

SILSBEE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

**SILSBEE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015**

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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, 2015, at a meeting of the Board of Trustees of such school district on the ___ day of December, 2015.

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

Wathen,
DeShong
& Juncker,
L.L.P.
Certified Public Accountants

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

December 1, 2015

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, 2015 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, 2015, 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, the budgetary comparison information on page 44, and the Schedules of the District's Proportionate Share of the Net Pension Liability and the District's Contributions Related to the Teacher Retirement System of Texas on pages 45 and 46 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 and pages 45 and 46 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 44 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 December 1, 2015, 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, 2015. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$13,883,801 at August 31, 2015.
- During the year, the District's expenses were \$2,460,644 less than the \$31,303,998 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$28,843,354.
- The General Fund reported a fund balance this year of \$7,189,074.
- 2014 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.

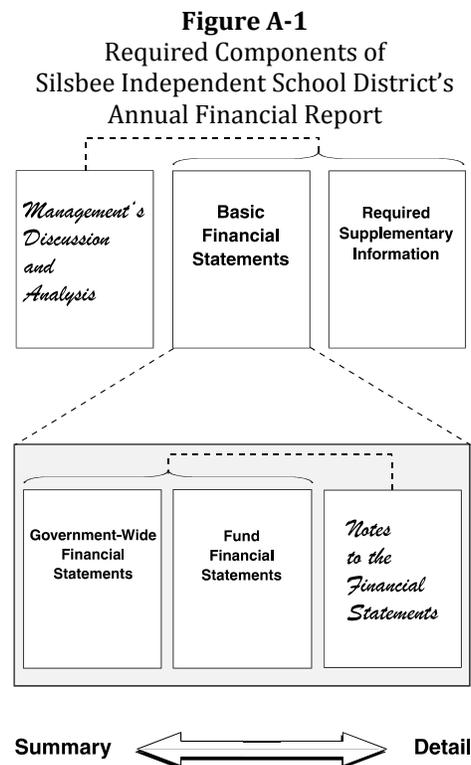


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of 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 Statement of activities	Balance sheet Statement of revenues, expenditures & changes in fund balance	Statement of fiduciary net position Statement of changes in fiduciary fund 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, changes in the District’s student population, the makeup of the student population in regards to funding for special programs, and non-funded federal and state mandates.
- As of the 2015-16 fall PEIMS submission, the District employed 387 full-time positions, of which 262 were classroom teaching and paraprofessional positions. Total student enrollment was 2,750, with 2,745 being in membership. The District’s student population consisted of 29.3% minority students, 10.9% special education students, and 54.5% economically disadvantaged students.
- As of August 31, 2015, student enrollment was 2,714. 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 \$13,883,801 at August 31, 2015. (See Table A-1).

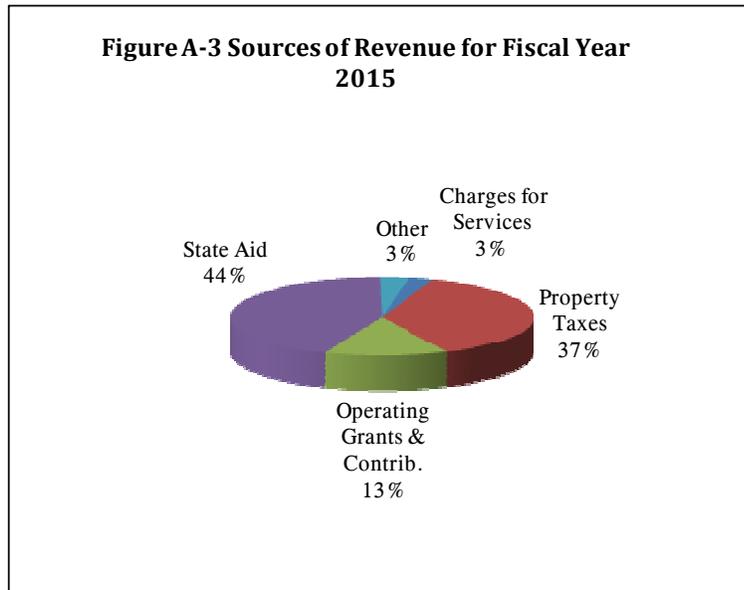
Table A-1
The District's Net Position

	Governmental Activities		Percentage Change
	2015	2014	
Current and Other Assets	\$ 29,734,736	\$ 32,513,577	-8.5%
Capital and Non-Current Assets	32,407,372	20,182,499	60.6%
Total Assets	62,142,108	52,696,076	17.9%
Deferred Outflows of Resources	569,836	-	n/a
Current Liabilities	6,262,721	3,529,935	77.4%
Long Term Liabilities	41,957,656	35,491,939	18.2%
Total Liabilities	48,220,377	39,021,874	23.6%
Deferred Inflows of Resources	607,766	-	n/a
Net Position:			
Invested in Capital Assets	6,945,668	6,332,735	9.7%
Restricted	494,768	335,958	47.3%
Unrestricted	6,443,365	7,005,509	-8.0%
Total Net Position	\$ 13,883,801	\$ 13,674,202	1.5%

The District's restricted net position consists of \$494,768 for debt service.

Changes in net position. The District's total revenues were \$31,303,998. A significant portion, 37%, of the District's revenue comes from taxes. (See Figure A-3). 44% comes from state aid – formula grants, while only 3% relates to charges for services.

The total cost of all programs and services was \$28,843,354; 69.2% of these costs are for instructional and student services.



Governmental Activities

Property tax rates increased \$0.2322 to \$1.52 per \$100 valuation. Of the \$1.52, \$1.17 is the Maintenance and Operations Rate, with \$0.35 being the Interest and Sinking Rate. The total taxes levied increased by \$1,915,676 due to the increased tax rate and 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 45.4 students from 2013/2014 to 2014/2015.

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

	Governmental Activities		Total % Change
	2015	2014	
Revenues:			
<u>Program Revenues</u>			
Charges for Services	\$ 833,137	\$ 833,556	-0.1%
Operating Grants and Contributions	4,107,406	4,211,082	-2.5%
<u>General Revenues</u>			
Property Taxes	11,764,950	10,025,516	17.4%
Investment Earnings	37,396	21,428	74.5%
State Aid - formula	13,664,742	13,304,122	2.7%
Other	896,367	756,758	18.4%
Total Revenues	31,303,998	29,152,462	7.4%
Expenses:			
Instruction and instructional related	14,638,845	14,974,947	-2.2%
Instructional leadership/school administration	1,993,572	2,094,627	-4.8%
Guidance, social work, health, transportation	2,315,092	2,342,360	-1.2%
Food services	1,505,267	1,574,304	-4.4%
Extracurricular activities	1,488,971	1,510,769	-1.4%
General Administration	926,341	972,130	-4.7%
Plant maintenance and security	4,119,201	4,044,630	1.8%
Data processing services	490,297	474,988	3.2%
Community Services	6,898	9,373	-26.4%
Debt Service	1,358,870	1,051,717	29.2%
Total Expenses	28,843,354	29,049,845	-0.7%
Change in Net Position	2,460,644	102,617	2297.9%
Beginning Net Position	13,674,202	13,571,585	0.8%
Prior Period Net Pension Liability	(2,251,045)	-	n/a
Ending Net Position	\$ 13,883,801	\$ 13,674,202	1.5%

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 \$28,843,354.
- The amount that our taxpayers paid for these activities through property taxes was \$11,764,950.
- Some of the cost was paid by those who directly benefited from the programs \$833,137, or
- By grants and contributions \$4,107,406.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2015	2014		2015	2014	
Instruction	\$ 13,953,291	\$ 14,285,425	-2.3%	\$ 11,628,760	\$ 11,894,334	-2.2%
School Leadership	1,602,482	1,720,941	-6.9%	1,517,955	1,637,172	-7.3%
Student Transportation	1,096,831	1,075,091	2.0%	810,868	743,651	9.0%
Food Services	1,505,267	1,574,304	-4.4%	10,732	142,917	-92.5%
Extracurricular Activities	1,488,971	1,510,769	-1.4%	1,108,072	1,103,757	0.4%
General Administration	926,341	972,130	-4.7%	906,421	952,883	-4.9%
Facilities Maintenance and Operations	3,868,931	3,762,231	2.8%	3,807,521	3,702,791	2.8%
Interest on Long-term Debt	1,130,229	627,295	80.2%	1,130,229	627,295	80.2%
Bond Issuance Cost and Fees	228,641	424,422	-46.1%	228,641	424,422	-46.1%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$31,197,924, an increase of 7.5% from the preceding year. Local revenues increased by \$1,674,309 due primarily to increases in tax revenues. State revenues increased by \$433,206 due primarily to an increase in School Program Entitlements and Available School Fund Allotment. Federal revenues increased by \$54,312.

General Fund Budgetary Highlights

- The District had multiple revisions to its budget during the fiscal year. Actual expenditures were \$2,115,181 below final budget amounts. The most significant variances were Instruction under budget by \$748,178, Facilities Maintenance and Operations under budget by \$336,311, Extracurricular Activities under budget by \$615,789 and Student Transportation under budget by \$122,708. Actual revenues were \$95,129 below budgeted amounts due primarily to tax 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 2015, the District had invested \$58.8 million in capital assets, including land, equipment, buildings and vehicles. (See Table A-4). This amount represents a net increase of \$13,754,545 or 30.5% above last year.

Table A-4
District's Capital Assets

	Governmental Activities		% Change
	2015	2014	
Land	\$ 680,564	\$ 643,812	5.7%
Construction in Progress	15,599,072	2,273,280	n/a
Buildings and Improvements	36,127,783	36,062,564	0.2%
Furniture and Equipment	6,420,549	6,093,767	5.4%
Totals at Historical Cost	58,827,968	45,073,423	30.5%
Total Accumulated Depreciation	(26,420,596)	(24,890,924)	6.1%
Net Capital Assets	<u>\$ 32,407,372</u>	<u>\$ 20,182,499</u>	60.6%

Long-Term Debt

At the end of the fiscal year, the District had \$44 million in long-term debt 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, a rating of A1 on the General Obligation Unlimited Tax Bonds, a rating of A2 on the General Obligation Limited Tax Notes and Maintenance Tax Notes.

Table A-5
Long-Term Debt

	Governmental Activities		% Change
	2015	2014	
Bonds payable	\$ 38,730,000	\$ 36,655,000	5.7%
Tax note	2,010,000	-	N/A
Premiums	1,191,147	855,659	39.2%
Less unamortized discount	(101,802)	(116,795)	-12.8%
Small District HVAC Loan	164,088	-	N/A
Net pension liability	1,986,792	-	N/A
Total long-term debt	<u>\$ 43,980,225</u>	<u>\$ 37,393,864</u>	17.6%

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

Prior Period Adjustment

During fiscal year 2015, the District adopted GASB statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume its proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$2,251,045. (See Table A-2).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Certified appraised value used for the 2016 budget preparation will decrease \$5,291,657, or 0.67% from 2015, primarily due to changes mandated by Senate Bill 1 and the additional \$10,000 homestead exemption.
- General operating fund spending per student, exclusive of a major renovation program, decreases in the 2016 budget from \$9,282 to \$9,088. This is a 2.1% decrease from the preceding year.
- The District's 2016 refined average daily attendance is expected to be 2,575, which is a slight decrease in the average daily attendance attained in 2015.

These indicators were taken into account when adopting the General Fund budget for 2016. Amounts available for appropriation in the General Fund budget, exclusive of a major renovation program, are \$23.9 million which is a decrease of 2.7% from the final 2015 actual revenue of \$24.6 million.

Operating expenditures are budgeted at \$24.7 million, an increase of 5.8% from the final 2015 actual expenditures of \$23.3 million.

If these estimates are realized, the District's budgetary undesignated General Fund fund balance is expected to decrease \$726,551 at the close of 2016.

The District has committed \$1,900,934 for major deferred maintenance and renovation programs for the fiscal year ended August 31, 2016. 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. The District has also committed \$1,250,000 for capital expenditures for equipment for the purpose of full replacement and resurfacing of the Tiger Stadium Track and purchase of furniture, fixtures and playground equipment for the new elementary school.

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 I.S.D.
STATEMENT OF NET POSITION
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 871,715
1120 Current Investments	25,843,147
1220 Property Taxes Receivable (Delinquent)	1,976,605
1230 Allowance for Uncollectible Taxes	(494,151)
1240 Due from Other Governments	1,254,045
1290 Other Receivables, net	35,286
1300 Inventories	44,240
1410 Prepayments	203,849
Capital Assets:	
1510 Land	680,564
1520 Buildings, Net	14,381,393
1530 Furniture and Equipment, Net	1,746,343
1580 Construction in Progress	15,599,072
1000 Total Assets	62,142,108
DEFERRED OUTFLOWS OF RESOURCES	
1705 Pension Plan Contributions in Current Fiscal Year	569,836
1700 Total Deferred Outflows of Resources	569,836
LIABILITIES	
2110 Accounts Payable	3,320,990
2120 Short Term Debt Payable	90,000
2160 Accrued Wages Payable	807,676
2180 Due to Other Governments	1,696
2200 Accrued Expenses	8,495
2300 Unearned Revenue	11,295
Noncurrent Liabilities	
2501 Due Within One Year	2,022,569
2502 Due in More Than One Year	39,970,864
2540 Net Pension Liability (District's Share)	1,986,792
2000 Total Liabilities	48,220,377
DEFERRED INFLOWS OF RESOURCES	
2605 Pension Deferrals	607,766
2600 Total Deferred Inflows of Resources	607,766
NET POSITION	
3200 Net Investment in Capital Assets	6,945,668
3850 Restricted for Debt Service	494,768
3900 Unrestricted	6,443,365
3000 Total Net Position	\$ 13,883,801

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

SILSBEE I.S.D.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	6
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 13,953,291	\$ -	\$ 2,324,531	\$ (11,628,760)
12 Instructional Resources and Media Services	398,943	-	14,172	(384,771)
13 Curriculum and Staff Development	286,611	-	83,950	(202,661)
21 Instructional Leadership	391,090	-	100,451	(290,639)
23 School Leadership	1,602,482	-	84,527	(1,517,955)
31 Guidance, Counseling and Evaluation Services	870,000	-	43,325	(826,675)
32 Social Work Services	58,730	-	3,447	(55,283)
33 Health Services	289,531	-	15,500	(274,031)
34 Student (Pupil) Transportation	1,096,831	-	285,963	(810,868)
35 Food Services	1,505,267	478,377	1,016,158	(10,732)
36 Extracurricular Activities	1,488,971	344,826	36,073	(1,108,072)
41 General Administration	926,340	-	19,920	(906,420)
51 Facilities Maintenance and Operations	3,868,931	9,934	51,476	(3,807,521)
52 Security and Monitoring Services	250,270	-	1,070	(249,200)
53 Data Processing Services	490,297	-	19,945	(470,352)
61 Community Services	6,898	-	6,898	-
72 Debt Service - Interest on Long Term Debt	1,130,230	-	-	(1,130,230)
73 Debt Service - Bond Issuance Cost and Fees	228,641	-	-	(228,641)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 28,843,354	\$ 833,137	\$ 4,107,406	(23,902,811)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			9,012,499
DT	Property Taxes, Levied for Debt Service			2,752,451
SF	State Aid - Formula Grants			13,664,742
GC	Grants and Contributions not Restricted			401,132
IE	Investment Earnings			37,396
MI	Miscellaneous Local and Intermediate Revenue			495,235
TR	Total General Revenues			26,363,455
CN	Change in Net Position			2,460,644
NB	Net Position - Beginning			13,674,202
PA	Prior Period Adjustment			(2,251,045)
NE	Net Position--Ending			\$ 13,883,801

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

SILSBEE I.S.D.
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 1,134,111	\$ 27,395	\$ (289,791)	\$ 871,715
1120 Investments - Current	5,904,969	19,658,422	279,756	25,843,147
1220 Property Taxes - Delinquent	1,708,804	-	267,801	1,976,605
1230 Allowance for Uncollectible Taxes (Credit)	(427,201)	-	(66,950)	(494,151)
1240 Receivables from Other Governments	940,348	-	313,697	1,254,045
1290 Other Receivables	35,286	-	-	35,286
1300 Inventories	38,140	-	6,100	44,240
1410 Prepayments	1,050	-	202,799	203,849
1000 Total Assets	<u>\$ 9,335,507</u>	<u>\$ 19,685,817</u>	<u>\$ 713,412</u>	<u>\$ 29,734,736</u>
LIABILITIES				
2110 Accounts Payable	\$ 37,595	\$ 3,228,176	\$ 55,219	\$ 3,320,990
2120 Short Term Debt Payable - Current	-	90,000	-	90,000
2160 Accrued Wages Payable	805,749	-	1,927	807,676
2180 Due to Other Governments	1,696	-	-	1,696
2200 Accrued Expenditures	8,495	-	-	8,495
2300 Unearned Revenues	11,295	-	-	11,295
2000 Total Liabilities	<u>864,830</u>	<u>3,318,176</u>	<u>57,146</u>	<u>4,240,152</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,281,603	-	200,850	1,482,453
2600 Total Deferred Inflows of Resources	<u>1,281,603</u>	<u>-</u>	<u>200,850</u>	<u>1,482,453</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	38,140	-	6,100	44,240
Restricted Fund Balance:				
3470 Capital Acquisition and Contractual Obligation	-	16,367,641	-	16,367,641
3480 Retirement of Long-Term Debt	-	-	293,918	293,918
Committed Fund Balance:				
3510 Construction	1,900,934	-	-	1,900,934
3530 Capital Expenditures for Equipment	1,250,000	-	-	1,250,000
3545 Other Committed Fund Balance	-	-	155,398	155,398
3600 Unassigned Fund Balance	4,000,000	-	-	4,000,000
3000 Total Fund Balances	<u>7,189,074</u>	<u>16,367,641</u>	<u>455,416</u>	<u>24,012,131</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 9,335,507</u>	<u>\$ 19,685,817</u>	<u>\$ 713,412</u>	<u>\$ 29,734,736</u>

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

SILSBEE I.S.D.
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2015

Total Fund Balances - Governmental Funds	\$	24,012,131
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		32,407,372
2 Property taxes receivable are not available to pay for current period expenditures and, therefore, are deferred in the funds.		1,482,453
3 Bonds are not due and payable in the current period and, therefore, are not reported in the funds.		(42,095,235)
4 Discount on issuance of debt reported as reductions of other sources in the funds.		101,802
5 Included in the line items related to debt is the recognition of the District's proportionate share of a net pension liability required by GASB 68 in the amount of \$1,986,792, a Deferred Resource Inflow related to TRS in the amount of \$607,766, and a Deferred Resource Outflow related to TRS in the amount of \$569,836. These balances represent a decrease in Net position in the amount of \$2,024,722.		(2,024,722)
 19 Net Position of Governmental Activities	 \$	 <u><u>13,883,801</u></u>

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

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 9,532,198	\$ 29,332	\$ 3,463,114	\$ 13,024,644
5800	State Program Revenues	14,690,019	-	579,729	15,269,748
5900	Federal Program Revenues	374,440	-	2,529,092	2,903,532
5020	Total Revenues	<u>24,596,657</u>	<u>29,332</u>	<u>6,571,935</u>	<u>31,197,924</u>
EXPENDITURES:					
Current:					
0011	Instruction	11,928,581	-	1,649,621	13,578,202
0012	Instructional Resources and Media Services	364,686	-	-	364,686
0013	Curriculum and Instructional Staff Development	183,773	-	75,768	259,541
0021	Instructional Leadership	302,724	-	88,639	391,363
0023	School Leadership	1,593,252	-	-	1,593,252
0031	Guidance, Counseling and Evaluation Services	853,787	-	50	853,837
0032	Social Work Services	59,355	-	-	59,355
0033	Health Services	269,924	-	-	269,924
0034	Student (Pupil) Transportation	1,085,066	-	-	1,085,066
0035	Food Services	-	-	1,470,288	1,470,288
0036	Extracurricular Activities	1,019,472	-	273,676	1,293,148
0041	General Administration	928,482	-	-	928,482
0051	Facilities Maintenance and Operations	3,784,284	-	-	3,784,284
0052	Security and Monitoring Services	221,427	-	-	221,427
0053	Data Processing Services	413,381	-	-	413,381
0061	Community Services	-	-	6,898	6,898
Debt Service:					
0071	Principal on Long Term Debt	170,000	-	1,705,000	1,875,000
0072	Interest on Long Term Debt	9,180	-	1,167,392	1,176,572
0073	Bond Issuance Cost and Fees	86,167	-	127,481	213,648
Capital Outlay:					
0081	Facilities Acquisition and Construction	36,752	13,325,793	-	13,362,545
6030	Total Expenditures	<u>23,310,293</u>	<u>13,325,793</u>	<u>6,564,813</u>	<u>43,200,899</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,286,364</u>	<u>(13,296,461)</u>	<u>7,122</u>	<u>(12,002,975)</u>
OTHER FINANCING SOURCES (USES):					
7911	Capital Related Debt Issued (Regular Bonds)	-	5,960,000	-	5,960,000
7914	Non-Current Loans	164,088	-	-	164,088
7915	Transfers In	-	-	795	795
7916	Premium or Discount on Issuance of Bonds	86,995	160,000	130,411	377,406
7917	Prepaid Interest	1,228	-	3,196	4,424
8911	Transfers Out (Use)	(795)	-	-	(795)
7080	Total Other Financing Sources (Uses)	<u>251,516</u>	<u>6,120,000</u>	<u>134,402</u>	<u>6,505,918</u>
1200	Net Change in Fund Balances	1,537,880	(7,176,461)	141,524	(5,497,057)
0100	Fund Balance - September 1 (Beginning)	5,651,194	23,544,102	313,892	29,509,188
3000	Fund Balance - August 31 (Ending)	<u>\$ 7,189,074</u>	<u>\$ 16,367,641</u>	<u>\$ 455,416</u>	<u>\$ 24,012,131</u>

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

SILSBEE I.S.D.

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, 2015

Total Net Change in Fund Balances - Governmental Funds	\$	(5,497,057)
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.		12,224,873
Capital outlays	\$13,754,545	
Depreciation expense	(1,529,672)	
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		106,074
Prior year delinquent taxes collected in year ended August 31, 2015	(\$253,157)	
Current year uncollected levy net of allowance for uncollectible portion	359,231	
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.		1,875,000
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.		(350,481)
Bond proceeds net of refunding are reported as other financing sources in the governmental funds. This transaction has no effect on net assets.		(6,124,088)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$409,966. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$308,631 for pension expense columns 6-12 from TRS data and the amounts de-expended for the net deferred resource inflow recognized by TRS in the measurement period were \$124,988. The impact of all of these is to increase the change in net position by \$226,323.		226,323
 Change in Net Position of Governmental Activities	 \$	 <u>2,460,644</u>

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

FIDUCIARY FUND FINANCIAL STATEMENTS

SILSBEE I.S.D.
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 9,387	\$ 159,793
Restricted Assets	252,645	-
Total Assets	<u>262,032</u>	<u>\$ 159,793</u>
LIABILITIES		
Due to Student Groups	-	\$ 159,793
Total Liabilities	<u>-</u>	<u>\$ 159,793</u>
NET POSITION		
Unrestricted Net Position	<u>262,032</u>	
Total Net Position	<u>\$ 262,032</u>	

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

SILSBEE I.S.D.
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

	Private Purpose Trust Funds
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 29,651
Market Adjustment of Investments	(53,811)
Total Additions	<u>(24,160)</u>
DEDUCTIONS:	
Professional and Contracted Services	42,588
Other Operating Costs	69
Total Deductions	<u>42,657</u>
Change in Net Position	(66,817)
Total Net Position - September 1 (Beginning)	<u>328,849</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 262,032</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, 2015**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Silsbee Independent School District (the "District") is a public educational entity operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 56, and it complies with the requirements of the appropriate version of Texas Education Agency's Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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, 2015

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, 2015**

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 POSITION

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, 2015.

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, 2015

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 one type of item that qualifies for reporting in this category. Contributions made to the pension plan in the 2015 fiscal year are classified as deferred outflows of resources in the government-wide statement of net position.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

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 two types of items; the first 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. The second is the deferrals of pension expense that result from the implementation of GASB Statement 68 which is reported only in the government-wide statement of net position (Exhibit A-1).

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, 2015, the Silsbee Independent School District General Fund reported \$1,900,934 as committed to construction or improvements and \$1,250,000 as committed to equipment. At August 31, 2015, the District Special Revenue Funds reported \$95,552 as committed to campus level activities and \$59,846 as committed to food service activities.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

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.

12. Pensions

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

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.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

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

A. BUDGETARY INFORMATION (CONTINUED)

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.

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, 2015, no General Fund, Debt Service Fund, or Food Service Special Revenue Fund functional expenditure exceeded budget and there were no fund balances in a deficit position.

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, 2015, 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, 2015**

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:

	2015	2014
Claims liabilities (including incurred but not reported), beginning of year	\$ 9,291	\$ 38,985
Incurred claims (net of adjustment of prior year allowances)	2,764	20,568
Claims paid	(3,560)	(50,262)
 Claims liabilities (including incurred but not reported), end of year	 \$ 8,495	 \$ 9,291

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, 2015, 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, 2014, 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, 2015, 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
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

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, 2015, 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, 2014, 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, 2014. 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 25, 2015.

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, 2015, the carrying amount of the District's cash, savings and time deposits was \$1,047,694. The bank balance was \$1,349,940. During 2014-2015, 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
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

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 2015, 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, 2015, 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, 2015, 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
YEAR ENDED AUGUST 31, 2015**

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

3. Deposit and Investment Risks (continued):

The District’s investments at August 31, 2015 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	\$ 19,938,178	\$ -
TexPool	N/A	5,904,969	-
Donated Publicly Traded Common Stock	N/A	-	98,646
Bank Savings Accounts	N/A	-	16,324
Certificate of Deposit	7/5/2016	-	73,675
Certificate of Deposit	10/17/2016	-	54,000
Certificate of Deposit	1/4/2016	-	10,000
		<u>\$ 25,843,147</u>	<u>\$ 252,645</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
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

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, 2014, upon which the levy for the 2014-2015 fiscal year was based, was \$770,649,352. 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, 2015, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$.35 per \$100 valuation, respectively, for a total of \$1.52 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2015 were 95.9% 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, 2015, property taxes receivable, net of estimated uncollectible taxes of \$427,201 and \$66,950, totaled \$1,281,603 and \$200,850 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, 2015, 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	\$ 41,532	\$ 686,028	\$ 212,788	\$ 940,348
Special Revenue	-	30,945	269,412	300,357
Debt Service Fund	<u>13,340</u>	<u>-</u>	<u>-</u>	<u>13,340</u>
Total	<u>\$ 54,872</u>	<u>\$ 716,973</u>	<u>\$ 482,200</u>	<u>\$ 1,254,045</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
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NOTE 7. CAPITAL ASSETS

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

	Balance September 1, 2014	Additions	Deletions	Balance August 31, 2015
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 643,812	\$ 36,752	\$ -	\$ 680,564
Construction in Progress	2,273,280	13,325,792	-	15,599,072
Total capital assets, not being depreciated	2,917,092	13,362,544	-	16,279,636
Capital assets, being depreciated				
Buildings and Improvements	36,062,564	65,219	-	36,127,783
Furniture and Equipment	6,093,767	326,782	-	6,420,549
Total capital assets being depreciated	42,156,331	392,001	-	42,548,332
Less accumulated depreciation for:				
Buildings and Improvements	(20,641,166)	(1,105,224)	-	(21,746,390)
Furniture and Equipment	(4,249,758)	(424,448)	-	(4,674,206)
Total accumulated depreciation	(24,890,924)	(1,529,672)	-	(26,420,596)
Total capital assets being depreciated, net	17,265,407	(1,137,671)	-	16,127,736
Governmental activities capital assets, net	<u>\$ 20,182,499</u>	<u>\$ 12,224,873</u>	<u>\$ -</u>	<u>\$ 32,407,372</u>

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

Governmental activities:		
11 Instruction		\$ 610,683
12 Library & Media		37,070
13 Curriculum		30,903
21 Instructional Development		3,987
23 Campus Administration		35,276
31 Counselor		25,038
33 Health Services		21,987
34 Transportation		148,784
35 Food Services		45,939
36 Athletics & Co-Curricular		200,569
41 General Administration		2,463
51 Maintenance		258,593
52 Security and Monitoring Services		29,122
53 Data Processing		79,258
Total depreciation expense-governmental activities		<u>\$ 1,529,672</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

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, 2015:

Project	<u>Commitment</u>	<u>Spent To Date</u>	<u>Remaining Commitment</u>
New Elementary School (grades 1-5)	\$ 29,494,000	\$ 13,370,011	\$ 16,123,989
Laura Reeves Renovations	800,000	656,353	143,647
Middle School Renovations	<u>1,600,000</u>	<u>1,549,980</u>	<u>50,020</u>
Totals	<u>\$ 31,894,000</u>	<u>\$ 15,576,344</u>	<u>\$ 16,317,656</u>

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

NOTE 8. DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

Total Pension Liability	\$ 159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$ 26,716,832,801</u>
Net Position as percentage of Total Pension Liability	<u>83.25%</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
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NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

Contribution Rates

	2014	2015
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Silsbee ISD 2014 Employer Contributions		\$ 188,573
Silsbee ISD 2014 Member Contributions		221,162
Silsbee ISD 2014 NECE On-Behalf Contributions		835,998

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

SILSBEE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
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NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

As the non-employer contributing entity for public education, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During the new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources or a privately sponsored source.

In addition to the employer contributions listed above, when employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	5 Year Market Value
Discount Rate	8.00%
Long-term Expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

*Includes Inflation of 3%

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

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate. The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	<u>Target Allocation</u>	<u>Real Return Geometric Basis</u>	<u>Long-Term Expected Portfolio Real Rate of Return*</u>
Global Equity			
U.S.	18.0%	7.0%	1.4%
Non-U.S. Developed	13.0%	7.3%	1.1%
Emerging Markets	9.0%	8.1%	0.9%
Directional Hedge Funds	4.0%	5.4%	0.2%
Private Equity	13.0%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11.0%	2.9%	0.3%
Absolute Return	0.0%	4.0%	0.0%
Stable Value Hedge Funds	4.0%	5.2%	0.2%
Cash	1.0%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	3.1%	0.0%
Real Assets	16.0%	7.3%	1.5%
Energy and Natural Resources	3.0%	8.8%	0.3%
Commodities	0.0%	3.4%	0.0%
Risk Parity			
Risk Parity	5.0%	8.9%	0.4%
Alpha			1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than the 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Silsbee's proportionate share of the net pension liability:	<u>\$ 3,550,277</u>	<u>\$ 1,986,792</u>	<u>\$ 817,596</u>

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension. At August 31, 2014, Silsbee Independent School District reported a liability of \$1,986,792 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,986,792
State's proportionate share that is associated with the district	<u>8,826,759</u>
Total	<u>\$ 10,813,551</u>

The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 through August 31, 2014.

At August 31, 2014, the employer's proportion of the collective net pension liability was 0.000074380%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

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

For the year ended August 31, 2014, the District recognized pension expense of \$816,017 and revenue of \$816,017 for support provided by the State.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

At August 31, 2014, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 30,726	\$ -
Changes in actuarial assumptions	129,144	-
Difference between projected and actual investment earnings	-	607,245
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	521
Contributions paid to TRS subsequent to the measurement date	<u>409,966</u>	<u>-</u>
 Total	 <u>\$ 569,836</u>	 <u>\$ 607,766</u>

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

<u>Year ended August 31:</u>	<u>Pension Expense</u>
2015	\$ (124,929)
2016	285,037
2017	(124,929)
2018	(124,929)
2019	26,882
2020	24,938
Thereafter	-

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Total net amount as of August 31, 2014 Measurement Date	\$ 159,870	\$ 607,766
Contributions made subsequent to the Measurement Date	<u>409,966</u>	<u>-</u>
Reported by District as of August 31, 2015	<u>\$ 569,836</u>	<u>\$ 607,766</u>

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.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

NOTE 9. SCHOOL DISTRICT RETIREE HEALTH PLAN (CONTINUED)

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 2015 – 2013.

Contribution Rates

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	\$ 97,640	1.00%	\$ 150,216	0.55%	\$ 82,619
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

Medicare Part D On-Behalf Payments. The Medicare Prescription Drug Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments for Silsbee Independent School District for the years ended August 31, 2015, 2014 and 2013 were \$61,291, \$40,382 and \$39,385, 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, 2015.

During the fiscal year ended August 31, 2015 the District paid \$11,742 for a previously retired public school employee 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, limited tax bonds issued to provide funds for the construction of major capital facilities, limited maintenance tax notes, a state energy conservation loan and net pension liability. 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 energy conservation loan principal and related interest expenditures are accounted for in the General Fund. Maintenance tax notes and limited tax bonds are secured by and payable from a pledge of ad valorem taxes in the General Fund. The net pension liability is discussed in Note 8 and is funded annually through the funds impacted by the selected payroll expenditures.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Changes in long-term liabilities

Long-term liability activity for the year ended August 31, 2015, was as follows:

Series	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2000 Bonds	5.3%	\$ 1,650,000	\$ 170,000	\$ -	\$ (170,000)	\$ -	\$ -
2008 Bonds	2.5-4.0%	8,165,000	5,120,000	-	(650,000)	4,470,000	680,000
2008 Bonds	4.0%	870,000	870,000	-	-	870,000	-
2009 Bonds	2.0-4.0%	7,090,000	5,145,000	-	(495,000)	4,650,000	515,000
2013 U/L Tax Building Bond	2.0-4.0%	9,480,000	9,480,000	-	(380,000)	9,100,000	385,000
Premium		517,808	491,918	-	(25,890)	466,028	25,890
2014A U/L Tax Building Bond	2.25-4.0%	9,690,000	9,690,000	-	(180,000)	9,510,000	280,000
Premium		246,692	246,692	-	(9,868)	236,824	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	-	(6,160)	110,889	6,160
2015 Limited Maintenance Tax Note	2.0-3.0%	2,010,000	-	2,010,000	-	2,010,000	110,000
Premium		76,995	-	76,995	-	76,995	5,133
2015 U/L Tax Building Bond	1.9-3.5%	3,950,000	-	3,950,000	-	3,950,000	-
Premium		300,411	-	300,411	-	300,411	-
Total bond and contractual obligation payable - principal			37,510,659	6,337,406	(1,916,918)	41,931,147	2,017,051
Less 2008 unamortized discount			(63,512)	-	9,073	(54,439)	(9,073)
Less 2009 unamortized discount			(53,283)	-	5,920	(47,363)	(5,920)
			(116,795)	-	14,993	(101,802)	(14,993)
Small District HVAC Loan	0.25%	164,088	-	164,088	-	164,088	20,511
Net pension liability			-	2,398,127	(411,335)	1,986,792	-
Total governmental activities long-term liabilities			\$37,393,864	\$ 8,899,621	\$(2,313,260)	\$43,980,225	\$ 2,022,569

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

NOTE 10. LONG-TERM LIABILITIES (CONTINUED)

Changes in long-term liabilities (continued)

Annual debt service requirements to maturity are as follows:

As of August 31, 2015, the District did not have any authorized but unissued bonds.

<u>Year Ended August 31</u>	<u>Governmental Obligations</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,970,000	\$ 1,494,762
2017	2,035,000	1,411,129
2018	2,100,000	1,349,841
2019	2,155,000	1,283,016
2020	2,240,000	1,212,991
2021 - 2025	8,820,000	4,932,503
2026 - 2030	6,545,000	3,722,067
2031 - 2035	11,600,000	2,026,126
2036 - 2039	3,275,000	333,800
	<u>\$ 40,740,000</u>	<u>\$ 17,766,235</u>

In the 2014-2015 fiscal year the District entered into a loan agreement with State Energy Conservation office. The loan is not to exceed \$246,000 and was to be repaid at an interest rate of 0.25% over the term of 8 years. The loan was granted with a provision that the proceeds are used to purchase products that improve the District's energy efficiency. The District purchased goods and services in the amount of \$164,088 in the 2014-2015 fiscal year.

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, 2015, lease expenditures were \$165,749 from the General Fund. The following is a schedule of minimum lease payments under non-cancelable operating leases as of August 31, 2015.

<u>Year Ended August 31</u>	<u>Amount</u>
2016	\$ 166,104
2017	166,104
2018	166,104
2019	161,085
2020	118,532
	<u>\$ 777,929</u>

Capital Leases

The Silsbee Independent School District was not obligated under any capital leases at August 31, 2015.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2015**

NOTE 12. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property Taxes	\$ 9,023,771	\$ -	\$ 2,648,718	\$ -	\$ 11,672,489
Food Sales	-	478,377	-	-	478,377
Investment Income	6,064	-	2,000	29,332	37,396
Penalties, interest and other tax related income	177,369	-	33,232	-	210,601
Co-curricular student activities	57,469	287,357	-	-	344,826
Other	267,525	-	13,430	-	280,955
Total	\$ 9,532,198	\$ 765,734	\$ 2,697,380	\$ 29,332	\$ 13,024,644

NOTE 13. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund
Football Season Ticket Sales	<u>\$ 11,295</u>

NOTE 14. INTERFUND TRANSFERS

During the fiscal year ended August 31, 2015, the District transferred \$795 from the General Fund to the Special Revenue Food Service Fund.

NOTE 15. 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, 2015 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, 2015**

NOTE 16. NONMONETARY TRANSACTIONS

During the fiscal year ended August 31, 2015, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$147,586. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$147,586 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

NOTE 17. PRIOR PERIOD ADJUSTMENTS

During fiscal year 2015, the District adopted GASB Statement No. 68 Accounting and Reporting for Pensions. With GASB 68, the District must assume its proportionate share of the Net Pension Liability of the Teacher Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is \$(2,251,045). The restated beginning net position of the Governmental Activities/Primary Government is \$11,423,157.

REQUIRED SUPPLEMENTARY INFORMATION

SILSBEE I.S.D.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 9,848,337	\$ 9,930,142	\$ 9,532,198	\$ (397,944)
5800	State Program Revenues	13,994,024	14,572,407	14,690,019	117,612
5900	Federal Program Revenues	50,000	189,237	374,440	185,203
5020	Total Revenues	23,892,361	24,691,786	24,596,657	(95,129)
EXPENDITURES:					
Current:					
0011	Instruction	12,503,373	12,676,759	11,928,581	748,178
0012	Instructional Resources and Media Services	387,836	386,644	364,686	21,958
0013	Curriculum and Instructional Staff Development	177,474	190,580	183,773	6,807
0021	Instructional Leadership	277,793	328,262	302,724	25,538
0023	School Leadership	1,659,850	1,693,915	1,593,252	100,663
0031	Guidance, Counseling and Evaluation Services	824,610	875,328	853,787	21,541
0032	Social Work Services	60,411	60,411	59,355	1,056
0033	Health Services	269,906	273,103	269,924	3,179
0034	Student (Pupil) Transportation	1,186,824	1,207,774	1,085,066	122,708
0036	Extracurricular Activities	1,075,114	1,635,261	1,019,472	615,789
0041	General Administration	940,757	977,293	928,482	48,811
0051	Facilities Maintenance and Operations	3,652,331	4,120,595	3,784,284	336,311
0052	Security and Monitoring Services	273,123	273,423	221,427	51,996
0053	Data Processing Services	415,165	423,165	413,381	9,784
Debt Service:					
0071	Principal on Long Term Debt	183,180	170,000	170,000	-
0072	Interest on Long Term Debt	-	9,180	9,180	-
0073	Bond Issuance Cost and Fees	-	87,029	86,167	862
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	36,752	36,752	-
6030	Total Expenditures	23,887,747	25,425,474	23,310,293	2,115,181
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	4,614	(733,688)	1,286,364	2,020,052
OTHER FINANCING SOURCES (USES):					
7914	Non-Current Loans	-	-	164,088	164,088
7916	Premium or Discount on Issuance of Bonds	-	86,995	86,995	-
7917	Prepaid Interest	-	1,229	1,228	(1)
8911	Transfers Out (Use)	-	-	(795)	(795)
7080	Total Other Financing Sources (Uses)	-	88,224	251,516	163,292
1200	Net Change in Fund Balances	4,614	(645,464)	1,537,880	2,183,344
0100	Fund Balance - September 1 (Beginning)	5,651,194	5,651,194	5,651,194	-
3000	Fund Balance - August 31 (Ending)	\$ 5,655,808	\$ 5,005,730	\$ 7,189,074	\$ 2,183,344

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2015

	2015
District's Proportion of the Net Pension Liability (Asset)	0.00007438%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,986,792
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	8,826,759
Total	\$ 10,813,551
District's Covered-Employee Payroll	\$ 14,923,668
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	13.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

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

SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2015

	2015
Contractually Required Contribution	\$ 409,966
Contribution in Relation to the Contractually Required Contribution	(409,966)
	\$ -0-
Contribution Deficiency (Excess)	-
District's Covered-Employee Payroll	\$ 15,021,510
Contributions as a Percentage of Covered-Employee Payroll	2.73%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

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

REQUIRED TEA SCHEDULES

SILSBEE I.S.D.
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.480000	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	1.170000	0.147800	743,526,635
2015 (School year under audit)	1.170000	0.350000	770,649,352
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 559,657	\$ -	\$ 20,040	\$ 2,047	\$ (42,147)	\$ 495,423
79,640	-	5,052	633	(1,388)	72,567
74,093	-	6,788	971	(1,191)	65,143
87,027	-	8,161	1,031	(1,231)	76,604
118,348	-	10,093	1,275	(1,674)	105,306
128,808	-	14,092	1,780	(2,502)	110,434
160,564	-	19,026	2,403	(2,211)	136,924
240,969	-	44,642	5,640	(2,976)	187,711
386,064	-	157,344	19,877	38,675	247,518
-	11,713,870	8,727,261	2,610,719	103,085	478,975
<u>\$ 1,835,170</u>	<u>\$ 11,713,870</u>	<u>\$ 9,012,499</u>	<u>\$ 2,646,376</u>	<u>\$ 86,440</u>	<u>\$ 1,976,605</u>

SILSBEE I.S.D.
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 468,361	\$ 532,361	\$ 478,377	\$ (53,984)
5800 State Program Revenues	7,200	7,450	7,407	(43)
5900 Federal Program Revenues	927,071	1,005,071	1,008,751	3,680
5020 Total Revenues	1,402,632	1,544,882	1,494,535	(50,347)
EXPENDITURES:				
0035 Food Services	1,679,543	1,679,618	1,470,288	209,330
6030 Total Expenditures	1,679,543	1,679,618	1,470,288	209,330
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(276,911)	(134,736)	24,247	158,983
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	800	795	(5)
1200 Net Change in Fund Balances	(276,911)	(133,936)	25,042	158,978
0100 Fund Balance - September 1 (Beginning)	40,904	40,904	40,904	-
3000 Fund Balance - August 31 (Ending)	\$ (236,007)	\$ (93,032)	\$ 65,946	\$ 158,978

SILSBEE I.S.D.
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2015

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	\$ 2,770,156	\$ 2,799,156	\$ 2,697,380	\$ (101,776)
5800	State Program Revenues	256,633	263,833	271,687	7,854
5020	Total Revenues	3,026,789	3,062,989	2,969,067	(93,922)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	3,204,085	1,705,000	1,705,000	-
0072	Interest on Long Term Debt	-	1,494,835	1,167,392	327,443
0073	Bond Issuance Cost and Fees	-	127,481	127,481	-
6030	Total Expenditures	3,204,085	3,327,316	2,999,873	327,443
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(177,296)	(264,327)	(30,806)	233,521
OTHER FINANCING SOURCES (USES):					
7916	Premium or Discount on Issuance of Bonds	-	130,500	130,411	(89)
7917	Prepaid Interest	-	3,200	3,196	(4)
7080	Total Other Financing Sources (Uses)	-	133,700	133,607	(93)
1200	Net Change in Fund Balances	(177,296)	(130,627)	102,801	233,428
0100	Fund Balance - September 1 (Beginning)	191,117	191,117	191,117	-
3000	Fund Balance - August 31 (Ending)	\$ 13,821	\$ 60,490	\$ 293,918	\$ 233,428

FEDERAL AWARDS SECTION

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

Wathen,
DeShong
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Certified Public Accountants

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Jane P. Burns, CPA, CDEA

December 1, 2015

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, 2015, 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 December 1, 2015.

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
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December 1, 2015

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, 2015. 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 on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

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 types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, 2015

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 _____
84.027A	IDEA – B, Formula
84.173A	IDEA – B, Preschool
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

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, 2015
(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, 2015**

-- NONE NOTED --

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015**

<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	15610101100904	\$ 530,923
IDEA - B, Formula*	84.027A	156600011009046600	722,150
Vocational Education – Basic Grant	84.048A	15420006100904	33,481
IDEA - B, Preschool*	84.173A	156610011009046610	41,229
ESEA, Title II, Part A - Teacher and Principal Training	84.367A	15694501100904	191,458
ESEA Title VI, Part A, Subpart 1: State Assessment Program	84.369A	69551502	1,100
Total Passed Through State Department of Education			<u>1,520,341</u>
Total U.S. Department of Education			<u>1,520,341</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through State Department of Agriculture:			
School Breakfast Program**	10.553	71401401	33,635
School Breakfast Program**	10.553	71401501	249,453
National School Lunch Program**	10.555	71301401	76,671
National School Lunch Program**	10.555	71301501	561,878
Commodity Supplemental Program (Food Distribution Program)	10.565	10004A	86,530
Child Nutrition Direct Certification Performance Award	10.589	00467	584
Total Passed Through State Department of Agriculture			<u>1,008,751</u>
Total U.S. Department of Agriculture			<u>1,008,751</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 2,529,092</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, 2015

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, 2015. 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 – June 2015.
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	\$ 2,529,092
Medicaid Revenue - General Fund	<u>374,440</u>
Federal Revenue Reported on Exhibit C-3	<u><u>\$ 2,903,532</u></u>