES):					
7916	Premium or Discount on Issuance of Bonds	-	457,550	457,550	-
7917	Prepaid Interest	-	34,214	34,214	-
7080	Total Other Financing Sources (Uses)	-	491,764	491,764	-
1200	Net Change in Fund Balances	(117,100)	(7,413)	(257,249)	(249,836)
0100	Fund Balance - September 1 (Beginning)	448,366	448,366	448,366	-
3000	Fund Balance - August 31 (Ending)	\$ 331,266	\$ 440,953	\$ 191,117	\$ (249,836)

FEDERAL AWARDS SECTION

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA, CFE, CFF



Troy W. Domingue, CPA
Stanley "Chip" Majors, Jr., CPA.CITP
Jane P. Burns, CPA, CDFA

November 17, 2014

INDEPENDENT AUDITOR'S REPORT

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
Silsbee Independent School District
Silsbee, Texas 77656

Members of the Board:

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Silsbee Independent School District as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements of Silsbee Independent School District and have issued our report thereon dated November 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Silsbee 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 Silsbee Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Silsbee 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 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 weakness 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 Silsbee Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA, CFE, CFF



Troy W. Domingue, CPA
Stanley "Chip" Majors, Jr., CPA.CITP
Jane P. Burns, CPA, CDFA

November 17, 2014

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Trustees
Silsbee Independent School District
Silsbee, Texas 77656

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Silsbee Independent School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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 Silsbee Independent School District's major federal programs based in 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 Silsbee 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 Silsbee Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Silsbee Independent School District complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report of Internal Control Over Compliance

The management of Silsbee 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 District's internal control over compliance with the 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 Silsbee 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 consider 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.

Wathen, DeShong & Juncker, L.L.P.

WATHEN, DeSHONG & JUNCKER, L.L.P.
Certified Public Accountants

SILSBEE INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2014

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: unqualified

Internal control over financial reporting:

- Material weakness identified? _____ yes no
- Significant deficiency identified? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

- Material weakness identified? _____ yes no
- Significant deficiency identified? _____ yes none reported

Type of auditor’s report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553	School Breakfast Program
10.555	National School Lunch Program

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

Auditee qualified as low-risk auditee? yes _____ no

SILSBEE INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED AUGUST 31, 2014
(CONTINUED)**

Section II - Financial Statement Findings and Responses

-- NONE NOTED --

Section III - Federal Award Findings and Responses

-- NONE NOTED --

SILSBEE INDEPENDENT SCHOOL DISTRICT

**STATUS OF PRIOR YEAR'S FINDINGS
YEAR ENDED AUGUST 31, 2014**

-- NONE NOTED --

SILSBEE INDEPENDENT SCHOOL DISTRICT

EXHIBIT K-1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014**

<u>Federal Grantor/Pass Through Grantor/Program</u>	<u>(2) Federal CFDA Number</u>	<u>(2A) Pass-Through Entity Identifying Number</u>	<u>(3) Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
ESEA, Title I, Part A, Improving Basic Programs	84.010A	14610101100904	\$ 605,447
IDEA - B, Title VI, Formula*	84.027A	146600011009046600	856,642
Vocational Education – Basic Grant	84.048A	14420006100904	33,109
IDEA - B, Title VI, Preschool*	84.173A	146610011009046610	51,896
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	14694501100904	<u>174,858</u>
Total Passed Through State Department of Education			<u>1,721,952</u>
Total U.S. Department of Education			<u>1,721,952</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Agriculture:			
School Breakfast Program**	10.553	71401301	29,600
School Breakfast Program**	10.553	71401401	236,811
National School Lunch Program**	10.555	71301301	72,244
National School Lunch Program**	10.555	71301401	544,435
Commodity Supplemental Program (Food Distribution Program)	10.565	10004A	<u>87,342</u>
Total Passed Through State Department of Agriculture			<u>970,432</u>
Total U.S. Department of Agriculture			<u>970,432</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,692,384</u></u>

* Indicates clustered program under OMB Circular A-133

** Indicates clustered program under OMB Circular A-133

The accompanying notes are an integral part of this schedule.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014**

1. The accompanying Schedule Of Expenditures Of Federal Awards (Schedule) includes the federal grant activity of Silsbee Independent School District (the District) under programs of the Federal government for the year ended August 31, 2014. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.
2. Expenditures reported on the Schedule are reported 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.
3. The District utilizes the fund types specified in the Texas Education Agency’s Financial Accountability System Resource Guide.

Special Revenue Funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Generally, unused balances are returned to the grantor at the close of specified project periods.

4. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in the Special Revenue Fund, a component of the Governmental Fund type. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund Types and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

5. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date or as specified in a program regulation, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Supplement – March 2014.
6. A reconciliation of Federal Revenue reported on Exhibit C-3 to Federal Revenue reported on the Schedule of Expenditures of Federal Awards (Exhibit K-1) follows:

Federal Revenue Reported on Exhibit K-1	\$ 2,692,384
Medicaid Revenue - General Fund	<u>156,836</u>
Federal Revenue Reported on Exhibit C-3	<u><u>\$ 2,849,220</u></u>