

**SILSBEE INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED AUGUST 31, 2017**



**SILSBEE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2017**

**TABLE OF CONTENTS**

<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Certificate of Board	1
Independent Auditor's Report	2 - 4
Management's Discussion and Analysis	5 -11
<b>Basic Financial Statements</b>	
<b>Government-wide Financial Statements</b>	
A-1 Statement of Net Position	12
B-1 Statement of Activities	13
<b>Governmental Fund Financial Statements</b>	
C-1 Balance Sheet	14
C-2 Reconciliation for C-1	15
C-3 Statement of Revenues, Expenditures and Changes in Fund Balances	16
C-4 Reconciliation for C-3	17
<b>Fiduciary Fund Financial Statements</b>	
E-1 Statement of Fiduciary Net Position	18
E-2 Statement of Changes in Fiduciary Fund Net Position	19
<b>Notes to the Financial Statements</b>	20 - 43
<b>Required Supplementary Information</b>	
G-1 Budgetary Comparison Schedule – General Fund	44
G-2 Schedule of The District's Proportionate Share of the Net Pension Liability – Teacher Retirement System of Texas	45
G-3 Schedule of District Contributions – Teacher Retirement System of Texas	46
<b>Required TEA Schedules</b>	
J-1 Schedule of Delinquent Taxes Receivable	47-48
J-2 National School Breakfast and Lunch Program – Budgetary Comparison Schedule	49
J-3 Debt Service Fund – Budgetary Comparison Schedule	50
<b>Federal Awards Section</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	51-52
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	53-54
Schedule of Findings and Responses	55-56
Status of Prior Year's Findings	57
K-1 Schedule of Expenditures of Federal Awards	58
Notes to the Schedule of Expenditures of Federal Awards	59

**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, 2017, at a meeting of the Board of Trustees of such school district on the 12th day of December, 2017.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (Attach list as necessary.)

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



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

December 4, 2017

## 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, 2017 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, 2017, and the respective changes in financial position and, where applicable, cash flows 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 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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 as a whole.

**Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Silsbee Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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, 2017. 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 \$10,352,144 at August 31, 2017.
- During the year, the District's expenses were \$1,112,295 more than the \$32,180,689 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$33,292,984.
- The General Fund reported a fund balance this year of \$4,238,945.
- 2017 F.I.R.S.T. Status – Passed, with a Rating of Superior.

### 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.

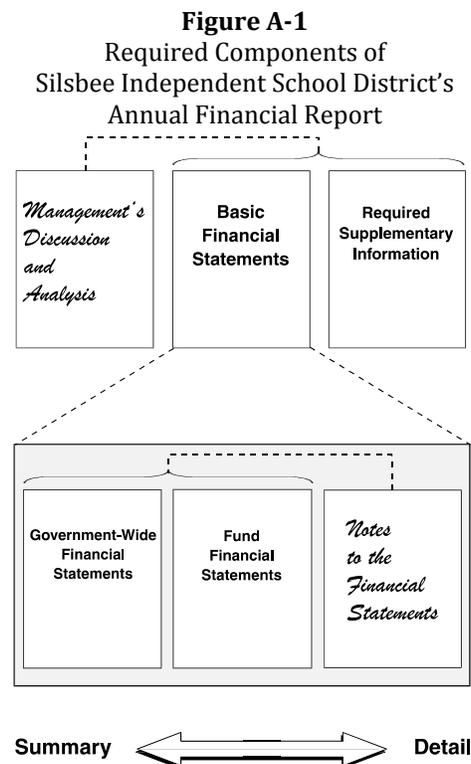


Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of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

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

Type of Statements	Fund Statements		
	Government-wide	Governmental Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Instances in which the District is the trustee or agent for someone else's resources
Required financial statements	Statement of net position	Balance sheet	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures & changes in fund balance	Statement of changes in fiduciary 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, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the year, with the difference reported in net position. 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 2017-18 fall PEIMS submission, the District employed 406 full-time positions, of which 296 were classroom teaching and paraprofessional positions. Total student enrollment was 2,928, with 2,924 being in membership. The District’s student population consisted of 30.7% minority students, 12.84% special education students, and 56.8% economically disadvantaged students.
- As of the first day of school, 2017-18, student enrollment was 2,747.5.

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 \$10,352,144 at August 31, 2017. (See Table A-1).

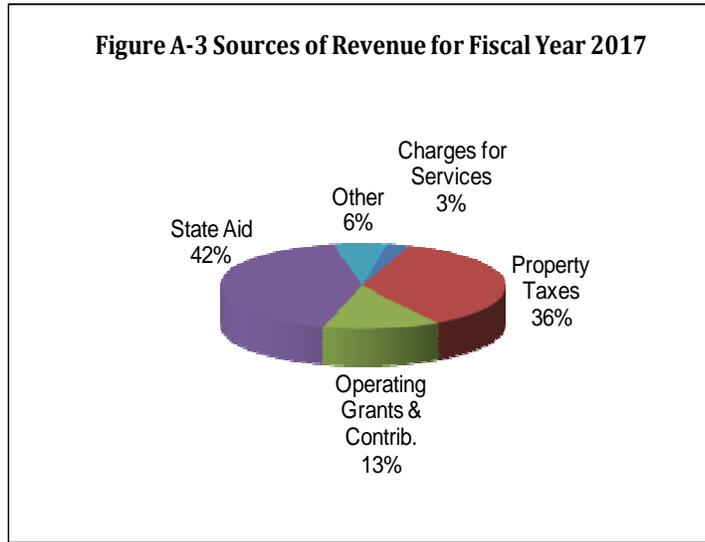
**Table A-1**  
**The District's Net Position**

	Governmental Activities		Percentage Change
	2017	2016	
Current and Other Assets	\$ 9,843,587	\$ 12,809,441	-23.2%
Capital and Non-Current Assets	44,529,768	47,005,573	-5.3%
Total Assets	<u>54,373,355</u>	<u>59,815,014</u>	-9.1%
Deferred Outflows of Resources	<u>2,661,721</u>	<u>2,763,589</u>	-3.7%
Current Liabilities	1,937,322	3,946,900	-50.9%
Long Term Liabilities	44,460,003	46,803,151	-5.0%
Total Liabilities	<u>46,397,325</u>	<u>50,750,051</u>	-8.6%
Deferred Inflows of Resources	<u>285,607</u>	<u>364,115</u>	-21.6%
Net Position:			
Invested in Capital Assets	5,024,126	5,097,471	-1.4%
Restricted	1,197,302	795,803	50.5%
Unrestricted	<u>4,130,716</u>	<u>5,571,163</u>	-25.9%
Total Net Position	<u>\$ 10,352,144</u>	<u>\$ 11,464,437</u>	-9.7%

The District's restricted net position consists of \$1,197,302 for debt service.

**Changes in net position.** The District's total revenues were \$32,180,689. A significant portion, 36%, of the District's revenue comes from taxes. (See Figure A-3). 42% comes from state aid – formula grants, while only 3% relates to charges for services.

The total cost of all programs and services was \$33,292,984; 71.2% of these costs are for instructional and student services.



**Governmental Activities**

Property tax rates remained constant at \$1.54 per \$100 valuation. Of the \$1.54, \$1.17 is the Maintenance and Operations Rate, with \$0.37 being the Interest and Sinking Rate. The total taxes levied increased by \$101,125 due to an increase in 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 90 students from 2015/2016 to 2016/2017.

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

	Governmental Activities		Total % Change
	2017	2016	
<b>Revenues:</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 818,842	\$ 1,005,567	-18.6%
Operating Grants and Contributions	4,298,717	4,408,076	-2.5%
<u>General Revenues</u>			
Property Taxes	11,552,726	11,433,769	1.0%
Investment Earnings	51,444	61,622	-16.5%
State Aid - formula	13,555,856	13,758,057	-1.5%
Other	1,903,104	1,214,909	56.6%
<b>Total Revenues</b>	<b>32,180,689</b>	<b>31,882,000</b>	<b>0.9%</b>
<b>Expenses:</b>			
Instruction and instructional related	17,845,425	16,435,600	8.6%
Instructional leadership/school administration	2,104,452	2,060,457	2.1%
Guidance, social work, health, transportation	2,656,831	2,563,251	3.7%
Food services	1,445,287	1,532,895	-5.7%
Extracurricular activities	1,756,487	1,865,635	-5.9%
General Administration	1,175,282	1,056,935	11.2%
Plant maintenance and security	4,428,824	4,146,980	6.8%
Data processing services	549,093	494,255	11.1%
Community Services	7,099	5,994	18.4%
Debt Service	1,134,751	1,212,170	-6.4%
Capital Outlay	189,453	2,927,189	100.0%
<b>Total Expenses</b>	<b>33,292,984</b>	<b>34,301,361</b>	<b>-2.9%</b>
Change in Net Position	(1,112,295)	(2,419,361)	-54.0%
Beginning Net Position	11,464,439	13,883,800	-17.4%
Ending Net Position	\$ 10,352,144	\$ 11,464,439	-9.7%

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 \$33,292,984.
- The amount that our taxpayers paid for these activities through property taxes was \$11,552,726.
- Some of the cost was paid by those who directly benefited from the programs \$818,842, or
- By grants and contributions \$4,298,717.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2017	2016		2017	2016	
Instruction	\$ 17,000,614	\$ 15,697,869	8.3%	\$ 14,494,697	\$ 13,260,307	9.3%
School Leadership	1,697,484	1,632,649	4.0%	1,600,381	1,512,657	5.8%
Student Transportation	1,333,798	1,243,175	7.3%	1,281,295	1,180,379	8.5%
Food Services	1,445,287	1,532,895	-5.7%	92,463	61,949	49.3%
Extracurricular Activities	1,756,487	1,865,635	-5.9%	1,050,550	1,000,633	5.0%
General Administration	1,175,282	1,056,935	11.2%	1,151,224	1,029,175	11.9%
Facilities Maintenance and Operations	4,153,295	3,869,748	7.3%	4,086,025	3,774,525	8.3%
Interest on Long-term Debt	1,005,644	1,188,877	-15.4%	1,005,644	1,188,877	-15.4%
Capital Outlays	189,453	2,927,189	-93.5%	189,453	2,927,189	-93.5%

**FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS**

Revenues from governmental fund types totaled \$31,793,780, an increase of 0.5% from the preceding year. Local revenues decreased by \$347,539 due primarily to decreases in E-rate revenue, food service revenue and co-curricular revenue. State revenues increased by \$605,285 due primarily to an increase in School Program Entitlements and Instructional Material Allotment. Federal revenues decreased by \$92,671.

**General Fund Budgetary Highlights**

- The District had multiple revisions to its budget during the fiscal year. Actual expenditures were \$418,481 less than the final budget amounts. The most significant variances were Instruction under budget by \$310,746, Extracurricular Activities under budget by \$79,929, Facilities Maintenance and Operations under budget by \$73,387, and Facilities Acquisition and Construction over budget by \$183,770. Actual revenues were \$1,050,071 below budgeted amounts due primarily to budgeted tax revenue amounts, budgeted state revenue amounts, and budgeted federal revenue 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 2017, the District had invested approximately \$73 million in capital assets, including land, equipment, buildings and vehicles. (See Table A-4). This amount represents a net decrease of \$468,000 or -0.6% from last year.

**Table A-4**  
**District's Capital Assets**

	Governmental Activities		% Change
	2017	2016	
Land	\$ 680,564	\$ 680,564	0.0%
Buildings and Improvements	63,943,873	63,923,873	0.0%
Furniture and Equipment	8,178,592	8,666,536	-5.6%
Totals at Historical Cost	72,803,029	73,270,973	-0.6%
Total Accumulated Depreciation	(28,273,261)	(26,265,400)	7.6%
Net Capital Assets	<u>\$ 44,529,768</u>	<u>\$ 47,005,573</u>	-5.3%

### Long-Term Debt

At the end of the fiscal year, the District had \$44.5 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
	2017	2016	
Bonds payable	\$34,870,000	\$36,870,000	-5.4%
Tax note	1,785,000	1,900,000	-6.1%
Premiums	1,513,985	1,144,096	32.3%
Less unamortized discount	(71,816)	(86,809)	-17.3%
Small district HVAC loan	166,336	192,738	-13.7%
Mercedes Benz financing	876,672	1,158,067	-24.3%
Lenovo equipment financing	365,465	730,930	-50.0%
Net pension liability	4,954,361	4,894,129	1.2%
Total long-term debt	<u>\$ 44,460,003</u>	<u>\$ 46,803,151</u>	-5.0%

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Certified appraised value used for the 2018 budget preparation will increase \$20,812,337, or 2.665% from 2017.
- General operating fund spending per student, exclusive of a major renovation program, increases in the 2018 budget from \$9,569 to \$10,188. This is a 6.7% increase from the preceding year.
- The District's 2018 refined average daily attendance is expected to be 2,660, which is slightly less than the level of average daily attendance attained in 2017.

These indicators were taken into account when adopting the General Fund budget for 2018. Amounts available for appropriation in the General Fund budget are \$26.3 million which is an increase of 4.9% from the final 2017 actual revenues of \$25.1 million.

Operating expenditures are budgeted at \$27.1 million, an increase of 3.0% from the final 2017 actual expenditures of \$26.3 million.

If these estimates are realized, the District's budgetary undesignated General Fund fund balance is expected to decrease \$815,158 at the close of 2018.

The District has committed \$216,320 for major deferred maintenance and renovation programs for the fiscal year ended August 31, 2018. This program consists of a variety of district-wide projects including facility improvements, maintenance equipment replacements, technology infrastructure enhancements and the purchase of school buses.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

SILSBEE ISD  
STATEMENT OF NET POSITION  
AUGUST 31, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 3,402,715
1120 Current Investments	1,516,026
1220 Property Taxes Receivable (Delinquent)	2,376,334
1230 Allowance for Uncollectible Taxes	(594,084)
1240 Due from Other Governments	2,004,629
1290 Other Receivables, net	108,548
1300 Inventories	50,007
1410 Prepayments	979,412
Capital Assets:	
1510 Land	680,564
1520 Buildings, Net	40,592,739
1530 Furniture and Equipment, Net	3,256,465
1000 Total Assets	54,373,355
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	311,320
1705 Deferred Outflow Related to TRS	2,350,401
1700 Total Deferred Outflows of Resources	2,661,721
<b>LIABILITIES</b>	
2110 Accounts Payable	871,292
2150 Payroll Deductions & Withholdings	299
2160 Accrued Wages Payable	1,035,720
2180 Due to Other Governments	714
2200 Accrued Expenses	19,181
2300 Unearned Revenue	10,116
Noncurrent Liabilities	
2501 Due Within One Year	2,885,222
2502 Due in More Than One Year	36,620,420
2540 Net Pension Liability (District's Share)	4,954,361
2000 Total Liabilities	46,397,325
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	285,607
2600 Total Deferred Inflows of Resources	285,607
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	5,024,126
3850 Restricted for Debt Service	1,197,302
3900 Unrestricted	4,130,716
3000 Total Net Position	\$ 10,352,144

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

SILSBEE ISD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	1	Program Revenues		6
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 17,000,614	\$ -	\$ 2,505,917	\$ (14,494,697)
12 Instructional Resources and Media Services	468,630	-	17,482	(451,148)
13 Curriculum and Staff Development	376,181	-	112,401	(263,780)
21 Instructional Leadership	406,968	-	69,246	(337,722)
23 School Leadership	1,697,484	-	97,103	(1,600,381)
31 Guidance, Counseling and Evaluation Services	932,831	-	52,349	(880,482)
32 Social Work Services	64,852	-	4,309	(60,543)
33 Health Services	325,350	-	19,831	(305,519)
34 Student (Pupil) Transportation	1,333,798	-	52,503	(1,281,295)
35 Food Services	1,445,287	399,015	953,809	(92,463)
36 Extracurricular Activities	1,756,487	406,976	298,961	(1,050,550)
41 General Administration	1,175,282	-	24,058	(1,151,224)
51 Facilities Maintenance and Operations	4,153,295	12,851	54,419	(4,086,025)
52 Security and Monitoring Services	275,529	-	1,339	(274,190)
53 Data Processing Services	549,093	-	28,024	(521,069)
61 Community Services	7,099	-	6,966	(133)
72 Debt Service - Interest on Long Term Debt	1,005,644	-	-	(1,005,644)
73 Debt Service - Bond Issuance Cost and Fees	129,107	-	-	(129,107)
81 Capital Outlay	189,453	-	-	(189,453)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 33,292,984</u>	<u>\$ 818,842</u>	<u>\$ 4,298,717</u>	<u>(28,175,425)</u>

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	8,774,918
DT	Property Taxes, Levied for Debt Service	2,777,808
SF	State Aid - Formula Grants	13,555,856
GC	Grants and Contributions not Restricted	1,561,606
IE	Investment Earnings	51,444
MI	Miscellaneous Local and Intermediate Revenue	341,498
TR	Total General Revenues	<u>27,063,130</u>
CN	Change in Net Position	(1,112,295)
NB	Net Position - Beginning	<u>11,464,439</u>
NE	Net Position--Ending	<u>\$ 10,352,144</u>

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

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

SILSBEE ISD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 3,587,416	\$ -	\$ (184,701)	\$ 3,402,715
1120 Investments - Current	701,431	814,595	-	1,516,026
1220 Property Taxes - Delinquent	1,973,831	402,503	-	2,376,334
1230 Allowance for Uncollectible Taxes (Credit)	(493,458)	(100,626)	-	(594,084)
1240 Receivables from Other Governments	1,696,793	80,830	227,006	2,004,629
1290 Other Receivables	105,544	-	3,004	108,548
1300 Inventories	22,625	-	27,382	50,007
1410 Prepayments	-	-	202,799	202,799
1000 Total Assets	<u>\$ 7,594,182</u>	<u>\$ 1,197,302</u>	<u>\$ 275,490</u>	<u>\$ 9,066,974</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 811,204	\$ -	\$ 60,088	\$ 871,292
2150 Payroll Deductions and Withholdings Payable	299	-	-	299
2160 Accrued Wages Payable	1,033,349	-	2,371	1,035,720
2180 Due to Other Governments	714	-	-	714
2200 Accrued Expenditures	19,181	-	-	19,181
2300 Unearned Revenues	10,116	-	-	10,116
2000 Total Liabilities	<u>1,874,863</u>	<u>-</u>	<u>62,459</u>	<u>1,937,322</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	1,480,374	301,877	-	1,782,251
2600 Total Deferred Inflows of Resources	<u>1,480,374</u>	<u>301,877</u>	<u>-</u>	<u>1,782,251</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	22,625	-	27,382	50,007
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	895,425	-	895,425
Committed Fund Balance:				
3510 Construction	216,320	-	-	216,320
3545 Other Committed Fund Balance	-	-	185,649	185,649
3600 Unassigned Fund Balance	4,000,000	-	-	4,000,000
3000 Total Fund Balances	<u>4,238,945</u>	<u>895,425</u>	<u>213,031</u>	<u>5,347,401</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,594,182</u>	<u>\$ 1,197,302</u>	<u>\$ 275,490</u>	<u>\$ 9,066,974</u>

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

SILSBEE ISD  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 AUGUST 31, 2017

<b>Total Fund Balances - Governmental Funds</b>	\$ 5,347,401
1 Capital assets used in governmental activities are not financial resources, and, therefore are not reported in governmental funds.	44,529,768
2 Property taxes receivable are not available to pay for current period expenditures and, therefore are deferred in the funds.	1,782,250
3 Prepaid asset relating to the financing of computer equipment is not related to current period expenditures and, therefore, is not reported in the funds.	776,614
4 Bonds are not due and payable in the current period and, therefore, are not reported in the funds.	(39,577,458)
5 Unamortized discount on issuance of debt reported as a reduction of other sources in the funds.	71,816
6 Deferred charge on refunding reported as other sources in the funds.	311,320
7 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$2,350,401, a deferred resource inflow in the amount of \$285,607 and a net pension liability in the amount of \$4,954,361. This resulting in a decrease in net position.	(2,889,567)
<b>19 Net Position of Governmental Activities</b>	<u>\$ 10,352,144</u>

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

SILSBEE ISD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 9,083,496	\$ 2,790,416	\$ 703,176	\$ 12,577,088
5800 State Program Revenues	15,711,471	540,302	274,273	16,526,046
5900 Federal Program Revenues	261,930	-	2,428,716	2,690,646
5020 Total Revenues	<u>25,056,897</u>	<u>3,330,718</u>	<u>3,406,165</u>	<u>31,793,780</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	13,833,285	-	1,587,973	15,421,258
0012 Instructional Resources and Media Services	386,185	-	-	386,185
0013 Curriculum and Instructional Staff Development	234,148	-	100,554	334,702
0021 Instructional Leadership	340,980	-	53,220	394,200
0023 School Leadership	1,607,043	-	-	1,607,043
0031 Guidance, Counseling and Evaluation Services	881,237	-	467	881,704
0032 Social Work Services	63,146	-	-	63,146
0033 Health Services	287,665	-	-	287,665
0034 Student (Pupil) Transportation	1,053,601	-	-	1,053,601
0035 Food Services	-	-	1,319,671	1,319,671
0036 Extracurricular Activities	1,191,062	-	288,881	1,479,943
0041 General Administration	1,162,663	-	-	1,162,663
0051 Facilities Maintenance and Operations	3,840,330	-	-	3,840,330
0052 Security and Monitoring Services	233,578	-	-	233,578
0053 Data Processing Services	517,287	-	-	517,287
0061 Community Services	-	-	6,966	6,966
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	422,797	2,000,000	-	2,422,797
0072 Interest on Long Term Debt	74,386	978,309	-	1,052,695
0073 Bond Issuance Cost and Fees	4,000	110,114	-	114,114
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	183,770	-	5,683	189,453
6030 Total Expenditures	<u>26,317,163</u>	<u>3,088,423</u>	<u>3,363,415</u>	<u>32,769,001</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,260,266)</u>	<u>242,295</u>	<u>42,750</u>	<u>(975,221)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7911 Capital Related Debt Issued (Regular Bonds)	-	6,645,000	-	6,645,000
7916 Premium or Discount on Issuance of Bonds	-	416,940	-	416,940
8949 Other (Uses)	-	(6,956,320)	-	(6,956,320)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>105,620</u>	<u>-</u>	<u>105,620</u>
1200 Net Change in Fund Balances	(1,260,266)	347,915	42,750	(869,601)
0100 Fund Balance - September 1 (Beginning)	<u>5,499,211</u>	<u>547,510</u>	<u>170,281</u>	<u>6,217,002</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 4,238,945</u>	<u>\$ 895,425</u>	<u>\$ 213,031</u>	<u>\$ 5,347,401</u>

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

SILSBEE ISD  
 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, 2017

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(869,601)
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.		(2,475,805)
Capital outlays		\$160,566
Depreciation expense		(2,636,371)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		187,422
Prior year delinquent taxes collected in year ended August 31, 2017		(\$214,226)
Current year uncollected levy net of allowance for uncollectible portion		401,648
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.		2,514,163
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.		(73,562)
GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$457,714. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$416,561. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$436,065. The net result is a decrease in the change in net position.		(394,912)
 <b>Change in Net Position of Governmental Activities</b>	 \$	 (1,112,295)

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

**FIDUCIARY FUND FINANCIAL STATEMENTS**

SILSBEE ISD  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2017

	Private Purpose Trust Funds	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 11,370	\$ 160,620
Restricted Assets	280,279	-
Total Assets	<u>291,649</u>	<u>\$ 160,620</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 160,620
Total Liabilities	<u>-</u>	<u>\$ 160,620</u>
<b>NET POSITION</b>		
Unrestricted Net Position	<u>291,649</u>	
Total Net Position	<u>\$ 291,649</u>	

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

SILSBEE ISD  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2017

	Private Purpose Trust Funds
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 38,449
Total Additions	<u>38,449</u>
<b>DEDUCTIONS:</b>	
Professional and Contracted Services	22,540
Supplies and Materials	5,760
Total Deductions	<u>28,300</u>
Change in Net Position	10,149
Total Net Position - September 1 (Beginning)	<u>281,500</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 291,649</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, 2017**

**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, 2017

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 **Debt Service Fund** accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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, 2017**

**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.

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, 2017.

*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, 2017

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 are 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 2017 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, 2017**

**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, 2017, the Silsbee Independent School District General Fund reported \$216,320 as committed to construction or improvements. At August 31, 2017, the District Special Revenue Funds reported \$132,075 as committed to campus level activities and \$53,574 as committed to food service activities.

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017**

**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, 2017**

**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, 2017, General Fund functional expenditure category 81, Facilities Acquisition and Construction, exceeded the final budget by \$183,770 and the Debt Service Fund functional expenditure category 73, Bond Issuance Cost and Fees, exceeded the final budget by \$500. 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, 2017, 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, 2017**

**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:

	2017	2016
Claims liabilities (including incurred but not reported), beginning of year	\$ 9,424	\$ 8,495
Incurred claims (net of adjustment of prior year allowances)	37,672	20,482
Claims paid	(27,915)	(19,553)
Claims liabilities (including incurred but not reported), end of year	\$ 19,181	\$ 9,424

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, 2017, 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, 2016, 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, 2017, 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, 2017**

**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, 2017, 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, 2016, 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, 2016. 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 29, 2017.

**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, 2017, the carrying amount of the District's cash, savings and time deposits was \$3,564,800. The bank balance was \$3,763,247. During 2016-2017, 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, 2017**

**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 2017, 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, 2017, 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, 2017, 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, 2017**

**NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)**

3. Deposit and Investment Risks (continued):

The District’s investments at August 31, 2017 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	\$ 814,595	\$ -
TexPool	N/A	701,431	-
Donated Publicly Traded Common Stock	N/A	-	131,080
Bank Savings Accounts	N/A	-	11,297
Certificate of Deposit	8/3/2018	-	73,675
Certificate of Deposit	11/1/2017	-	54,227
Certificate of Deposit	8/3/2018	-	10,000
		<u>\$ 1,516,026</u>	<u>\$ 280,279</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 791 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. 79, "Certain External Investment Pools and Pool Participants" 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, 2017**

**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, 2016, upon which the levy for the 2016-2017 fiscal year was based, was \$756,833,571. 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, 2017, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.17 and \$0.37 per \$100 valuation, respectively, for a total of \$1.54 per \$ 100 valuation.

Current tax collections for the year ended August 31, 2017 were 95.8% 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, 2017, property taxes receivable, net of estimated uncollectible taxes of \$493,458 and \$100,626, totaled \$1,480,373 and \$301,877 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, 2017, 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	\$ 28,452	\$ 1,501,490	\$ 166,851	\$ 1,696,793
Special Revenue	-	51,754	175,252	227,006
Debt Service Fund	80,830	-	-	80,830
<b>Total</b>	<b><u>\$ 109,282</u></b>	<b><u>\$ 1,553,244</u></b>	<b><u>\$ 342,103</u></b>	<b><u>\$ 2,004,629</u></b>

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017**

**NOTE 7. CAPITAL ASSETS**

Capital assets activity for the year ended August 31, 2017 was as follows:

	Balance September 1, 2016	Additions	Deletions	Balance August 31, 2017
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 680,564	\$ -	\$ -	\$ 680,564
Capital assets, being depreciated				
Buildings and Improvements	63,923,873	20,000	-	63,943,873
Furniture and Equipment	8,666,536	140,566	(628,510)	8,178,592
Total capital assets being depreciated	72,590,409	160,566	(628,510)	72,122,465
Less accumulated depreciation for:				
Buildings and Improvements	(21,242,262)	(2,108,872)	-	(23,351,134)
Furniture and Equipment	(5,023,138)	(527,499)	628,510	(4,922,127)
Total accumulated depreciation	(26,265,400)	(2,636,371)	628,510	(28,273,261)
Total capital assets being depreciated, net	46,325,009	(2,475,805)	-	43,849,204
Governmental activities capital assets, net	<u>\$ 47,005,573</u>	<u>\$ (2,475,805)</u>	<u>\$ -</u>	<u>\$ 44,529,768</u>

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

<b>Governmental activities:</b>		
11	Instruction	\$ 1,294,335
12	Library & Media	74,922
13	Curriculum	30,851
21	Instructional Development	3,703
23	Campus Administration	50,240
31	Counselor	29,621
33	Health Services	30,569
34	Transportation	286,346
35	Food Services	110,269
36	Athletics & Co-Curricular	265,935
41	General Administration	2,675
51	Maintenance	392,683
52	Security and Monitoring Services	40,987
53	Data Processing	23,235
		<u>23,235</u>
	Total depreciation expense-governmental activities	<u>\$ 2,636,371</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017

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 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2016.

Total Pension Liability	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	<u>(134,008,637,473)</u>
Net Pension Liability	<u>\$ 37,788,513,014</u>
Net Position as percentage of Total Pension Liability	<u>78.00%</u>

**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.

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017**

**NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	<u>2016</u>	<u>2017</u>
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Silsbee ISD 2017 Employer Contributions		\$ 457,714
Silsbee ISD 2017 Member Contributions		\$ 1,283,810
Silsbee ISD 2016 NECE On-Behalf Contributions		\$ 886,818

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).

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, from non-educational and general, or local funds.

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

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

SILSBEE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

**Actuarial Assumptions.** The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

**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, 2016 are summarized on the following page:

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017**

**NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Asset Class	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
<b>Global Equity</b>			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Hedge Funds (Stable Value)	4.0%	3.0%	0.1%
Cash	1.0%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectations	0.0%		2.2%
Alpha	0.0%		1.0%
<b>Total</b>	<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.*

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than or 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	<u>1% Decrease in Discount Rate (7.0%)</u>	<u>Discount Rate (8.0%)</u>	<u>1% Increase in Discount Rate (9.0%)</u>
Silsbee's proportionate share of the net pension liability:	<u>\$ 7,667,682</u>	<u>\$ 4,954,361</u>	<u>\$ 2,652,916</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017

**NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension.* At August 31, 2017, Silsbee Independent School District reported a liability of \$4,954,361 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	\$ 4,954,361
State's proportionate share that is associated with the District	<u>10,526,395</u>
Total	<u>\$15,480,756</u>

The net pension liability was measured as of August 31, 2016 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, 2015 through August 31, 2016.

At August 31, 2016, the employer's proportion of the collective net pension liability was 0.0131108% which was a decrease of 0.0007345% from its proportion measured as of August 31, 2015.

**Change Since the Prior Actuarial Valuation** – There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2017, the District recognized pension expense of \$1,092,389 and revenue of \$1,092,389 for support provided by the State.

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017**

**NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

At August 31, 2017, 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	\$ 77,683	\$ 147,934
Changes in actuarial assumptions	151,000	137,328
Difference between projected and actual investment earnings	419,525	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>1,244,479</u>	<u>345</u>
	1,892,687	285,607
Contributions paid to TRS subsequent to the measurement date	<u>457,714</u>	<u>-</u>
Total	<u>\$ 2,350,401</u>	<u>\$ 285,607</u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2018	\$ 291,750
2019	291,750
2020	559,343
2021	271,190
2022	183,562
Thereafter	9,485

**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](http://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, 2017**

**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 2017 – 2015.

Year	Contribution Rates					
	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$ 108,373	1.00%	\$ 166,728	0.55%	\$ 91,703
2016	0.65%	103,040	1.00%	158,501	0.55%	87,176
2015	0.65%	97,640	1.00%	150,216	0.55%	82,619

**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, 2017, 2016 and 2015 were \$51,510, \$61,660 and \$61,291, 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, 2017.

During the fiscal year ended August 31, 2017 the District did not employ 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, 2017**

**NOTE 10. LONG-TERM LIABILITIES (CONTINUED)**

**Changes in long-term liabilities**

Long-term liability activity for the year ended August 31, 2017, was as follows:

Series	Interest Rate Payable	Amounts Original Issue	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2008 Bonds	2.5-4.0%	\$ 8,165,000	\$ 3,790,000	\$ -	\$ (3,510,000)	\$ 280,000	\$ 65,000
2008 Bonds	4.0%	870,000	870,000	-	(790,000)	80,000	-
2009 Bonds	2.0-4.0%	7,090,000	4,135,000	-	(3,585,000)	550,000	550,000
2013 U/L Tax Building Bond	2.0-4.0%	9,480,000	8,715,000	-	(395,000)	8,320,000	405,000
Premium		517,808	440,138	-	(25,890)	414,248	25,890
2014A U/L Tax Building Bond	2.25-4.0%	9,690,000	9,230,000	-	(285,000)	8,945,000	295,000
Premium		246,692	226,956	-	(9,868)	217,088	9,868
2014Q U/L Tax Qualified Construction Bond	4.5%	6,180,000	6,180,000	-	-	6,180,000	-
Premium		117,049	104,729	-	(6,160)	98,569	6,160
2015 Limited Maintenance Tax Note	2.0-3.0%	2,010,000	1,900,000	-	(115,000)	1,785,000	120,000
Premium		76,995	71,862	-	(5,133)	66,729	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	-
2016 U/L Tax Refunding Bond	3.0%	6,645,000	-	6,645,000	(80,000)	6,565,000	670,000
Premium		416,940	-	416,940	-	416,940	69,490
Total bond and contractual obligation payable - principal			<u>39,914,096</u>	<u>7,061,940</u>	<u>(8,807,051)</u>	<u>38,168,985</u>	<u>2,221,541</u>
Less 2008 unamortized discount			(45,366)	-	9,073	(36,293)	(9,073)
Less 2009 unamortized discount			(41,443)	-	5,920	(35,523)	(5,920)
			<u>(86,809)</u>	<u>-</u>	<u>14,993</u>	<u>(71,816)</u>	<u>(14,993)</u>
Small District HVAC Loan	0.25%	212,497	192,738	-	(26,402)	166,336	26,468
Mercedes-Benz Bus Financing	1.90%	1,461,465	1,158,067	-	(281,395)	876,672	286,741
Lenovo Equipment Financing	0.00%	1,096,395	730,930	-	(365,465)	365,465	365,465
Net pension liability			<u>4,894,129</u>	<u>476,794</u>	<u>(416,562)</u>	<u>4,954,361</u>	<u>-</u>
Total governmental activities long-term liabilities			<u>\$ 46,803,151</u>	<u>\$ 7,538,734</u>	<u>\$ (9,881,882)</u>	<u>\$ 44,460,003</u>	<u>\$ 2,885,222</u>

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017**

**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, 2017, the District did not have any authorized but unissued bonds.

Year Ended August 31	Governmental Obligations	
	Principal	Interest
2018	\$ 2,783,674	\$ 1,308,957
2019	2,473,725	1,239,793
2020	2,559,342	1,170,375
2021	2,321,668	1,098,331
2022	2,391,734	1,029,914
2023 - 2027	6,603,330	4,353,966
2028 - 2032	6,650,000	3,274,404
2033 - 2037	10,580,000	1,086,800
2038 - 2039	1,700,000	102,600
	<b>\$ 38,063,473</b>	<b>\$ 14,665,140</b>

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 and \$48,409 in the 2015-2016 fiscal year.

In the 2015-2016 fiscal year, the District entered into a loan agreement with Mercedes-Benz Financial Services USA, LLC for the purchase of fifteen 2017 Thomas School Buses. The loan is to be repaid at an interest rate of 1.9% over four years.

In the 2015-2016 fiscal year, the District entered into a lease agreement with Lenovo Financial Services for the purchase of classroom projectors. The lease is for three years.

In December 2016, the District issued \$6,645,000 of unlimited tax refunding bonds (Series 2016). The proceeds of the refunding bonds were used to prefund August, 2017 and August, 2018 call options. This action retired \$6,645,000 of previously issued District bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by \$311,320. This balance is being amortized over the life of the new issue. The refunding resulted in an economic gain of \$336,366.

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017**

**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, 2017, lease expenditures were \$166,104 from the General Fund. The following is a schedule of minimum lease payments under non-cancelable operating leases as of August 31, 2017.

<u>Year Ended August 31</u>	<u>Amount</u>
2018	\$ 166,104
2019	161,085
2020	<u>118,532</u>
	<u>\$ 445,721</u>

**NOTE 12. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Property Taxes	\$ 8,672,158	\$ -	\$ 2,733,760	\$ -	\$ 11,405,918
Food Sales	-	399,015	-	-	399,015
Investment Income	25,737	-	20,024	5,683	51,444
Penalties, interest and other tax related income	103,210	-	36,632	-	139,842
Co-curricular student activities	108,498	298,478	-	-	406,976
Other	<u>173,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>173,893</u>
Total	<u>\$ 9,083,496</u>	<u>\$ 697,493</u>	<u>\$ 2,790,416</u>	<u>\$ 5,683</u>	<u>\$ 12,577,088</u>

**NOTE 13. UNEARNED REVENUE**

Unearned revenue at year-end consisted of the following:

	<u>General Fund</u>
Football Season Ticket Sales	<u>\$ 10,116</u>

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS  
AT AND FOR THE  
YEAR ENDED AUGUST 31, 2017**

**NOTE 14. 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, 2017 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

SILSBEE ISD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 9,771,614	\$ 9,398,288	\$ 9,083,496	\$ (314,792)
5800	State Program Revenues	15,445,396	16,348,680	15,711,471	(637,209)
5900	Federal Program Revenues	360,000	360,000	261,930	(98,070)
5020	Total Revenues	25,577,010	26,106,968	25,056,897	(1,050,071)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	13,985,075	14,144,031	13,833,285	310,746
0012	Instructional Resources and Media Services	400,387	395,360	386,185	9,175
0013	Curriculum and Instructional Staff Development	235,082	239,282	234,148	5,134
0021	Instructional Leadership	334,500	353,289	340,980	12,309
0023	School Leadership	1,611,794	1,614,302	1,607,043	7,259
0031	Guidance, Counseling and Evaluation Services	867,683	892,247	881,237	11,010
0032	Social Work Services	64,905	64,905	63,146	1,759
0033	Health Services	295,945	295,945	287,665	8,280
0034	Student (Pupil) Transportation	1,081,233	1,102,511	1,053,601	48,910
0036	Extracurricular Activities	1,137,684	1,270,991	1,191,062	79,929
0041	General Administration	1,041,775	1,169,307	1,162,663	6,644
0051	Facilities Maintenance and Operations	3,529,978	3,913,717	3,840,330	73,387
0052	Security and Monitoring Services	253,723	244,969	233,578	11,391
0053	Data Processing Services	492,290	532,601	517,287	15,314
Debt Service:					
0071	Principal on Long Term Debt	422,798	422,798	422,797	1
0072	Interest on Long Term Debt	74,389	74,389	74,386	3
0073	Bond Issuance Cost and Fees	8,000	5,000	4,000	1,000
Capital Outlay:					
0081	Facilities Acquisition and Construction	-	-	183,770	(183,770)
6030	Total Expenditures	25,837,241	26,735,644	26,317,163	418,481
1200	Net Change in Fund Balances	(260,231)	(628,676)	(1,260,266)	(631,590)
0100	Fund Balance - September 1 (Beginning)	5,499,211	5,499,211	5,499,211	-
3000	Fund Balance - August 31 (Ending)	\$ 5,238,980	\$ 4,870,535	\$ 4,238,945	\$ (631,590)

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2017

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0131108%	0.0138453%	0.007438%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,954,361	\$ 4,894,129	\$ 1,986,792
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	10,526,395	9,872,982	8,826,759
Total	<u>\$ 15,480,756</u>	<u>\$ 14,767,111</u>	<u>\$ 10,813,551</u>
District's Covered-Employee Payroll	\$ 15,850,127	\$ 15,021,510	\$ 14,923,668
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	31.26%	32.58%	13.31%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only three years of data are presented this reporting period. "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."

SILSBEE ISD  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2017

	2017	2016	2015
Contractually Required Contribution	\$ 457,714	\$ 416,561	\$ 409,966
Contribution in Relation to the Contractually Required Contribution	(457,714)	(416,561)	(409,966)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 16,672,848	\$ 15,850,127	\$ 15,021,510
Contributions as a Percentage of Covered-Employee Payroll	2.75%	2.63%	2.73%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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 ISD  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
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	1.170000	0.350000	770,649,352
2016	1.170000	0.370000	750,266,982
2017 (School year under audit)	1.170000	0.370000	756,833,571
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 556,804	\$ -	\$ 6,298	\$ 736	\$ (30,867)	\$ 518,903
71,228	-	1,639	207	(11)	69,371
96,737	-	2,482	314	(52)	93,889
101,905	-	3,209	405	(129)	98,162
124,453	-	4,744	599	(337)	118,773
162,241	-	8,432	1,065	3,510	156,254
198,184	-	13,502	1,706	195	183,171
327,232	-	41,486	12,410	(8,652)	264,684
487,653	-	105,866	33,479	(10,712)	337,596
-	11,655,237	8,453,420	2,673,304	7,018	535,531
<u>\$ 2,126,437</u>	<u>\$ 11,655,237</u>	<u>\$ 8,641,078</u>	<u>\$ 2,724,225</u>	<u>\$ (40,037)</u>	<u>\$ 2,376,334</u>

SILSBEE ISD  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 478,000	\$ 489,900	\$ 399,015	\$ (90,885)
5800 State Program Revenues	7,400	7,400	7,312	(88)
5900 Federal Program Revenues	910,000	965,000	946,497	(18,503)
5020 Total Revenues	<u>1,395,400</u>	<u>1,462,300</u>	<u>1,352,824</u>	<u>(109,476)</u>
<b>EXPENDITURES:</b>				
0035 Food Services	<u>1,506,378</u>	<u>1,506,378</u>	<u>1,319,671</u>	<u>186,707</u>
6030 Total Expenditures	<u>1,506,378</u>	<u>1,506,378</u>	<u>1,319,671</u>	<u>186,707</u>
1200 Net Change in Fund Balances	(110,978)	(44,078)	33,153	77,231
0100 Fund Balance - September 1 (Beginning)	<u>47,803</u>	<u>47,803</u>	<u>47,803</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ (63,175)</u>	<u>\$ 3,725</u>	<u>\$ 80,956</u>	<u>\$ 77,231</u>

SILSBEE ISD  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,871,499	\$ 2,805,500	\$ 2,790,416	\$ (15,084)
5800	State Program Revenues	547,561	650,937	540,302	(110,635)
5020	Total Revenues	3,419,060	3,456,437	3,330,718	(125,719)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	1,920,000	2,000,000	2,000,000	-
0072	Interest on Long Term Debt	1,359,204	1,279,204	978,309	300,895
0073	Bond Issuance Cost and Fees	5,000	109,614	110,114	(500)
6030	Total Expenditures	3,284,204	3,388,818	3,088,423	300,395
1100	Excess of Revenues Over Expenditures	134,856	67,619	242,295	174,676
<b>OTHER FINANCING SOURCES (USES):</b>					
7911	Capital Related Debt Issued (Regular Bonds)	-	6,645,000	6,645,000	-
7916	Premium or Discount on Issuance of Bonds	-	416,940	416,940	-
8949	Other (Uses)	-	(6,956,320)	(6,956,320)	-
7080	Total Other Financing Sources (Uses)	-	105,620	105,620	-
1200	Net Change in Fund Balances	134,856	173,239	347,915	174,676
0100	Fund Balance - September 1 (Beginning)	547,510	547,510	547,510	-
3000	Fund Balance - August 31 (Ending)	\$ 682,366	\$ 720,749	\$ 895,425	\$ 174,676

**FEDERAL AWARDS SECTION**

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, CDEA

December 4, 2017

**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, 2017, 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 4, 2017.

**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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

**Compliance And Other Matters**

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

**Purpose of This Report**

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

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

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

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

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 4, 2017

## INDEPENDENT AUDITOR'S REPORT

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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) *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Responses.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2017.

**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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we 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 the Uniform Guidance. 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, 2017

---

Section I – Summary of Auditor’s Results

---

**Financial Statements**

Type of auditor’s report issued: unmodified

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: unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? \_\_\_\_\_ yes  no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
	Special Education Cluster
84.027	IDEA-B, Title VI Formula
84.027	IDEA-B, Title VI High Cost Risk Pool
84.173	IDEA-B, Preschool

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

Auditee qualified as low-risk auditee?  yes \_\_\_\_\_ no

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED AUGUST 31, 2017  
(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, 2017**

**-- NONE NOTED --**

SILSBEE ISD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	1761010110904	\$ 504,240
*IDEA - Part B, Formula	84.027	176600011009046000	699,469
*SSA - IDEA - Part B, Discretionary	84.027	176600061009046680	35,275
Total CFDA Number 84.027			734,744
*IDEA - Part B, Preschool	84.173	176610011009046000	41,759
Total Special Education Cluster (IDEA)			776,503
Career and Technical - Basic Grant	84.048	17420006100904	34,500
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17694501100904	165,811
LEP Summer School	84.369A	69551602	1,165
Total Passed Through State Department of Education			\$ 1,482,219
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 1,482,219</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553	71401701	\$ 220,638
**National School Lunch Program - Cash Assistance	10.555	71301701	627,824
Total Child Nutrition Cluster			848,462
Commodity Supplemental Program	10.565	10004A	98,035
Total Passed Through the State Department of Agriculture			\$ 946,497
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 946,497</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,428,716</b>

\*Indicates clustered program under OMB Title 2 CFR Part 200 Compliance Supplement.

\*\*Indicates clustered program under OMB Title 2 CFR Part 200 Compliance Supplement.

**SILSBEE INDEPENDENT SCHOOL DISTRICT**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2017**

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, 2017. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Office of management and Budget (OMB) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* – Section 200.343 Closeout.
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	\$ 2,428,716
Medicaid Revenue - General Fund	<u>261,930</u>
 Federal Revenue Reported on Exhibit C-3	 <u><u>\$ 2,690,646</u></u>

SCHOOLS FIRST QUESTIONNAIRE

SISD

Fiscal Year 2017

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$4,954,361
SF13	Pension Expense (6147) at fiscal year-end.	