

SILSBEE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

**SILSBEE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020**

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CERTIFICATE OF BOARD

Silsbee Independent School District
Name of School District

Hardin
County

100-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ____ approved ____ disapproved for the year ended August 31, 2020, at a meeting of the Board of Trustees of such school district on the 15th day of December, 2020.

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
Troy W. Domingue, CPA



Stanley (Chip) Majors, Jr., CPA, CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA

December 15, 2020

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, 2020 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, 2020, 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 51, and the Schedules of the District's Proportionate Share of the Net Pension Liability, the District Contributions for Pensions, the District's Proportionate Share of the Net OPEB Liability, and the District Contributions for OPEB related to the Teacher Retirement System of Texas on pages 52 through 57 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 52 through 57 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 51 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 15, 2020, 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, 2020. 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 \$3,186,888 at August 31, 2020.
- During the year, the District's expenses were \$3,247,495 less than the \$40,499,085 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was \$37,251,590.
- The General Fund reported a fund balance this year of \$10,697,840.

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.

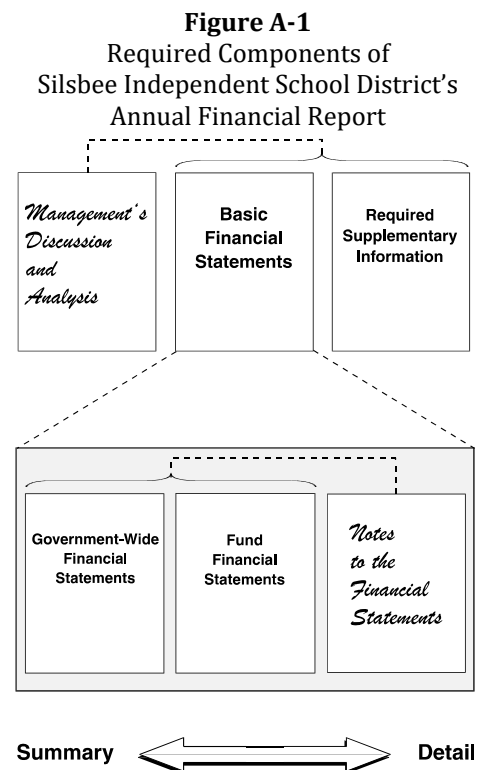


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of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

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

Type of Statements	Government-wide	Fund Statements	
		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 as 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 2019-20 fall PEIMS submission, the District employed 391 full-time positions, of which 287 were classroom teaching and paraprofessional positions. Total student enrollment was 2,909, with 2,903 being in membership. The District's student population consisted of 32.00% minority students, 16.64% special education students, and 61.81% economically disadvantaged students.
- As of the first day of school, 2020-21, student enrollment was 2,488. As of November 2, 2020, enrollment has increased to 2,747.

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 \$3,186,888 at August 31, 2020. (See Table A-1).

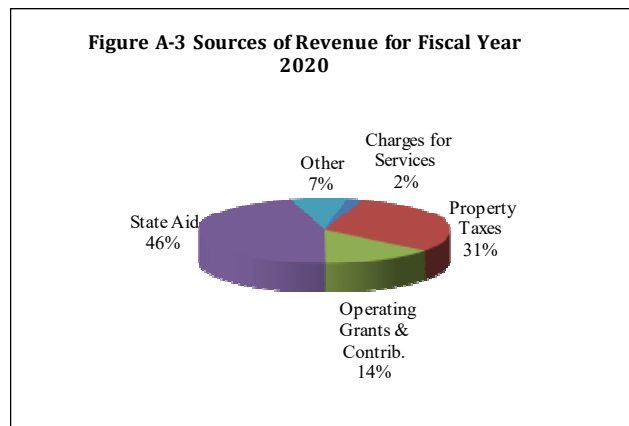
Table A-1
The District's Net Position

	Governmental Activities		Percentage Change
	2020	2019	
Current and Other Assets	\$ 17,793,776	\$ 13,499,100	31.8%
Capital and Non-Current Assets	38,012,565	39,751,515	-4.4%
Total Assets	55,806,341	53,250,615	4.8%
Deferred Outflows of Resources	5,253,125	5,976,573	-12.1%
Current Liabilities	5,132,021	4,244,057	20.9%
Long Term Liabilities	46,496,549	51,182,347	-9.2%
Total Liabilities	51,628,570	55,426,404	-6.9%
Deferred Inflows of Resources	6,244,008	3,782,880	65.1%
Net Position:			
Invested in Capital Assests	6,628,308	5,706,368	16.2%
Restricted	2,370,723	1,771,098	33.9%
Unrestricted	(5,812,143)	(7,459,562)	-22.1%
Total Net Position	\$ 3,186,888	\$ 17,904	17699.9%

The District's restricted net position consists of \$2,370,723 for debt service.

Changes in net position. The District's total revenues were \$40,499,085. A significant portion, 31%, of the District's revenue comes from taxes. (See Figure A-3). 46% comes from state aid – formula grants, while only 2% relates to charges for services.

The total cost of all programs and services was \$37,251,590; 72.5% of these costs are for instructional and student services.



Governmental Activities

Property tax rates were reduced from \$1.49 to \$1.3884 per \$100 valuation. Of the \$1.3884, \$1.0684 is the Maintenance and Operations Rate, with \$0.32 being the Interest and Sinking Rate. The total taxes levied decreased by \$85,997 due to a decrease in tax rate. Average daily attendance decreased by 148 students from 2018/2019 to 2019/2020 due to the adjustment done by TEA for COVID.

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

	Governmental Activities		Total % Change
	2020	2019	
Revenues:			
<u>Program Revenues</u>			
Charges for Services	\$ 849,270	\$ 767,813	10.6%
Operating Grants and Contributions	5,804,704	5,572,987	4.2%
<u>General Revenues</u>			
Property Taxes	12,419,211	12,393,106	0.2%
Investment Earnings	149,976	143,758	4.3%
State Aid - formula	18,598,788	17,375,594	7.0%
Other	2,677,136	1,627,229	64.5%
Total Revenues	40,499,085	37,880,487	6.9%
Expenses:			
Instruction and instructional related	20,692,093	19,564,166	5.8%
Instructional leadership/school administration	2,501,514	2,412,572	3.7%
Guidance, social work, health, transportation	3,029,148	2,728,301	11.0%
Food services	1,377,530	1,573,150	-12.4%
Extracurricular activities	1,900,702	1,756,136	8.2%
General Administration	1,253,376	1,283,483	-2.3%
Plant maintenance and security	4,564,386	3,712,235	23.0%
Data processing services	996,380	961,397	3.6%
Community Services	6,609	7,403	-10.7%
Debt Service	913,909	965,912	-5.4%
Capital Outlay	15,943	-	n/a
Total Expenses	37,251,590	34,964,755	6.5%
Change in Net Position	3,247,495	2,915,732	11.4%
Beginning Net Position	17,902	(2,897,830)	-100.6%
Prior Period Adjustment	(78,509)	-	n/a
Ending Net Position	\$ 3,186,888	\$ 17,902	17701.9%

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 \$37,251,590.
- The amount that our taxpayers paid for these activities through property taxes was \$12,419,211.
- Some of the cost was paid by those who directly benefited from the programs \$849,270, or
- By grants and contributions \$5,804,704.

Table A-3
Net Cost of Selected District Functions

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2020	2019		2020	2019	
Instruction	\$ 19,901,661	\$ 18,706,748	6.4%	\$ 16,086,733	\$ 15,448,131	4.1%
School Leadership	2,143,823	1,988,346	7.8%	2,009,897	1,816,062	10.7%
Student Transportation	1,406,734	1,351,542	4.1%	1,189,414	975,882	21.9%
Food Services	1,377,530	1,573,150	-12.4%	47,102	40,191	17.2%
Extracurricular Activities	1,900,702	1,756,136	8.2%	1,299,365	1,303,406	-0.3%
General Administration	1,253,376	1,283,483	-2.3%	1,203,217	1,236,305	-2.7%
Facilities Maintenance and Operations	4,189,567	3,486,732	20.2%	4,143,643	3,401,138	21.8%
Interest on Long-term Debt	871,658	938,184	-7.1%	871,658	938,184	-7.1%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$39,243,205, an increase of 6.0% from the preceding year. Local revenues decreased by \$332,647 due primarily to a decrease in property tax values and food service revenue. State revenues increased by \$2,159,058 due primarily to an increase in School Program Entitlement. Federal revenues increased by \$376,547.

General Fund Budgetary Highlights

- The District had multiple revisions to its budget during the fiscal year. Actual expenditures were \$2,047,997 less than the final budget amounts. The most significant variances were Instruction under budget by \$1,421,074, Facilities Maintenance and Operations under budget by \$137,503, and Data Processing was under budget by \$107,238. Actual revenues were \$683,874 below budgeted amounts due to decreases in revenue in local, state, and federal.
- 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 2020, the District had invested approximately \$71.3 million in capital assets, including land, equipment, buildings and vehicles. (See Table A-4). This amount represents a net decrease of \$56,998 or 0.1% from last year.

Table A-4
District's Capital Assets

	Governmental Activities		% Change
	2020	2019	
Land	\$ 680,564	\$ 680,564	0.0%
Buildings and Improvements	62,603,086	62,603,086	0.0%
Furniture and Equipment	8,057,339	8,000,341	0.7%
Totals at Historical Cost	71,340,989	71,283,991	0.1%
Total Accumulated Depreciation	(33,328,424)	(31,532,476)	5.7%
Net Capital Assets	<u>\$ 38,012,565</u>	<u>\$ 39,751,515</u>	-4.4%

Long-Term Debt

At the end of the fiscal year, the District had \$32.8 million in long-term debt outstanding as shown in Table A-5. The District's bonds presently carry a S&P Global rating of "Aaa" on its Permanent School Fund (PSF) guaranteed obligations, and a Moody's Investors Services rating of A1 on the General Obligation Unlimited Tax Bonds, and a rating of A1 on the Maintenance Tax Notes.

Table A-5
Long-Term Debt

	Governmental Activities		% Change
	2020	2019	
Bonds payable	\$ 28,735,000	\$ 30,850,000	-6.9%
Tax note	1,425,000	1,545,000	-7.8%
Premiums	1,164,362	1,280,903	-9.1%
Less unamortized discount	(9,074)	(41,830)	-78.3%
Small district HVAC loan	86,732	113,333	-23.5%
Mercedes Benz financing	-	297,741	n/a
2018 SECO loan agreement	1,344,343	1,499,784	-10.4%
Total long-term debt	<u>\$ 32,746,363</u>	<u>\$ 35,544,931</u>	-7.9%

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

PRIOR PERIOD ADJUSTMENT

During the fiscal year ended August 31, 2019, the District recorded a receivable in the amount of \$237,173. The revenue was received in June 2019. A prior period adjustment of the (\$237,173) was recorded to offset that receivable.

During the fiscal year ended August 31, 2020, the district recharacterized accounts from the Campus Activity Funds to the Custodial Funds. A prior period adjustment of \$158,664 was recorded to move the activity to the correct funds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Certified appraised value used for the 2021 (2020-2021) budget preparation will increase \$46,036,983, or 4.99% from 2020.
- General Operating Fund spending per student, exclusive of a major renovation program, increases in the 2021 budget from \$10,489 to \$11,394. This is an 8.6% increase from the preceding year.
- The District's 2021 refined average daily attendance is expected to be 2,655, which is slightly less than the level of average daily attendance attained in 2020.

These indicators were considered when adopting the General Fund budget for 2021. Amounts available for appropriation in the General Fund budget are \$32.1 million which is an increase of 4.22% from the final 2020 actual revenues of \$30.8 million.

Operating expenditures are budgeted at \$31.3 million, an increase of 10.99% from the final 2020 actual expenditures of \$28.2 million.

If these estimates are realized, the District's budgetary undesignated General Fund fund balance is expected to increase \$812,728 at the close of 2021.

The District has committed \$6,418,627 for major deferred maintenance and renovation programs as of the fiscal year ended August 31, 2020.

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, 2020

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,862,978
1120 Current Investments	10,475,937
1220 Property Taxes - Delinquent	2,884,215
1230 Allowance for Uncollectible Taxes	(721,054)
1240 Due from Other Governments	1,565,098
1290 Other Receivables, Net	134,762
1300 Inventories	86,462
1410 Prepayments	505,378
Capital Assets:	
1510 Land	680,564
1520 Buildings, Net	34,541,480
1530 Furniture and Equipment, Net	2,790,521
1000 Total Assets	55,806,341
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	155,659
1705 Deferred Outflow Related to TRS Pension	3,511,729
1706 Deferred Outflow Related to TRS OPEB	1,585,737
1700 Total Deferred Outflows of Resources	5,253,125
LIABILITIES	
2110 Accounts Payable	539,453
2150 Payroll Deductions and Withholdings	782
2160 Accrued Wages Payable	1,384,080
2180 Due to Other Governments	576,852
2300 Unearned Revenue	43,145
Noncurrent Liabilities:	
2501 Due Within One Year	2,587,709
2502 Due in More Than One Year	30,158,654
2540 Net Pension Liability (District's Share)	6,948,523
2545 Net OPEB Liability (District's Share)	9,389,372
2000 Total Liabilities	51,628,570
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,418,766
2606 Deferred Inflow Related to TRS OPEB	4,825,242
2600 Total Deferred Inflows of Resources	6,244,008
NET POSITION	
3200 Net Investment in Capital Assets	6,628,308
3850 Restricted for Debt Service	2,370,723
3900 Unrestricted	(5,812,143)
3000 Total Net Position	\$ 3,186,888

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

SILSBEE ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	Primary Gov.
	Expenses	Services	Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 19,901,661	\$ 6,744	\$ 3,808,184	\$ (16,086,733)
12 Instructional Resources and Media Services	403,184	-	19,803	(383,381)
13 Curriculum and Instructional Staff Development	387,248	-	155,081	(232,167)
21 Instructional Leadership	357,691	-	50,087	(307,604)
23 School Leadership	2,143,823	-	133,926	(2,009,897)
31 Guidance, Counseling and Evaluation Services	1,199,889	-	105,871	(1,094,018)
32 Social Work Services	79,461	-	4,704	(74,757)
33 Health Services	343,064	-	17,590	(325,474)
34 Student (Pupil) Transportation	1,406,734	-	217,320	(1,189,414)
35 Food Services	1,377,530	275,380	1,055,048	(47,102)
36 Extracurricular Activities	1,900,702	551,482	49,855	(1,299,365)
41 General Administration	1,253,376	-	50,159	(1,203,217)
51 Facilities Maintenance and Operations	4,189,567	15,664	30,260	(4,143,643)
52 Security and Monitoring Services	374,819	-	64,540	(310,279)
53 Data Processing Services	996,380	-	35,451	(960,929)
61 Community Services	6,609	-	6,825	216
72 Debt Service - Interest on Long-Term Debt	871,658	-	-	(871,658)
73 Debt Service - Bond Issuance Cost and Fees	42,251	-	-	(42,251)
81 Capital Outlay	15,943	-	-	(15,943)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 37,251,590	\$ 849,270	\$ 5,804,704	(30,597,616)

Data Control Codes		General Revenues:	
		Taxes:	
MT	Property Taxes, Levied for General Purposes		9,553,188
DT	Property Taxes, Levied for Debt Service		2,866,023
SF	State Aid - Formula Grants		18,598,788
GC	Grants and Contributions not Restricted		2,153,218
IE	Investment Earnings		149,976
MI	Miscellaneous Local and Intermediate Revenue		523,918
TR	Total General Revenues		33,845,111
CN	Change in Net Position		3,247,495
NB	Net Position - Beginning		17,902
PA	Prior Period Adjustment		(78,509)
NE	Net Position - Ending		\$ 3,186,888

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, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 3,108,228	\$ (5,535)	\$ (239,715)	\$ 2,862,978
1120 Investments - Current	8,617,230	1,858,707	-	10,475,937
1220 Property Taxes - Delinquent	2,339,879	544,336	-	2,884,215
1230 Allowance for Uncollectible Taxes	(584,970)	(136,084)	-	(721,054)
1240 Due from Other Governments	647,250	17,921	899,927	1,565,098
1290 Other Receivables	1,514	132,398	850	134,762
1300 Inventories	29,213	-	57,249	86,462
1410 Prepayments	302,579	-	202,799	505,378
1000 Total Assets	<u>\$ 14,460,923</u>	<u>\$ 2,411,743</u>	<u>\$ 921,110</u>	<u>\$ 17,793,776</u>
LIABILITIES				
2110 Accounts Payable	\$ 97,696	\$ -	\$ 441,757	\$ 539,453
2150 Payroll Deductions and Withholdings Payable	782	-	-	782
2160 Accrued Wages Payable	1,374,714	-	9,366	1,384,080
2180 Due to Other Governments	534,982	41,020	850	576,852
2300 Unearned Revenue	-	-	43,145	43,145
2000 Total Liabilities	<u>2,008,174</u>	<u>41,020</u>	<u>495,118</u>	<u>2,544,312</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	1,754,909	408,252	-	2,163,161
2600 Total Deferred Inflows of Resources	<u>1,754,909</u>	<u>408,252</u>	<u>-</u>	<u>2,163,161</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	29,213	-	57,249	86,462
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	1,962,471	-	1,962,471
Committed Fund Balance:				
3545 Other Committed Fund Balance	6,418,627	-	368,743	6,787,370
3600 Unassigned Fund Balance	4,250,000	-	-	4,250,000
3000 Total Fund Balances	<u>10,697,840</u>	<u>1,962,471</u>	<u>425,992</u>	<u>13,086,303</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 14,460,923</u>	<u>\$ 2,411,743</u>	<u>\$ 921,110</u>	<u>\$ 17,793,776</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, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 13,086,303
1 Capital assets used in governmental activities are not financial resources, and, therefore are not reported in governmental funds.	38,012,565
2 Property taxes receivable are not available to pay for current period expenditures and, therefore are deferred in the funds.	2,163,161
3 Bonds are not due and payable in the current period and, therefore, are not reported in the funds.	(30,160,000)
4 Other long-term liabilities which are not due and payable in the current period and, therefore, are not reported in the funds.	(1,164,362)
5 Finance contracts are not due and payable in the current period and, therefore, are not reported in the funds.	(1,431,075)
6 Unamortized discount on issuance of debt is reported as a reduction of other sources in the funds.	9,074
7 Deferred charge on refunding is reported as other sources in the funds.	155,659
8 Included in the items related to liabilities and deferred inflows 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 \$3,511,729, a deferred resource inflow in the amount of \$1,418,766 and a net pension liability in the amount of \$6,948,523. This resulted in a decrease in net position.	(4,855,560)
9 Included in the items related to liabilities and deferred inflows is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$1,585,737, a deferred resource inflow in the amount of \$4,825,242 and a net OPEB liability in the amount of \$9,389,372. This resulted in a decrease in net position.	(12,628,877)
19 Net Position of Governmental Activities	<u><u>\$ 3,186,888</u></u>

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

SILSBEE ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,855,805	\$ 2,883,558	\$ 981,872	\$ 13,721,235
5800 State Program Revenues	20,377,684	633,212	700,031	21,710,927
5900 Federal Program Revenues	590,565	-	3,220,478	3,811,043
5020 Total Revenues	30,824,054	3,516,770	4,902,381	39,243,205
EXPENDITURES:				
Current:				
0011 Instruction	14,690,607	-	2,879,415	17,570,022
0012 Instructional Resources and Media Services	377,883	-	-	377,883
0013 Curriculum and Instructional Staff Development	239,485	-	113,731	353,216
0021 Instructional Leadership	304,178	-	35,338	339,516
0023 School Leadership	1,970,888	-	-	1,970,888
0031 Guidance, Counseling, and Evaluation Services	1,076,863	-	32,383	1,109,246
0032 Social Work Services	73,244	-	-	73,244
0033 Health Services	318,296	-	-	318,296
0034 Student (Pupil) Transportation	1,505,626	-	-	1,505,626
0035 Food Services	-	-	1,363,953	1,363,953
0036 Extracurricular Activities	1,229,669	-	468,773	1,698,442
0041 General Administration	1,196,366	-	-	1,196,366
0051 Facilities Maintenance and Operations	3,300,054	-	-	3,300,054
0052 Security and Monitoring Services	348,533	-	48,025	396,558
0053 Data Processing Services	967,569	-	-	967,569
0061 Community Services	-	-	6,275	6,275
Debt Service:				
0071 Principal on Long-Term Debt	599,783	2,115,000	-	2,714,783
0072 Interest on Long-Term Debt	79,874	856,438	-	936,312
0073 Bond Issuance Cost and Fees	3,995	5,500	-	9,495
6030 Total Expenditures	28,282,913	2,976,938	4,947,893	36,207,744
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	2,541,141	539,832	(45,512)	3,035,461
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	236	-	2,317	2,553
8911 Transfers Out (Use)	(2,317)	-	(236)	(2,553)
7080 Total Other Financing Sources (Uses)	(2,081)	-	2,081	-
1200 Net Change in Fund Balances	2,539,060	539,832	(43,431)	3,035,461
0100 Fund Balance - September 1 (Beginning)	8,395,953	1,422,639	310,759	10,129,351
1300 Prior Period Adjustment	(237,173)	-	158,664	(78,509)
3000 Fund Balance - August 31 (Ending)	\$ 10,697,840	\$ 1,962,471	\$ 425,992	\$ 13,086,303

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, 2020

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 3,035,461
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation.	(1,738,950)
Capital outlays	\$ 680,766
Depreciation expense	(2,419,716)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	221,140
Prior year delinquent taxes collected in the year ended August 31, 2020	(\$240,880)
Current year uncollected levy net of allowance for uncollectible portion	462,020
The repayment of the principal of long-term debt and capital leases consumes the current financial resources of governmental funds. This transaction has no effect on net assets.	2,714,783
Governmental funds report the effect of premiums, discounts, and similar items 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.	31,899
GASB 68 required that certain plan 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 \$534,924. 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 \$467,857. 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 \$1,022,719. The net result is an increase (decrease) in the change in net position.	(955,652)
GASB 75 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 \$160,717. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$140,911. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$80,992. The net result is an increase (decrease) in the change in net position.	(61,186)
Change in Net Position of Governmental Activities	\$ 3,247,495

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, 2020

	Private Purpose Trust Funds	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 11,367	\$ 46,587
Restricted Assets	256,794	-
Total Assets	<u>268,161</u>	<u>\$ 46,587</u>
LIABILITIES		
Due to Student Groups	-	\$ 46,587
Total Liabilities	<u>-</u>	<u>\$ 46,587</u>
NET POSITION		
Unrestricted Net Position	<u>268,161</u>	
Total Net Position	<u>\$ 268,161</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, 2020

	Private Purpose Trust Funds
ADDITIONS:	
Earnings from Temporary Deposits	\$ (30,382)
Miscellaneous Additions	21,761
Total Additions	<u>(8,621)</u>
DEDUCTIONS:	
Professional and Contracted Services	28,466
Supplies and Materials	1,730
Total Deductions	<u>30,196</u>
Change in Fiduciary Net Position	(38,817)
Total Net Position - September 1 (Beginning)	<u>306,978</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 268,161</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, 2020**

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, 2020

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, 2020**

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, 2020.

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, 2020**

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 two types of items that qualify for reporting in this category. Contributions made to the pension plan and the OPEB plan in the 2020 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, 2020**

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 three 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). The third is the deferrals of OPEB expense that result from the implementation of GASB Statement 75, 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, 2020, the Silsbee Independent School District General Fund reported \$6,418,627 as committed for deferred maintenance, renovations and technology needs. At August 31, 2020, the District Special Revenue Funds reported \$298,049 as committed to campus level activities and \$127,943 as committed to food service activities.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

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.

13. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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, 2020, no General Fund, Debt Service Fund or Food Service Special Revenue Fund functional expenditure categories exceeded budget and there were no fund balances in a deficit position.

C. DATA CONTROL CODES

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

D. HEALTH CARE

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

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

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

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

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, 2020, 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.

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:

	2020	2019
Claims liabilities (including incurred but not reported), beginning of year	\$ 6,861	\$ 13,667
Incurred claims (net of adjustment of prior year allowances)	4,883	5,853
Claims paid	<u>(11,744)</u>	<u>(12,659)</u>
Claims liabilities (including incurred but not reported), end of year	<u>\$ -</u>	<u>\$ 6,861</u>

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, 2020, 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 Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

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

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

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. For the year ended August 31, 2020, the Fund anticipates that Silsbee ISD has no additional liability beyond the contractual obligation for payment of contribution.

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 February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

During the year ended August 31, 2020, 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.

Based on information currently available for the year ended August 31, 2020, 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, 2019, 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, 2019 and was adopted by the Board on August 27, 2019. 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. During the year, the budget was properly amended in accordance with the above procedures.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

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, 2020, the carrying amount of the District's cash, savings and time deposits was \$2,911,017. The bank balance was \$3,535,480. During 2019-2020, 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.

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 2020, 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, 2020, 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.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

3. Deposit and Investment Risks (continued):

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, 2020, 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.

The District's investments at August 31, 2020 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	\$ 1,858,707	\$ -
TexPool	N/A	8,617,230	-
Donated Publicly Traded Common Stock	N/A	-	102,227
Bank Savings Accounts	N/A	-	15,894
Certificate of Deposit	8/3/2021	-	73,675
Certificate of Deposit	11/7/2020	-	55,000
Certificate of Deposit	8/3/2021	-	10,000
		<u>\$ 10,475,937</u>	<u>\$ 256,796</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.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

3. Deposit and Investment Risks (continued):

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.

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, 2019, upon which the levy for the 2019-2020 fiscal year was based, was \$900,449,023. 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, 2020, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$1.07 and \$0.32 per \$100 valuation, respectively, for a total of \$1.39 per \$100 valuation.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

NOTE 5. PROPERTY TAXES (CONTINUED)

Current tax collections for the year ended August 31, 2020 were 95.1% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2020, property taxes receivable, net of estimated uncollectible taxes of \$584,970 and \$136,084, totaled \$1,754,909 and \$408,252 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, 2020, 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	\$ 72,290	\$ 317,057	\$ 257,903	\$ 647,250
Special Revenue	-	96,334	803,593	899,927
Debt Service Fund	<u>17,921</u>	<u>-</u>	<u>-</u>	<u>17,921</u>
Total	<u>\$ 90,211</u>	<u>\$ 413,391</u>	<u>\$ 1,061,496</u>	<u>\$ 1,565,098</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

NOTE 7. CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2020 was as follows:

	Balance September 1, 2019	Additions	Deletions	Balance August 31, 2020
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 680,564	\$ -	\$ -	\$ 680,564
Capital assets, being depreciated				
Buildings and Improvements	62,603,086	-	-	62,603,086
Furniture and Equipment	8,000,341	680,766	(623,768)	8,057,339
Total capital assets being depreciated	70,603,427	680,766	(623,768)	70,660,425
Less accumulated depreciation for:				
Buildings and Improvements	(26,112,177)	(1,949,429)	-	(28,061,606)
Furniture and Equipment	(5,420,299)	(470,287)	623,768	(5,266,818)
Total accumulated depreciation	(31,532,476)	(2,419,716)	623,768	(33,328,424)
Total capital assets being depreciated, net	39,070,951	(1,738,950)	-	37,332,001
Governmental activities capital assets, net	\$ 39,751,515	\$ (1,738,950)	\$ -	\$ 38,012,565

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

Governmental activities:	
11 Instruction	\$ 987,466
12 Library & Media	1,195
23 Campus Administration	2,834
33 Health Services	474
34 Transportation	282,347
35 Food Services	21,876
36 Athletics & Co-Curricular	157,322
41 General Administration	895
51 Maintenance	900,637
52 Security and Monitoring Services	31,624
53 Data Processing	17,103
81 Facilities Acquisition and Construction	15,943
Total depreciation expense-governmental activities	\$ 2,419,716

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

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 workload 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://trs.texas.gov/TRS%20Documents/cafr2019.pdf>; selection *About TRS* then *Publications* or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698.

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.

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.

In May, 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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.

SILSBEE INDEPENDENT SCHOOL DISTRICT

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

Contributions (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
Silsbee ISD Current Fiscal Year Employer Contributions		\$ 534,925
Silsbee ISD Current Year Member Contributions		\$ 1,414,802
Silsbee ISD 2019 Measurement Year NECE On-Behalf Contributions		\$ 885,758

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.
- When the employing district is a public school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

In addition to the employer contributions listed above, there is an additional surcharge 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. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

NOTE 8. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions. The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2019	2.63%**
Last year ending August 31 in Projection Period (100 Years)	2116
Inflation	2.3%
Salary Increases Including Inflation	3.05% to 9.05%
Ad hoc Post Employment Benefit Changes	None

***Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"*

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018.

Discount Rate. A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019 are summarized on the following page:

SILSBEE INDEPENDENT SCHOOL DISTRICT

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

Discount Rate (Continued)

Asset Allocation and Long-Term Expected Real Rate of Return

<u>Asset Class</u>	<u>FY 2019 Target Allocation %¹</u>	<u>New Target Allocation %²</u>	<u>Long-Term Expected Geometric Real Rate of Return³</u>
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries ⁴	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
Real Return			
Global Inflation Linked Bonds ⁴	3.0%	-	-
Real Assets	14.0%	15.0%	8.5%
Energy and Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%/6.5% ⁵
Leverage			
Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	<u>100.0%</u>	<u>100.0%</u>	

¹ Target Allocations are based on the Strategic Asset Allocation as of FY2019

² New allocations are based on the Strategic Asset Allocation to be implemented FY2020

³ 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

⁴ New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

⁵ 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

SILSBEE INDEPENDENT SCHOOL DISTRICT

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than or 1% greater than the discount rate that was used (7.25%) in measuring the 2019 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Silsbee's proportionate share of the net pension liability:	<u>\$ 10,680,890</u>	<u>\$ 6,948,523</u>	<u>\$ 3,924,586</u>

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension. At August 31, 2020, Silsbee Independent School District reported a liability of \$6,948,523 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	\$ 6,948,523
State's proportionate share that is associated with the District	<u>13,155,660</u>
Total	<u>\$ 20,104,183</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 through August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.0133669% which was a decrease of 0.0008980% from its proportion measured as of August 31, 2018.

Change Since the Prior Actuarial Valuation

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

SILSBEE INDEPENDENT SCHOOL DISTRICT

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

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

For the year ended August 31, 2020, the District recognized pension expense of \$3,557,145 and revenue of \$2,066,569 for support provided by the State.

At August 31, 2020, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 29,190	\$ 241,264
Changes in actuarial assumptions	2,155,773	890,867
Difference between projected and actual investment earnings	69,771	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>722,070</u>	<u>286,635</u>
Total as of August 31, 2019 measurement date	2,976,804	1,418,766
Contributions paid to TRS subsequent to the measurement date	<u>534,925</u>	<u>-</u>
Total	<u><u>\$ 3,511,729</u></u>	<u><u>\$ 1,418,766</u></u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$534,925 will be recognized as a reduction of the net pension liability for the year ending August 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2021	\$ 466,221
2022	377,349
2023	378,255
2024	348,666
2025	70,905
Thereafter	(83,358)

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the TRS web-site at www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701-2698; or by calling the TRS Communications Department at (512) 542-6592.

Benefits Provided. TRS provides basic health insurance coverage to retirees from public schools who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly for Retirees
January 1, 2019 thru December 31, 2019

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
* or surviving spouse		

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Contributions (Continued)

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Silsbee ISD Current Fiscal Year Employer Contributions		\$ 160,717
Silsbee ISD Current Year Member Contributions		\$ 119,433
Silsbee ISD 2019 Measurement Year NECE On-Behalf Contributions		\$ 187,228

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

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

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

Actuarial Assumptions (continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad hoc post-employment benefit changes	None

Discount rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis: The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (1.63%)</u>	<u>Current Discount Rate (2.63%)</u>	<u>1% Increase in Discount Rate (3.63%)</u>
Silsbee's proportionate share of the Net OPEB liability:	\$ 11,335,983	\$ 9,389,372	\$ 7,866,534

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
AT AND FOR THE
YEAR ENDED AUGUST 31, 2020**

NOTE 9. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2020, the District reported a liability of \$9,389,372 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 9,389,372
State's proportionate share that is associated with the District	<u>12,476,373</u>
Total	<u><u>\$ 21,865,745</u></u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.0198544% which was a decrease of 0.0013790% from its proportion measured as of August 31, 2018.

The following schedule shows the impact of the NET OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase (9.5%)
Silsbee's proportionate share of the Net OPEB liability:	<u>\$ 7,659,519</u>	<u>\$ 9,389,372</u>	<u>\$ 11,706,577</u>

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

- The discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the Total OPEB liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the Total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the Total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the Total OPEB liability.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued).

For the year ended August 31, 2020, the District recognized OPEB expense of \$550,729 and revenue of \$328,726 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	\$ 460,628	\$ 1,536,471
Changes in actuarial assumptions	521,506	2,525,510
Difference between projected and actual investment earnings	1,013	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	<u>441,873</u>	<u>763,261</u>
Total as of August 31, 2019 measurement date	1,425,020	4,825,242
Contributions paid to TRS subsequent to the measurement date	<u>160,717</u>	<u>-</u>
Total	<u><u>\$ 1,585,737</u></u>	<u><u>\$ 4,825,242</u></u>

Deferred outflow of resources related to OPEB resulting from contributions subsequent to the measurement date of \$160,717 will be recognized as a reduction of the net OPEB liability for the year ending August 31, 2021. Other amounts reported as deferred outflow and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended August 31:</u>	<u>OPEB Expense Amount</u>
2021	\$ (550,287)
2022	(550,287)
2023	(550,615)
2024	(550,802)
2025	(550,753)
Thereafter	(647,478)

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 9. OTHER POST-EMPLOYMENT BENEFIT PLANS (CONTINUED)

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, 2020, 2019 and 2018 were \$88,621, \$67,880 and \$52,168, 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, 2020.

During the fiscal year ended August 31, 2020 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 DEBT

The District's long-term debt consists of general obligation bonds, unlimited tax bonds issued to provide funds for the construction of major capital facilities, limited maintenance tax notes, long term financing for HVAC equipment and buses, and a state energy conservation loan. General obligation bonds and unlimited tax bonds are direct obligations and pledge the full faith and credit of the District. The current requirements for general obligation bonds and unlimited tax bonds and related interest expenditures are accounted for in the Debt Service Fund. The current requirements for long term financing for the HVAC equipment and the buses, and the energy conservation loan principal and related interest expenditures are accounted for in the General Fund. Maintenance tax notes are secured by and payable from a pledge of ad valorem taxes in the General Fund.

SILSBEE INDEPENDENT SCHOOL DISTRICT

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

Changes in long-term debt

Long-term debt activity for the year ended August 31, 2020, 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	\$ 145,000	\$ -	\$ (70,000)	\$ 75,000	\$ 75,000
2008 Bonds	4.0%	870,000	80,000	-	-	80,000	-
2013 U/L Tax Building							
Bond	2.0-4.0%	9,480,000	7,500,000	-	(430,000)	7,070,000	440,000
Premium		517,808	362,468	-	(25,890)	336,578	25,890
2014A U/L Tax Building							
Bond	2.25-4.0%	9,690,000	8,345,000	-	(315,000)	8,030,000	325,000
Premium		246,692	197,352	-	(9,868)	187,484	9,868
2014Q U/L Tax Qualified							
Construction Bond	4.5%	6,180,000	6,180,000	-	-	6,180,000	-
Premium		117,049	86,249	-	(6,160)	80,089	6,160
2015 Limited Maintenance							
Tax Note	2.0-3.0%	2,010,000	1,545,000	-	(120,000)	1,425,000	125,000
Premium		76,995	56,463	-	(5,133)	51,330	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	4,650,000	-	(1,300,000)	3,350,000	1,330,000
Premium		416,940	277,960	-	(69,490)	208,470	69,490
Total bond and contractual obligation payable - principal			33,675,903	-	(2,351,541)	31,324,362	2,411,541
Less 2008 unamortized discount			(18,147)	-	9,073	(9,074)	(9,074)
Less 2009 unamortized discount			(23,683)	-	23,683	-	-
			(41,830)	-	32,756	(9,074)	(9,074)
Small District HVAC Loan	0.25%	212,497	113,333	-	(26,601)	86,732	26,668
Mercedes-Benz Bus Financing	1.90%	1,461,465	297,741	-	(297,741)	-	-
2018 SECO Loan Agreement	2.00%	1,614,347	1,499,784	-	(155,441)	1,344,343	158,574
			1,910,858	-	(479,783)	1,431,075	185,242
Total governmental activities long-term debt			\$ 35,544,931	\$ -	\$ (2,798,568)	\$ 32,746,363	\$ 2,587,709

SILSBEE INDEPENDENT SCHOOL DISTRICT

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

Changes in long-term debt (continued)

Annual debt service requirements to maturity for bonded indebtedness and financing arrangements are as follows:

Year Ended August 31	Bonds		
	Principal	Interest	Total
2021	\$ 2,295,000	\$ 1,098,139	\$ 3,393,139
2022	2,365,000	1,029,788	3,394,788
2023	1,750,000	959,338	2,709,338
2024	1,145,000	907,263	2,052,263
2025	1,185,000	869,113	2,054,113
2026 - 2030	6,545,000	3,722,067	10,267,067
2031 - 2035	11,600,000	2,026,126	13,626,126
2036 - 2039	3,275,000	333,800	3,608,800
	<u>\$ 30,160,000</u>	<u>\$ 10,945,634</u>	<u>\$ 41,105,634</u>

Year Ended August 31	Financing Arrangements		
	Principal	Interest	Total
2021	\$ 185,242	\$ 26,243	\$ 211,485
2022	188,503	22,981	211,484
2023	191,830	19,655	211,485
2024	174,883	16,274	191,157
2025	171,746	12,878	184,624
2026 - 2028	518,871	17,588	536,459
	<u>\$ 1,431,075</u>	<u>\$ 115,619</u>	<u>\$ 1,546,694</u>

Year Ended August 31	Total		
	Principal	Interest	Total
2021	\$ 2,480,242	\$ 1,124,382	\$ 3,604,624
2022	2,553,503	1,052,769	3,606,272
2023	1,941,830	978,993	2,920,823
2024	1,319,883	923,537	2,243,420
2025	1,356,746	881,991	2,238,737
2026 - 2030	7,063,871	3,739,655	10,803,526
2031 - 2035	11,600,000	2,026,126	13,626,126
2036 - 2039	3,275,000	333,800	3,608,800
	<u>\$ 31,591,075</u>	<u>\$ 11,061,253</u>	<u>\$ 42,652,328</u>

As of August 31, 2020, the District did not have any authorized but unissued bonds.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 10. LONG-TERM DEBT (CONTINUED)

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 2017-2018 fiscal year the District entered into a loan agreement with State Energy Conservation Office. The loan, in the amount of \$1,614,347, is for the procurement of goods and services relating to energy efficiency updates to selected lighting and HVAC units by the District and shall be repaid at an interest rate of 2.0% over the term of 9.7 years. Proceeds of this loan are reported as other resources in the fund financial statements.

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, 2020, lease expenditures were \$181,782 from the General Fund. The following is a schedule of minimum lease payments under non-cancelable operating leases as of August 31, 2020.

<u>Year Ended August 31</u>	<u>Amount</u>
2021	\$ 182,019
2022	182,019
2023	182,019
2024	<u>19,371</u>
	<u>\$ 565,428</u>

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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NOTE 12. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Property Taxes	\$ 9,391,841	\$ -	\$ 2,806,230	\$ 12,198,071
Food Sales	-	275,380	-	275,380
Investment Income	114,443	-	35,533	149,976
Penalties, interest and other tax related income	164,387	-	41,795	206,182
Co-curricular student activities	88,156	463,326	-	551,482
Other	96,978	243,166	-	340,144
Total	<u>\$ 9,855,805</u>	<u>\$ 981,872</u>	<u>\$ 2,883,558</u>	<u>\$ 13,721,235</u>

NOTE 13. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund
Special Education Fiscal Support	<u>\$ 43,145</u>

NOTE 14. INTERFUND TRANSFERS

Interfund transfers for the fiscal year ended August 31, 2020 consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 236	\$ 2,317
Special Revenue Fund	2,317	236
	<u>\$ 2,553</u>	<u>\$ 2,553</u>

Summer school revenue of \$236 was transferred from a Special Revenue Fund to the General Fund to offset a prior year related expenditure.

Food service revenue of \$2,317 was transferred from the General Fund to cover negative balances in the student accounts.

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE FINANCIAL STATEMENTS
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YEAR ENDED AUGUST 31, 2020**

NOTE 15. LITIGATION AND CONTINGENCIES

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

The District participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2020 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.

NOTE 16. PRIOR PERIOD ADJUSTMENT

During the fiscal year ended August 31, 2019, the District recorded a receivable in the amount of \$237,173. The revenue was received in June, 2019. A prior period adjustment of the (\$237,173) was recorded to offset that receivable.

During the fiscal year ended August 31, 2020, the district recharacterized accounts from the Campus Activity Funds to the Custodial Funds. A prior period adjustment of \$158,664 was recorded to move the activity to the correct funds.

REQUIRED SUPPLEMENTARY INFORMATION

SILSBEE ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 10,004,267	\$ 10,004,267	\$ 9,855,805	\$ (148,462)
5800 State Program Revenues	20,798,661	20,798,661	20,377,684	(420,977)
5900 Federal Program Revenues	705,000	705,000	590,565	(114,435)
5020 Total Revenues	31,507,928	31,507,928	30,824,054	(683,874)
EXPENDITURES:				
Current:				
0011 Instruction	15,762,328	16,111,678	14,690,607	1,421,071
0012 Instructional Resources and Media Services	398,086	394,357	377,883	16,474
0013 Curriculum and Instructional Staff Development	250,677	263,837	239,485	24,352
0021 Instructional Leadership	243,522	316,460	304,178	12,282
0023 School Leadership	1,993,823	1,988,181	1,970,888	17,293
0031 Guidance, Counseling, and Evaluation Services	1,127,743	1,133,620	1,076,863	56,757
0032 Social Work Services	72,434	73,434	73,244	190
0033 Health Services	312,075	319,775	318,296	1,479
0034 Student (Pupil) Transportation	1,406,857	1,542,388	1,505,626	36,762
0036 Extracurricular Activities	1,352,436	1,335,406	1,229,669	105,737
0041 General Administration	1,284,533	1,266,015	1,196,366	69,649
0051 Facilities Maintenance and Operations	3,432,421	3,437,557	3,300,054	137,503
0052 Security and Monitoring Services	408,547	388,983	348,533	40,450
0053 Data Processing Services	1,069,680	1,074,807	967,569	107,238
Debt Service:				
0071 Principal on Long-Term Debt	599,786	599,786	599,783	3
0072 Interest on Long-Term Debt	79,876	79,876	79,874	2
0073 Bond Issuance Cost and Fees	7,600	4,750	3,995	755
6030 Total Expenditures	29,802,424	30,330,910	28,282,913	2,047,997
1100 Excess of Revenues Over Expenditures	1,705,504	1,177,018	2,541,141	1,364,123
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	236	236
8911 Transfers Out (Use)	-	-	(2,317)	(2,317)
7080 Total Other Financing Sources (Uses)	-	-	(2,081)	(2,081)
1200 Net Change in Fund Balances	1,705,504	1,177,018	2,539,060	1,362,042
0100 Fund Balance - September 1 (Beginning)	8,395,953	8,395,953	8,395,953	-
1300 Prior Period Adjustment	-	-	(237,173)	(237,173)
3000 Fund Balance - August 31 (Ending)	\$ 10,101,457	\$ 9,572,971	\$ 10,697,840	\$ 1,124,869

SILSBEE ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.013366888%	0.014264859%	0.013966733%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 6,948,523	\$ 7,851,724	\$ 4,465,809
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	13,155,660	15,043,861	8,738,061
Total	<u>\$ 20,104,183</u>	<u>\$ 22,895,585</u>	<u>\$ 13,203,870</u>
District's Covered Payroll	\$ 16,905,107	\$ 17,534,080	\$ 16,672,848
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	41.10%	44.78%	26.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

Note: GASB Codification, Vol. 2, P20.183 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, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

FY 2017 Plan Year 2016		FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.0131108%		0.0138453%		0.007438%	
\$	4,954,361	\$	4,894,129	\$	1,986,792
10,526,395		9,872,982		8,826,759	
\$ 15,480,756		\$ 14,767,111		\$ 10,813,551	
\$	15,850,127	\$	15,021,510	\$	14,923,668
31.26%		32.58%		13.31%	
78.00%		78.43%		83.25%	

SILSBEE ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 534,925	\$ 467,857	\$ 480,169
Contribution in Relation to the Contractually Required Contribution	(534,925)	(467,857)	(480,169)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 18,374,051	\$ 16,905,107	\$ 17,534,080
Contributions as a Percentage of Covered Payroll	2.91%	2.77%	2.74%

Note: GASB Codification, Vol. 2, P20.183 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 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2017	2016	2015			
\$ 457,714	\$ 416,561	\$ 409,966			
(457,714)	(416,561)	(409,966)			
\$ -	\$ -	\$ -			
\$ 16,672,848	\$ 15,850,127	\$ 15,021,510			
2.75%	2.63%	2.73%			

SILSBEE ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.01985436%	0.21233384%	0.020312709%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 9,389,372	\$ 10,602,023	\$ 8,833,235
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	12,476,373	14,886,578	12,713,156
Total	<u>\$ 21,865,745</u>	<u>\$ 25,488,601</u>	<u>\$ 21,546,391</u>
District's Covered Payroll	\$ 16,905,107	\$ 17,534,080	\$ 16,672,848
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	55.54%	60.47%	52.98%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

SILSBEE ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 160,717	\$ 140,911	\$ 146,480
Contribution in Relation to the Contractually Required Contribution	(160,717)	(140,911)	(146,480)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 18,374,051	\$ 16,905,107	\$ 17,534,080
Contributions as a Percentage of Covered Payroll	0.87%	0.83%	0.84%

Note: GASB Codification, Vol. 2, P50.238 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 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

REQUIRED TEA SCHEDULES

SILSBEE ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
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	770,649,532
2016	1.170000	0.370000	750,266,982
2017	1.170000	0.370000	756,833,571
2018	1.170000	0.350000	774,402,139
2019	1.170000	0.320000	844,790,691
2020 (School year under audit)	1.068400	0.320000	900,449,023
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 653,523	\$ -	\$ 11,409	\$ 1,363	\$ (46,818)	\$ 593,933
105,523	-	3,423	432	(419)	101,249
130,116	-	4,789	605	(419)	124,303
154,441	-	6,940	877	(439)	146,185
199,627	-	(5,030)	(1,505)	(14,471)	191,691
229,914	-	3,307	1,046	(14,542)	211,019
265,959	-	22,212	7,024	(801)	235,922
341,156	-	54,250	16,229	22,083	292,760
509,103	-	100,353	27,447	(10,176)	371,127
-	12,501,384	9,190,188	2,752,712	57,542	616,026
<u>\$ 2,589,362</u>	<u>\$ 12,501,384</u>	<u>\$ 9,391,841</u>	<u>\$ 2,806,230</u>	<u>\$ (8,460)</u>	<u>\$ 2,884,215</u>

SILSBEE ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 474,000	\$ 474,000	\$ 275,380	\$ (198,620)
5800 State Program Revenues	7,269	7,269	7,150	(119)
5900 Federal Program Revenues	1,170,000	1,170,000	1,041,122	(128,878)
5020 Total Revenues	1,651,269	1,651,269	1,323,652	(327,617)
EXPENDITURES:				
Current:				
0035 Food Services	1,599,084	1,599,084	1,363,953	235,131
6030 Total Expenditures	1,599,084	1,599,084	1,363,953	235,131
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	52,185	52,185	(40,301)	(92,486)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	2,317	2,317
1200 Net Change in Fund Balances	52,185	52,185	(37,984)	(90,169)
0100 Fund Balance - September 1 (Beginning)	165,927	165,927	165,927	-
3000 Fund Balance - August 31 (Ending)	\$ 218,112	\$ 218,112	\$ 127,943	\$ (90,169)

SILSBEE ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,924,603	\$ 2,924,603	\$ 2,883,558	\$ (41,045)
5800 State Program Revenues	293,363	293,363	633,212	339,849
5020 Total Revenues	3,217,966	3,217,966	3,516,770	298,804
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	2,115,000	2,115,000	2,115,000	-
0072 Interest on Long-Term Debt	1,119,683	1,119,683	856,438	263,245
0073 Bond Issuance Cost and Fees	10,000	10,000	5,500	4,500
6030 Total Expenditures	3,244,683	3,244,683	2,976,938	267,745
1200 Net Change in Fund Balances	(26,717)	(26,717)	539,832	566,549
0100 Fund Balance - September 1 (Beginning)	1,422,639	1,422,639	1,422,639	-
3000 Fund Balance - August 31 (Ending)	\$ 1,395,922	\$ 1,395,922	\$ 1,962,471	\$ 566,549

FEDERAL AWARDS SECTION

J. Pat O'Neill, III, CPA
Michael W. Kiefer, CPA
Troy W. Domingue, CPA



Stanley (Chip) Majors, Jr., CPA.CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA

December 15, 2020

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, 2020, 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 15, 2020.

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) as a basis for designing 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 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 financial statements. 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
Troy W. Domingue, CPA



Stanley (Chip) Majors, Jr., CPA.CITP, CGMA
Jane P. Burns, CPA, CDFA
Jeremy R. Triska, CPA

December 15, 2020

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, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with 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, 2020.

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 QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

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 Title 2 U.S. Code of
Federal Regulations (CFR)200.516(a)? _____ yes ✓ no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<u>Special Education Cluster</u>
<u>84.027A</u>	<u>IDEA, Part B, Formula</u>
<u>84.173A</u>	<u>IDEA, Part B, Preschool</u>

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 QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2020

Section II – Financial Statement Findings

-- NONE NOTED --

Section III – Federal Award Findings

-- NONE NOTED --

SILSBEE INDEPENDENT SCHOOL DISTRICT

**STATUS OF PRIOR YEAR'S FINDINGS
YEAR ENDED AUGUST 31, 2020**

-- NONE NOTED --

SILSBEE ISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	2061010110904	\$ 662,582
*IDEA - Part B, Formula	84.027A	206600011009046600	741,886
*IDEA - Part B, Preschool	84.173A	206610011009046610	42,816
Total Special Education Cluster (IDEA)			784,702
Carl D. Perkins Basic Formula	84.048A	20420006100904	43,587
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	20694501100904	126,823
Instructional Continuity	84.377A	17610740100904	10,500
Title IV, Part A, Subpart 1	84.424A	20680101100904	34,907
Elementary & Secondary School Emergency Relief Fd	84.425D	20521001100904	516,019
LEP Summer School	84.369A	69551902	236
Total Passed Through State Department of Education			2,179,356
TOTAL U.S. DEPARTMENT OF EDUCATION			2,179,356
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through TX Dept of Health & Human Srvs Comm</u>			
Medicaid Administrative Claiming Program - MAC	93.778	529-07-0157-00209	14,626
Total Passed Through TX Dept of Health & Human Srvs Comm			14,626
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			14,626
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
**School Breakfast Program	10.553	71401901	251,572
**School Breakfast Program - Summer Feeding	10.553	52402001	11,229
Total CFDA Number 10.553			262,801
**National School Lunch Program - Summer Feeding	10.555	52302001	23,495
**National School Lunch Program - Cash Assistance	10.555	71301901	622,617
Total CFDA Number 10.555			646,112
Total Child Nutrition Cluster			908,913
Commodity Supplemental Program	10.565		132,209
Total Passed Through the State Department of Agriculture			1,041,122
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,041,122
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,235,104

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

SILSBEE INDEPENDENT SCHOOL DISTRICT

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2020**

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, 2020. 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. Silsbee Independent School District does not record indirect costs for any of its Federal Programs.
7. 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	\$ 3,235,104
SHARS Medicaid Revenue	301,873
Medicaid Revenue passed through TMHP	<u>274,066</u>
Federal Revenue Reported on Exhibit C-3	<u><u>\$ 3,811,043</u></u>