

# **Sheldon Independent School District**

Annual Financial Report

For the Fiscal Year Ended June 30, 2021

**Sheldon Independent School District**  
 Annual Financial Report  
 For the Fiscal Year Ended June 30, 2021  
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Certificate of the Board

Sheldon Independent  
School District  
Name of Local Education Agency

Harris  
County

101-924  
County-District-Number

We, the undersigned, certify that the attached annual financial report of the above named school district was reviewed and  approved \_\_\_\_\_ disapproved for the fiscal year ended June 30, 2021 at a meeting of the Board of Trustees of such school district on the 16 day of Nov., 2021.

  
Signature of Board Secretary

  
Signature of Board President

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

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# Financial Section

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## Independent Auditor's Report

To the Board of Trustees of  
Sheldon Independent School District  
Houston, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sheldon Independent School District (the District), as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2021, 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.

***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, during the year ended June 30, 2021, the District implemented governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Beginning net position of the fiduciary funds has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

***Other Matters***

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary and Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as 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, as required by 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Board of Trustees of  
Sheldon Independent School District

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2021 on our consideration of the 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 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 the District's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
November 23, 2021

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## Management's Discussion and Analysis

As management of the Sheldon Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

### Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at year-end by \$18,335,172 (net position).
- The District's total net position increased by \$5,172,650 from current operations.
- As of the close of the fiscal year, the District's governmental funds had combined ending fund balances of \$73,463,782 a decrease of \$3,198,093 as compared to the preceding period. The change in governmental fund balances was primarily due to the final construction of two new campuses and the renovation of the former high school to become a new middle school.
- At the end of the fiscal year, unassigned fund balance of the general fund was \$42,191,432 or 40 percent of the fiscal year's total general fund expenditures.
- The District's total bonded debt decreased by \$13,260,000 (three percent) during the fiscal year.

### 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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and other supplementary information in addition to the basic financial statements.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector enterprise.

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused sick leave).

The government-wide financial operations (*governmental activities*) of the District are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Cocurricular/Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Repair and Maintenance, Contracted Instructional Services Between Schools, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges*.

The business-type activities include the District's tuition/fee based self-sustaining Early Learning Center Daycare, an employee child care program. Business-type activities are intended to recover all or a significant portion of their costs through user fees and charges.

The government-wide financial statements can be found as noted in the table of contents.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of cash resources*, as well as on *balances of cash resources* available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term effect of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained twenty-seven individual governmental funds during the fiscal year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, Elementary and Secondary School Emergency Relief Fund III – ARP, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other twenty-three governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison schedule has been provided for the general fund and national school breakfast and lunch program special revenue fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found as noted in the table of contents.

**Proprietary Fund.** The propriety fund provides the same type of information as the government-wide financial statements, only in more detail. There are two types of proprietary funds. Enterprise funds are used to report the same function presented as business-type activities in the government-wide financial statements. As mentioned above in the government-wide definition, the District has one business-type activity or enterprise fund, which is the tuition-based self-sustaining employee child care program, Early Learning Center Day Care. The second type of proprietary fund is the internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District does not have any internal service funds to report. The basic proprietary fund financial statements are noted in the table of contents of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs and activities. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The District maintains fiduciary funds for scholarships and student activities. The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements are noted in the table of contents of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds with legally adopted annual budgets. The District did not have any major special revenue funds with legally adopted annual budgets; therefore, only the general fund is presented as required supplementary information. Additionally, the required supplementary information presents the District's pension and OPEB schedules. The required supplementary information can be found as noted in the table of contents.

**Other Information.** In addition to the basic financial statements and accompanying notes and required supplemental information, this report presents additional supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

## Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal year end, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,335,172.

The District's net investment in capital assets (e.g. land, buildings and improvements, furniture and equipment, construction in progress), less any outstanding related debt used to acquire those assets, amounted to \$45,172,380. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Sheldon Independent School District's Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 91,729,306	\$ 106,739,400	\$ 4,886	\$ 5,022	\$ 91,734,192	\$ 106,744,422
Capital assets, net of accumulated depreciation	413,139,039	413,207,769	-	-	413,139,039	413,207,769
Total assets	504,868,345	519,947,169	4,886	5,022	504,873,231	519,952,191
Total deferred outflows of resources	29,352,482	24,737,498	-	-	29,352,482	24,737,498
Current liabilities	19,839,044	30,847,374	732	335	19,839,776	30,847,709
Long-term liabilities outstanding	467,296,468	478,689,708	-	-	467,296,468	478,689,708
Total liabilities	487,135,512	509,537,082	732	335	487,136,244	509,537,417
Total deferred inflows of resources	28,754,297	21,989,750	-	-	28,754,297	21,989,750
Net position						
Net investment in capital assets	45,175,380	43,009,374	-	-	45,175,380	43,009,374
Restricted	8,224,349	8,677,593	-	-	8,224,349	8,677,593
Unrestricted	(35,068,711)	(38,529,132)	4,154	4,687	(35,064,557)	(38,524,445)
<b>Total net position</b>	<b>\$ 18,331,018</b>	<b>\$ 13,157,835</b>	<b>\$ 4,154</b>	<b>\$ 4,687</b>	<b>\$ 18,335,172</b>	<b>\$ 13,162,522</b>

Net position of \$8,224,349 is restricted for future debt service and grant expenditures. At the end of the current period, the District is able to report positive net position for governmental and business-type activities.

The District's net position increased by \$5,172,650 as a result of increased revenues related to property taxes and decreased expenses for facilities maintenance and repair.

**Governmental Activities.** Governmental activities increased the District's net position by \$5,173,183.

**Sheldon Independent School District's Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue:						
Program revenues:						
Charges for services	\$ 477,197	\$ 748,175	\$ 189,121	\$ 218,280	\$ 666,318	\$ 966,455
Operating grants and contributions	22,557,831	25,383,058	-	-	22,557,831	25,383,058
General revenues:						
Property taxes, levied for general purposes	58,372,470	57,881,443	-	-	58,372,470	57,881,443
Property taxes, levied for debt service	26,210,817	20,714,141	-	-	26,210,817	20,714,141
Grants and contributions not restricted to specific programs	45,823,745	43,873,066	-	-	45,823,745	43,873,066
Investment earnings	225,006	1,832,821	-	-	225,006	1,832,821
Gain (loss) on sale of capital asset	1,818,408	22,393	-	-	1,818,408	22,393
Miscellaneous	345,269	806,978	-	-	345,269	806,978
<b>Total revenues</b>	<b>155,830,743</b>	<b>151,262,075</b>	<b>189,121</b>	<b>218,280</b>	<b>156,019,864</b>	<b>151,480,355</b>
Expenses:						
Instruction	82,604,864	79,156,880	-	-	82,604,864	79,156,880
Instructional resources and media services	1,133,646	1,157,177	-	-	1,133,646	1,157,177
Curriculum and instructional staff development	156,842	139,445	-	-	156,842	139,445
Instructional leadership	3,241,289	3,102,299	-	-	3,241,289	3,102,299
School leadership	6,463,652	6,648,026	-	-	6,463,652	6,648,026
Guidance, counseling, and evaluation services	2,478,119	2,646,721	-	-	2,478,119	2,646,721
Social work services	44,260	44,506	-	-	44,260	44,506
Health services	808,131	887,673	-	-	808,131	887,673
Student transportation	5,947,158	7,220,934	-	-	5,947,158	7,220,934
Food services	6,176,460	7,211,416	-	-	6,176,460	7,211,416
Extracurricular activities	2,970,641	2,940,801	-	-	2,970,641	2,940,801
General administration	2,831,109	2,816,431	-	-	2,831,109	2,816,431
Plant maintenance and operations	14,246,442	11,741,692	-	-	14,246,442	11,741,692
Security and monitoring services	1,776,175	1,664,297	-	-	1,776,175	1,664,297
Data processing services	2,014,783	1,838,248	-	-	2,014,783	1,838,248
Community services	65,832	118,469	-	-	65,832	118,469
Interest on long-term debt	13,629,919	13,816,828	-	-	13,629,919	13,816,828
Issuance costs and fees	175,110	234,747	-	-	175,110	234,747
Facilities repair and maintenance	3,171,662	9,768,478	-	-	3,171,662	9,768,478
Other intergovernmental charges	611,466	592,588	-	-	611,466	592,588
Day care	-	-	299,654	311,763	299,654	311,763
<b>Total expenses</b>	<b>150,547,560</b>	<b>153,747,656</b>	<b>299,654</b>	<b>311,763</b>	<b>150,847,214</b>	<b>154,059,419</b>
Increase in net position before transfers	5,283,183	(2,485,581)	(110,533)	(93,483)	5,172,650	(2,579,064)
Transfers	(110,000)	(93,000)	110,000	93,000	-	-
<b>Change in net position</b>	<b>5,173,183</b>	<b>(2,578,581)</b>	<b>(533)</b>	<b>(483)</b>	<b>5,172,650</b>	<b>(2,579,064)</b>
Net position - beginning	13,157,835	15,736,416	4,687	5,170	13,162,522	15,741,586
<b>Net position - ending</b>	<b>\$ 18,331,018</b>	<b>\$ 13,157,835</b>	<b>\$ 4,154</b>	<b>\$ 4,687</b>	<b>\$ 18,335,172</b>	<b>\$ 13,162,522</b>

Revenues are generated primarily from two sources: grants and contributions and property taxes. Grants and contributions (\$68,381,576) represent 44 percent of total revenues and property taxes (\$84,583,287) represent 54 percent of total revenues. The remaining \$2,865,880 is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expense of the District is instruction (\$82,604,864), which represents 55 percent of total expenses. Interest on long-term debt (\$13,629,919) represents 9 percent of total expenses and plant maintenance and operations (\$14,246,442) represents 9 percent of total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses.



**Business-type Activities.** Business-type activities operations decreased the District's net position by \$533. Revenues decreased by \$29,159, or 13 percent, primarily due to the decrease of community participation in the day care resulting from the COVID-19 pandemic. Expenditures decreased by \$12,109, or 4 percent, due to the decrease in payroll costs.

### Financial Analysis of the Government's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a District's net resources available for spending at the end of the fiscal year.

At the end of the period, the District's governmental funds had combined ending fund balances of \$73,463,782, a decrease of \$3,198,093 from the prior period.

The general fund is the primary operating fund of the District. At period end, unassigned fund balance of the general fund was \$42,191,432 while total fund balance was \$44,591,360. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40 percent of total general fund expenditures, while total fund balance represents 42 percent of that same total. The fund balance of the general fund increased \$8,721,255 during the fiscal year, primarily due to the increase in state aid and property tax revenue.

The Elementary and Secondary School Emergency Relief Fund III - ARP had a total fund balance of \$0 and has total federal revenues and grant expenditures of \$2,917,501.

The debt service fund had a total fund balance of \$11,531,615, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$544,263 during the fiscal year, primarily due to increases in property tax revenue offset by expenditures for the new debt refunding and due to regularly scheduled principal and interest payments.

The capital projects fund has a total fund balance of \$16,091,512. The net decrease in fund balance during the current period in the capital projects fund was \$11,401,342 and was due to expenditures related to facilities acquisition and construction.

**Proprietary Funds.** The District's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds are addressed in the discussion of the District's business-type activities.

### General Fund Budgetary Highlights

The District amends the budget as needed throughout the fiscal year. The instruction expenditure function was increased by \$5,113,615 for additional teacher's salaries, and plant maintenance and operations expenditure function was increased by \$2,920,165 for contracted services.

Actual amounts expended for instruction were \$4,412,157 less than budgeted due to reclasses of salaries to federal grants and plant maintenance and operations were \$1,639,493 less than budgeted due to decreases in facility operations costs.

## Capital Assets and Long-term Liabilities

**Capital Assets.** The District's investment in capital assets for its governmental activities and business-type activities as of June 30, 2021 was \$413,139,039 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, furniture and equipment, and construction in progress. The decrease in net capital assets for the current fiscal year was \$68,730.

### Sheldon Independent School District's Capital Assets (net of depreciation)

	Governmental Activities		Total	
	2021	2020	2021	2020
	Amount	Amount	Amount	Amount
Land and improvements	\$ 38,037,787	\$ 38,227,787	\$ 38,037,787	\$ 38,227,787
Buildings and improvements	367,716,636	368,150,763	367,716,636	368,150,763
Furniture and equipment	7,384,616	6,829,219	7,384,616	6,829,219
Construction in progress	-	-	-	-
<b>Totals</b>	<b>\$ 413,139,039</b>	<b>\$ 413,207,769</b>	<b>\$ 413,139,039</b>	<b>\$ 413,207,769</b>

Additional information on the District's capital assets can be found in the notes to the financial statements.

**Long-term Liabilities.** At fiscal year end, the District had the following long-term liabilities:

### Sheldon Independent School District's Outstanding Long-term Liabilities

	Governmental Activities					
	2021		2020		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 378,569,996	81	\$ 391,829,996	82	\$ (13,260,000)	(3)
Premiums	21,572,221	5	21,430,818	4	141,403	1
Accreted interest on capital appreciation bonds	108,913	-	95,847	-	13,066	14
Total bonds payable, net	400,251,130		413,356,661		(13,105,531)	
Capital leases payable	527,524	-	-	-	527,524	-
Compensated absences	917,542	-	735,720	-	181,822	25
Net pension liability	34,532,064	7	29,746,825	6	4,785,239	16
Net OPEB liability	31,068,208	7	34,850,502	8	(3,782,294)	(11)
<b>Totals</b>	<b>\$ 467,296,468</b>	<b>100</b>	<b>\$ 478,689,708</b>	<b>100</b>	<b>\$ (11,393,240)</b>	

The District's total bonded debt decreased by \$13,260,000 (three percent) during the current period, which resulted primarily from payments of regularly scheduled principal and interest payments.

Additional information on the District's long-term debt can be found in the notes to the financial statements.

Additional information on the District's OPEB liability can be found in Note 1.P. and Note 9 to the financial statements and on the District's net pension liability can be found in Note 1.O. and Note 8 to the financial statements as indicated in the table of contents of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- School year (2021-22) student enrollment is 10,372, a 1.5% increase from the preceding year.
- District staff totals 1,482 employees in 2021-22, of which 667 are teachers and 294 are teacher aides and secretaries.
- Property values of the District are projected to increase 2% for the 2021-22 year.
- A maintenance and operations tax rate of \$0.995 and a debt service tax rate of \$.46 (a total rate of \$1.455) were adopted for 2021-22.

All of these factors and others were considered in preparing the District's budget for the 2021-22 fiscal year.

## **Requests for Information**

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Sheldon Independent School District, 11411 C.E. King Parkway, Houston, Texas 77044-7192.

# Basic Financial Statements

**Sheldon Independent School District**  
Statement of Net Position  
June 30, 2021

**Exhibit A-1**

Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>				
1110	Cash and cash equivalents	\$ 18,752,161	\$ 36,757	\$ 18,788,918
1120	Current investments	42,721,029	-	42,721,029
1220	Property taxes receivables	5,104,949	-	5,104,949
1230	Allowance for uncollectable taxes	(633,659)	-	(633,659)
1240	Due from other governments	19,741,783	-	19,741,783
1250	Accrued interest	1,528	-	1,528
1260	Internal balances	31,871	(31,871)	-
1267	Due from fiduciary funds	58,817	-	58,817
1290	Other receivables	25,833	-	25,833
1300	Inventories	403,238	-	403,238
1410	Prepaid items	173,197	-	173,197
1810	Restricted cash and investments	5,348,559	-	5,348,559
	Capital assets, not being depreciated:			
1510	Land and improvements	38,037,787	-	38,037,787
	Capital assets, net of accumulated depreciation:			
1520	Buildings and improvements	367,716,636	-	367,716,636
1530	Furniture and equipment	7,384,616	-	7,384,616
1000	Total assets	504,868,345	4,886	504,873,231
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
1705	Deferred outflows - pension	17,042,351	-	17,042,351
1706	Deferred outflows - OPEB	11,246,987	-	11,246,987
1710	Deferred charge on refunding	1,063,144	-	1,063,144
1700	Total deferred outflows of resources	29,352,482	-	29,352,482
<b>LIABILITIES</b>				
2110	Accounts payable	2,627,243	732	2,627,975
2140	Interest payable	5,353,176	-	5,353,176
2150	Payroll deductions and withholdings	1,299,979	-	1,299,979
2160	Accrued wages payable	9,563,895	-	9,563,895
2177	Due to fiduciary funds	171	-	171
2180	Due to other governments	379,718	-	379,718
2300	Unearned revenue	614,862	-	614,862
	Noncurrent liabilities:			
2501	Due within one year	13,130,977	-	13,130,977
	Due in more than one year			
2502	Bonds payable, capital leases, and compensated absences	388,565,219	-	388,565,219
2540	Net pension liability	34,532,064	-	34,532,064
2545	Net OPEB liability	31,068,208	-	31,068,208
2000	Total liabilities	487,135,512	732	487,136,244
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2605	Deferred inflows - pension	5,953,722	-	5,953,722
2606	Deferred inflows - OPEB	22,749,892	-	22,749,892
2610	Deferred gain on refunding	50,683	-	50,683
2600	Total deferred inflows of resources	28,754,297	-	28,754,297
<b>NET POSITION</b>				
3200	Net investment in capital assets	45,175,380	-	45,175,380
3820	Restricted for grants	1,209,543	-	1,209,543
3850	Restricted for debt service	7,014,806	-	7,014,806
3900	Unrestricted	(35,068,711)	4,154	(35,064,557)
3000	<b>TOTAL NET POSITION</b>	<b>\$ 18,331,018</b>	<b>\$ 4,154</b>	<b>\$ 18,335,172</b>

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2021

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
0011	Instruction	\$ 82,604,864	\$ 52,063	\$ 13,341,727	\$ (69,211,074)	\$ -	\$ (69,211,074)
0012	Instructional resources and media services	1,133,646	-	41,129	(1,092,517)	-	(1,092,517)
0013	Curriculum and instructional staff development	156,842	-	136	(156,706)	-	(156,706)
0021	Instructional leadership	3,241,289	-	475,200	(2,766,089)	-	(2,766,089)
0023	School leadership	6,463,652	-	268,647	(6,195,005)	-	(6,195,005)
0031	Guidance, counseling, and evaluation services	2,478,119	-	324,890	(2,153,229)	-	(2,153,229)
0032	Social work services	44,260	-	-	(44,260)	-	(44,260)
0033	Health services	808,131	-	648,089	(160,042)	-	(160,042)
0034	Student transportation	5,947,158	-	150,838	(5,796,320)	-	(5,796,320)
0035	Food services	6,176,460	297,467	6,247,030	368,037	-	368,037
0036	Cocurricular/extracurricular activities	2,970,641	127,667	52,259	(2,790,715)	-	(2,790,715)
0041	General administration	2,831,109	-	82,293	(2,748,816)	-	(2,748,816)
0051	Plant maintenance and operations	14,246,442	-	172,332	(14,074,110)	-	(14,074,110)
0052	Security and monitoring services	1,776,175	-	69,000	(1,707,175)	-	(1,707,175)
0053	Data processing services	2,014,783	-	277,597	(1,737,186)	-	(1,737,186)
0061	Community services	65,832	-	64,329	(1,503)	-	(1,503)
0072	Interest on long-term debt	13,629,919	-	342,335	(13,287,584)	-	(13,287,584)
0073	Issuance costs and fees	175,110	-	-	(175,110)	-	(175,110)
0081	Facilities repair and maintenance	3,171,662	-	-	(3,171,662)	-	(3,171,662)
0099	Other intergovernmental charges	611,466	-	-	(611,466)	-	(611,466)
TG	Total governmental activities	150,547,560	477,197	22,557,831	(127,512,532)	-	(127,512,532)
Business-type activities:							
0001	Day Care	299,654	189,121	-	-	(110,533)	(110,533)
TB	Total business-type activities	299,654	189,121	-	-	(110,533)	(110,533)
TP	<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 150,847,214</b>	<b>\$ 666,318</b>	<b>\$ 22,557,831</b>	(127,512,532)	(110,533)	(127,623,065)
General revenues:							
MT	Property taxes, levied for general purposes				58,372,470	-	58,372,470
DT	Property taxes, levied for debt service				26,210,817	-	26,210,817
GC	Grants and contributions not restricted to specific programs				45,823,745	-	45,823,745
IE	Investment earnings				225,006	-	225,006
GS	Gain on sale of capital asset				1,818,408	-	1,818,408
MI	Miscellaneous				345,269	-	345,269
FR	Transfers				(110,000)	110,000	-
TR	Total general revenues				132,685,715	110,000	132,795,715
CN	Change in net position				5,173,183	(533)	5,172,650
NB	Net position - beginning				13,157,835	4,687	13,162,522
NE	<b>NET POSITION - ENDING</b>				<b>\$ 18,331,018</b>	<b>\$ 4,154</b>	<b>\$ 18,335,172</b>

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District  
 Balance Sheet  
 Governmental Funds  
 June 30, 2021

Data Control Codes		General Fund	Elementary and Secondary School Emergency Relief Fund III - ARP
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 17,026,619	\$ -
1120	Current investments	25,346,309	-
1220	Property taxes receivables	3,831,789	-
1230	Allowance for uncollectable taxes	(492,941)	-
1240	Due from other governments	14,391,700	3,006,376
1250	Accrued interest	1,528	-
1260	Due from other funds	4,924,963	-
1290	Other receivables	25,833	-
1300	Inventories	306,671	-
1410	Prepaid items	173,197	-
1810	Restricted cash and investments	-	-
1000	Total assets	<u>65,535,668</u>	<u>3,006,376</u>
1000a	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 65,535,668</u>	<u>\$ 3,006,376</u>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 1,303,806	\$ -
2150	Payroll deductions and withholdings	1,299,979	-
2160	Accrued wages payable	9,278,876	-
2170	Due to other funds	5,598,016	2,917,501
2180	Due to other governments	379,718	-
2300	Unearned revenue	236,001	88,875
2000	Total liabilities	18,096,396	3,006,376
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2620	Unavailable revenue - property taxes	2,847,912	-
2600	Total deferred inflows of resources	2,847,912	-
<b>FUND BALANCES</b>			
Nonspendable:			
3410	Inventories	306,671	-
3430	Prepaid items	173,197	-
Restricted for:			
3450	Grants	70,060	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Debt service	-	-
Committed to:			
3545	Other	-	-
Assigned to:			
3590	Assigned - other	1,850,000	-
3600	Unassigned	42,191,432	-
3000	Total fund balances	<u>44,591,360</u>	<u>-</u>
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 65,535,668</u>	<u>\$ 3,006,376</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 150,389	\$ 436,806	\$ 1,138,347	\$ 18,752,161
235,013	16,888,918	250,789	42,721,029
1,273,160	-	-	5,104,949
(140,718)	-	-	(633,659)
-	-	2,343,707	19,741,783
-	-	-	1,528
5,596,956	818	71	10,522,808
-	-	-	25,833
-	-	96,567	403,238
-	-	-	173,197
5,348,559	-	-	5,348,559
<u>12,463,359</u>	<u>17,326,542</u>	<u>3,829,481</u>	<u>102,161,426</u>
<u>\$ 12,463,359</u>	<u>\$ 17,326,542</u>	<u>\$ 3,829,481</u>	<u>\$ 102,161,426</u>
\$ -	\$ 1,235,030	\$ 88,407	\$ 2,627,243
-	-	-	1,299,979
-	-	285,019	9,563,895
-	-	1,916,774	10,432,291
-	-	-	379,718
-	-	289,986	614,862
-	1,235,030	2,580,186	24,917,988
<u>931,744</u>	<u>-</u>	<u>-</u>	<u>3,779,656</u>
931,744	-	-	3,779,656
-	-	-	306,671
-	-	-	173,197
-	-	1,139,483	1,209,543
-	16,091,512	-	16,091,512
11,531,615	-	-	11,531,615
-	-	109,812	109,812
-	-	-	1,850,000
-	-	-	42,191,432
<u>11,531,615</u>	<u>16,091,512</u>	<u>1,249,295</u>	<u>73,463,782</u>
<u>\$ 12,463,359</u>	<u>\$ 17,326,542</u>	<u>\$ 3,829,481</u>	<u>\$ 102,161,426</u>



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**Sheldon Independent School District**  
 Reconciliation of the Governmental Funds Balance  
 Sheet to the Statement of Net Position  
 June 30, 2021

**Exhibit C-1R**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** \$ 73,463,782

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets - at cost	\$ 526,685,598	
Accumulated depreciation	<u>(113,546,559)</u>	413,139,039

Property taxes receivable, which will be collected subsequent to year-end but are not available soon enough to pay expenditures, are deferred in the funds. 3,779,656

Long-term liabilities, including bonds payable, capital leases, compensated absences, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end include:

General obligation bonds	\$ (378,569,996)	
Premiums on bonds	(21,572,221)	
Capital leases payable	(527,524)	
Accreted interest on capital appreciation bonds	(108,913)	
Accrued interest on bonds	(5,353,176)	
Compensated absences	(917,542)	
Net pension liability	(34,532,064)	
Net OPEB liability	<u>(31,068,208)</u>	(472,649,644)

Deferred losses on issuances of refunding bonds are recorded as deferred outflows of resources in the statement of net position. This is the difference between the reacquisition price and the net carrying amount of refunded bonds, net of amortization. 1,063,144

Deferred gain on refunding is reported as a deferred inflow in the statement of net position and it is not reported in the funds due to it is not a current financial resource available to pay for current expenditures. (50,683)

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. 17,042,351

Deferred inflows for pension 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. (5,953,722)

Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. 11,246,987

Deferred inflows for OPEB 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. (22,749,892)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** \$ 18,331,018

The Notes to the Basic Financial Statements are an integral part of these statements.

**Sheldon Independent School District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2021

<u>Data Control Codes</u>		<u>General Fund</u>	<u>Elementary and Secondary School Emergency Relief Fund III - ARP</u>
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 59,738,971	\$ -
5800	State program revenues	51,195,591	-
5900	Federal program revenues	<u>1,865,350</u>	<u>2,917,501</u>
5020	Total revenues	112,799,912	2,917,501
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	63,546,895	2,115,791
0012	Instructional resources and media services	821,455	-
0013	Curriculum and instructional staff development	156,716	-
0021	Instructional leadership	2,742,290	-
0023	School leadership	6,025,159	54,771
0031	Guidance, counseling, and evaluation services	2,133,368	-
0032	Social work services	40,965	-
0033	Health services	719,499	-
0034	Student transportation	5,280,120	83,236
0035	Food services	-	-
0036	Cocurricular/extracurricular activities	2,051,995	-
0041	General administration	2,720,163	-
0051	Plant maintenance and operations	13,430,483	295,348
0052	Security and monitoring services	1,658,987	64,315
0053	Data processing services	1,424,432	304,040
0061	Community services	8,587	-
Debt service:			
0071	Principal on long-term debt	819,194	-
0072	Interest on long-term debt	39,748	-
0073	Issuance costs and fees	-	-
Capital outlay:			
0081	Facilities acquisition and construction	2,369,264	-
Intergovernmental:			
0099	Other intergovernmental charges	<u>611,466</u>	<u>-</u>
6030	Total expenditures	<u>106,600,786</u>	<u>2,917,501</u>
1100	Excess (deficiency) of revenues over (under) expenditures	6,199,126	-
<b>OTHER FINANCING SOURCES (USES)</b>			
7901	Refunding bonds issued	-	-
7912	Sale of real and personal property	2,035,411	-
7913	Proceeds from capital leases	596,718	-
7916	Premium or discount on issuance of bonds	-	-
8911	Transfers out	(110,000)	-
8940	Payment to refunded bonds escrow agent	<u>-</u>	<u>-</u>
7080	Total other financing sources (uses)	<u>2,522,129</u>	<u>-</u>
1200	Net change in fund balances	8,721,255	-
0100	Fund balances - beginning	<u>35,870,105</u>	<u>-</u>
3000	<b>FUND BALANCES - ENDING</b>	<u>\$ 44,591,360</u>	<u>\$ -</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
\$ 26,519,215	\$ 18,025	\$ 337,477	\$ 86,613,688
124,585	-	429,327	51,749,503
-	-	11,824,811	16,607,662
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26,643,800	18,025	12,591,615	154,970,853
-	-	7,558,890	73,221,576
-	-	4,101	825,556
-	-	-	156,716
-	-	293,185	3,035,475
-	-	-	6,079,930
-	-	179,268	2,312,636
-	-	-	40,965
-	-	-	719,499
-	-	-	5,363,356
-	-	5,312,756	5,312,756
-	-	-	2,051,995
-	-	-	2,720,163
-	-	3,353	13,729,184
-	-	52,069	1,775,371
-	-	199,709	1,928,181
-	-	50,553	59,140
11,385,000	-	-	12,204,194
14,705,395	-	-	14,745,143
175,110	-	-	175,110
-	11,419,367	-	13,788,631
-	-	-	611,466
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26,265,505	11,419,367	13,653,884	160,857,043
378,295	(11,401,342)	(1,062,269)	(5,886,190)
6,945,000	-	-	6,945,000
-	-	-	2,035,411
-	-	-	596,718
1,380,974	-	-	1,380,974
-	-	-	(110,000)
(8,160,006)	-	-	(8,160,006)
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165,968	-	-	2,688,097
544,263	(11,401,342)	(1,062,269)	(3,198,093)
10,987,352	27,492,854	2,311,564	76,661,875
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\$ 11,531,615	\$ 16,091,512	\$ 1,249,295	\$ 73,463,782

**Sheldon Independent School District**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances  
 of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2021

**Exhibit C-3**

**TOTAL NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)** \$ (3,198,093)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 10,687,817	
Depreciation expense	<u>(10,539,544)</u>	148,273

The net effect of miscellaneous transactions involving capital assets (transfers, adjustments, and dispositions) is an increase (decrease) to net position. (217,003)

Because some property taxes will not be collected for several months after the District's year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased by this amount this year. (982,929)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items was:

Issuance of bonds - principal	\$ (6,945,000)	
Premium on issuance of bonds	(1,380,974)	
Payment to escrow agent for advance refunding	8,160,006	
Issuance of capital leases	(596,718)	
Payments of capital leases	69,194	
Repayment of bond principal	12,135,000	
Amortization of deferred (loss) gain on refunding bonds, net	(71,306)	
Amortization of premium on bonds payable	1,019,868	
Accreted interest on capital appreciation bonds	<u>(12,596)</u>	12,377,474

The change in the interest expense accrual amount for the current year from prior year amount was: 179,258

The net change in net pension liability, and pension-related deferred outflows and deferred inflows, is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased	\$ 717,297	
Deferred inflows decreased	959,183	
Net pension liability increased	<u>(4,785,239)</u>	(3,108,759)

The net change in net OPEB liability, and OPEB-related deferred outflows and deferred inflows, is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased	\$ 4,047,537	
Deferred inflows increased	(7,673,047)	
Net OPEB liability decreased	<u>3,782,294</u>	156,784

The net increase in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (181,822)

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)** \$ 5,173,183

The Notes to the Basic Financial Statements are an integral part of these statements.

Sheldon Independent School District  
Statement of Net Position  
Proprietary Fund  
June 30, 2021

Exhibit D-1

<u>Data Control Codes</u>		<u>Enterprise Fund Early Learning Center - Daycare</u>
	<b>ASSETS</b>	
	Current assets:	
1110	Cash and cash equivalents	\$ 36,757
1000	Total assets	36,757
	<b>LIABILITIES</b>	
	Current liabilities:	
2110	Accounts payable	732
2170	Due to other funds	31,871
2000	Total liabilities	32,603
	<b>NET POSITION</b>	
3900	Unrestricted	4,154
3000	<b>TOTAL NET POSITION</b>	<u>\$ 4,154</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

**Sheldon Independent School District**  
Statement of Revenues, Expenses, and Changes  
in Net Position  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2021

**Exhibit D-2**

<u>Data Control Codes</u>		<u>Enterprise Fund Early Learning Center - Daycare</u>
	<b>OPERATING REVENUES</b>	
5700	Local and intermediate sources	\$ 183,564
5800	State program revenues	5,557
		<hr/>
5020	Total operating revenues	189,121
	<b>OPERATING EXPENSES</b>	
6100	Payroll costs	288,318
6200	Professional and contracted services	8,136
6300	Supplies and materials	2,158
6400	Other operating costs	1,042
		<hr/>
6030	Total operating expenses	299,654
		<hr/>
1100	Operating income (loss)	(110,533)
		<hr/>
	Loss before contributions and transfers	(110,533)
		<hr/>
7915	Transfers in	110,000
		<hr/>
1200	Change in net position	(533)
		<hr/>
0100	Net position - beginning	4,687
		<hr/>
3000	<b>NET POSITION - ENDING</b>	<u>\$ 4,154</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

**Sheldon Independent School District**  
 Statement of Cash Flows  
 Proprietary Fund  
 For the For the Fiscal Year Ended June 30, 2021

**Exhibit D-3**

	<u>Enterprise Funds</u> <u>Early Learning</u> <u>Center - Daycare</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from customers	\$ 183,564
Cash received from state for pension contributions	5,557
Cash payments to employees	<u>(269,591)</u>
Net cash used in operating activities	(80,470)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Transfers from other funds	<u>110,000</u>
Net cash provided by noncapital financing activities	<u>110,000</u>
Net increase in cash and cash equivalents	29,530
Cash and cash equivalents - beginning	<u>7,227</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<u><u>\$ 36,757</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET</b>	
<b>CASH USED IN OPERATING ACTIVITIES</b>	
Operating loss	\$ (110,533)
Change in assets and liabilities:	
Increase in accounts payable	397
Increase in due to other funds	<u>29,666</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<u><u>\$ (80,470)</u></u>

The Notes to the Basic Financial Statements are an integral part of these statements.



Sheldon Independent School District  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2021

Exhibit E-1

<u>Data Control Codes</u>		<u>810 Custodial Fund Scholarship Fund</u>	<u>865 Custodial Fund Student Activity</u>
	<b>ASSETS</b>		
1110	Cash and cash equivalents	\$ 125,725	\$ 169,403
1120	Current investments	196,168	37,518
1290	Other receivables	-	171
		<hr/>	<hr/>
1000	Total assets	321,893	207,092
	<b>LIABILITIES</b>		
2170	Due to other funds	58,817	-
2190	Due to student groups	57,231	-
		<hr/>	<hr/>
2000	Total liabilities	116,048	-
	<b>NET POSITION</b>		
	Restricted for:		
	Scholarships	205,845	-
	Student activities	-	207,092
		<hr/>	<hr/>
3000	<b>TOTAL NET POSITION</b>	<u>\$ 205,845</u>	<u>\$ 207,092</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

**Sheldon Independent School District**  
Statement of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Fiscal Year Ended June 30, 2021

**Exhibit E-2**

<u>Data Control Codes</u>		<u>810 Custodial Fund</u>	<u>865 Custodial Fund</u>
		<u>Scholarship Fund</u>	<u>Student Activity</u>
	<b>ADDITIONS</b>		
5700	Local and intermediate sources	\$ 71,041	\$ 134,419
	Total additions	71,041	134,419
	<b>DEDUCTIONS</b>		
6499	Scholarships	59,500	-
6499	Student activities	-	128,701
	Total deductions	59,500	128,701
CN	Net change in fiduciary net position	11,541	5,718
NB	Net position - beginning of year, as originally reported	194,304	-
PA	Cumulative effect of adoption of GASB 84	-	201,374
NB	Net position - beginning, as restated	194,304	201,374
NE	<b>NET POSITION - END OF YEAR</b>	<u>\$ 205,845</u>	<u>\$ 207,092</u>

The Notes to the Basic Financial Statements are an integral part of these statements.

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## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Note 1. Summary of Significant Accounting Policies

Sheldon Independent School District (the District) is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees that is elected by registered voters of the District. The District prepares its basic financial statements in conformity with U.S. Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB). Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds. The following is a summary of the significant accounting policies of the District.

##### A. Reporting Entity

The District's Board of Trustees (the Board) has governance responsibilities over all activities related to public, elementary and secondary, education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters; therefore the District is not included in any other governmental reporting entity. There are no component units, entities for which the District is considered to be financially accountable, included within the 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. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

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 to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as *general revenues*.

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements are presented for each fund category— governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are non-operating.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

In the fund financial statements, interfund activities between governmental funds and between governmental and proprietary funds appear as *due to other funds* or *due from other funds* on the governmental funds balance sheet, fiduciary and proprietary funds statement of net position and as *transfers in* or *transfers out* on the governmental funds statement of revenues, expenditures and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in net position. While these balances are reported in fund financial statements, as a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Balances and transfers between the funds in governmental activities are eliminated. Internal balances presented on the government-wide statement of net position represent only the net balance between governmental and business-type activities.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

*Measurement focus* is the accounting convention which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or capital maintenance information.

*Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurements made, regardless of the measurement focus applied.

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 120 days after period end, with the exception of property taxes, which the District considers available if collected within 60 days of year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amounts.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### D. Fund Accounting

The District's accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows and inflows of resources, fund equity, revenues and expenditures. District resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *Elementary and Secondary School Emergency Relief Fund III – ARP (ESSER III)* is used to account for the proceeds of federal program revenue from the American Rescue Plan which are restricted to expenditures in accordance with the grant.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for resources restricted to, or committed for, specific purposes by a grantor including federally-funded and state-funded grants. These grants are awarded to the District for the purpose of accomplishing specific educational tasks as defined in the grant awards.

The *enterprise fund* is a proprietary fund used to account for the operations of the District's tuition/fee based employee child care program.

The *custodial funds* account for assets held by the District for scholarship funds and student organizations and are used to report fiduciary activities that are not required to be reported in a trust under which principal and income benefit individuals, private organizations or other governments.

#### E. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by the TEA in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide data base for policy development and funding plans.

#### F. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of three months or less from the date of acquisition.

## **Sheldon Independent School District**

### Notes to the Basic Financial Statements

#### **G. Investments**

Investments for the District, with certain exceptions, are reported at fair value. The carrying value of the District's investments approximates fair value. The valuation policies of the District are described in Note 2.

Investments with a maturity of less than one year from June 30, 2021 are reported as current investments. Any investments with longer maturities are reported as long-term investments.

#### **H. Prepaid items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

#### **I. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. Taxes are levied by the District's Board based on the appraised values established by the Central Appraisal District of Harris County, Texas. Billing and collection of tax levies are performed by the District.

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 fund and debt service fund are based upon historical experience in collecting property taxes. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

#### **J. Inventories**

Inventories consisting of supplies and materials are valued at weighted average cost and they include maintenance, transportation, office and instructional supplies, and food service commodities. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Food service commodity inventory is recorded at fair market value on the date received. Commodity inventory items are recorded as expenditures when distributed to user locations.

#### **K. Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

# Sheldon Independent School District

## Notes to the Basic Financial Statements

Land and construction in progress are not depreciated. Buildings and improvements and furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Capital Asset Classes	Years
Buildings and improvements	10-50
Furniture and equipment	5-20

### L. Deferred Outflows and Deferred Inflows of Resources

Deferred outflows of resources represents a consumption of fund balance/net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. 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.

Deferred outflows/inflows of resources are amortized/recognized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

### M. Long-Term Obligations

In the government-wide financial statements and proprietary fund type fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Bond premiums and discounts are capitalized and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 service expenditures.

### N. Compensated Absences

The District's employees earn sick leave and vacation benefits which may be accumulated each year. The District's policy permits employees, upon retirement, who have worked in the District for a minimum of three consecutive years prior to their retirement to be compensated for their accumulated unused sick leave at their daily rate of pay, not to exceed the daily cost of a degreed substitute teacher.



## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### O. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 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 Pension Plan 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.

#### P. Postemployment Benefits Other Than Pensions (OPEB)

The fiduciary net position of the 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 postemployment 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.

#### Q. Fund Balances and Net Position

*Net position* on the government-wide, proprietary fund and fiduciary funds statements of net position includes the following categories:

*Net investment in capital assets* – the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, net of premiums and discounts, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

*Restricted* – the component of net position that reports the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources with constraints placed on use by law.

*Unrestricted* – the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources that is not reported in any of the classifications above.

When both restricted and unrestricted resources are available for use, it is the District's policy to first use restricted net position, before unrestricted net position is applied.

*Fund balance* on the governmental fund balance sheet is classified as follows:

*Non-spendable* – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items and inventories.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes retirement of long-term debt, construction, and federal and state grants.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the District through formal action in an open meeting of the highest level of decision making authority (i.e. the Board of Trustees). Committed fund balance is established pursuant to resolution passed by the District's Board of Trustees. The same action must be taken to modify or rescind a committed fund balance. At June 30, 2021, the District's committed fund balance includes campus activity funds.

*Assigned* – includes fund balance amounts that are self-imposed by the District as intended to be used for a particular purpose. Intent can be expressed by the District's Board, or by an official or body to which the Board delegates authority. The Board has assigned fund balance in the general fund for the following:

State aid adjustments	\$	1,500,000
Emergency repairs		<u>350,000</u>
<b>Total</b>	<b>\$</b>	<b><u>1,850,000</u></b>

*Unassigned* – includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. The general fund should be the only fund that reports a positive unassigned balance. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

When both restricted and unrestricted fund balances are available for use, it is the District's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are available.

#### R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 expenditures/expenses during the reporting period. Actual results could differ materially from those estimates.

The amount of state foundation revenue a school district earns for a fiscal year can and does vary until the time when final values for each of the factors in the formula become available. Availability can be as late as midway into the next fiscal year. It is at least reasonably possible that the foundation revenue estimate for the fiscal year ended June 30, 2021 will change, and that change could be material to the District's financial statements.

#### S. Implementation of New Accounting Standards

GASB Statement No. 84, *Fiduciary Activities* (GASB 84), establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2018; however, issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (GASB 95), extended the effective date of GASB 84 to reporting periods beginning after December 15, 2019,

# Sheldon Independent School District

## Notes to the Basic Financial Statements

with earlier application encouraged. GASB 84 was implemented in the District's 2021 financial statements resulting in a cumulative effect adjustment as of July 1, 2020 of \$201,374 to net position in the fiduciary fund financial statements to conform to the new standard.

### T. Recent Accounting Pronouncements

GASB Statement No. 87, *Leases* (GASB 87), establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019; however, issuance of GASB 95, extended the effective date of GASB 87 to reporting periods beginning after June 15, 2021, with earlier application encouraged. GASB 87 will be implemented in the District's fiscal year 2022 financial statements and the impact has not yet been determined.

### Note 2. Deposits and Investments

A summary of the District's cash and investments at June 30, 2021, is shown below:

	Cash and Cash Equivalents	Current Investments	Restricted Investments	Total Investments	Total Cash, Cash Equivalents, and Investments
General fund	\$ 17,026,619	\$ 25,346,309	\$ -	\$ 25,346,309	\$ 42,372,928
Debt service fund	150,389	235,013	5,348,559	5,583,572	5,733,961
Capital projects fund	436,806	16,888,918	-	16,888,918	17,325,724
Non-major governmental funds	1,138,347	250,789	-	250,789	1,389,136
<b>Total governmental funds</b>	<b>18,752,161</b>	<b>42,721,029</b>	<b>5,348,559</b>	<b>48,069,588</b>	<b>66,821,749</b>
Enterprise fund	36,757	-	-	-	36,757
<b>Total government-wide</b>	<b>18,788,918</b>	<b>42,721,029</b>	<b>5,348,559</b>	<b>48,069,588</b>	<b>66,858,506</b>
Fiduciary funds	295,128	233,686	-	233,686	528,814
<b>Totals</b>	<b>\$ 19,084,046</b>	<b>\$ 42,954,715</b>	<b>\$ 5,348,559</b>	<b>\$ 48,303,274</b>	<b>\$ 67,387,320</b>
Current investments				\$ 42,954,715	
Long-term investments				-	
Restricted investments				5,348,559	
<b>Total investments</b>				<b>\$ 48,303,274</b>	

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Cash Deposits

Deposits and investment transactions of the District are regulated by State statutes through provisions of Chapter 23, Subchapter E, Sections 23.71 through 23.8 (the School Depository Act) of the Texas Education Code and other Code sections referenced therein and through provisions of the Texas Revised Civil Statutes, Title 47, Articles 2529c and 2548a, regarding security for District funds in depository institutions.

In accordance with applicable statutes, the District has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the District incurs as a result of banking services received. All depository contracts have a term of two years commencing with the start of every odd-numbered fiscal year. Depository contracts are awarded on the basis of competitive bids received from area banks and can be awarded to more than one bank if the bids received are relatively equal.

Section 23.80 of the Texas Education Code provides that the depository shall not be compelled to accept time deposits from the proceeds of District debt issues; however, the depository is entitled to receive these funds under certain conditions.

The District may place funds with the depository in interest and non-interest bearing accounts. Statutes and the depository contract require that all funds in the depository institution be fully secured by federal depository insurance or a combination of federal depository insurance and acceptable collateral securities and/or an acceptable surety bond. The collateral securities must be delivered to the District or placed with an independent trustee institution with safekeeping receipts delivered to the District and copies of the safekeeping receipts delivered to the Texas Education Agency. In accordance with State statutes pertaining to lawful collateralization of District deposits, safekeeping receipts are issued in the name of the depository with proper indication that the collateral securities are pledged by the depository to secure funds of the District. Acceptable collateral securities include direct obligations of the United States of America (U.S.), bonds of any agency of the U.S. (except Farmers Home Administration Insured Notes), bonds of the State of Texas, or of any county, school district, city, or town of the State of Texas that have been rated A or better by Moody's Investors Service, Inc., as authorized by Chapter 2257 Collateral for Public Funds of the Government Code.

The District must approve all collateral securities prior to their being pledged. The depository can change collateral securities pledged to secure District funds only upon obtaining the written approval of the District.

The District is authorized by Section 20.42 of the Texas Education Code to place the proceeds from debt issues in properly secured or collateralized interest bearing time deposits with any Texas state or national bank having federal deposit insurance (FDIC) coverage for depositors or directly in bonds or other obligations of the U.S., provided that these time deposits cannot be cashed, sold or redeemed for an amount less than that originally invested by the District. Additionally, Section 23.80 of the Texas Education Code authorizes the District to invest in direct debt securities of the U.S. or other types of bonds, securities, warrants, etc., which the District is authorized by law to invest in. Cash includes petty cash on hand in various functional areas for use in routine operations and demand and time deposit accounts held by the depository bank.

All demand, money market, and time deposits in the depository bank were entirely covered by federal depository insurance and by acceptable collateral securities held in the District's name by an agent of the District at period end in accordance with provisions of the depository contract. Demand and time deposits at various banks, held on behalf of different student groups, were entirely covered by federal depository insurance at period end. Deposits were properly secured at all times.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Investments

The Board of Trustees of the District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The Public Funds Investment Act (the Act) requires an annual audit of investment practices. Audit procedures in this area, conducted as part of the audit, disclosed that in the area of investment practices, management reports and establishment of appropriate policies, the District was in substantial compliance with the requirements of the Act. Additionally, the investments and investment practices of the District are in compliance with the Board's investment policies.

The District's Investment Policy emphasizes safety of principal and liquidity, addresses investment diversification, yield and maturity and addresses the quality and capability of investment personnel. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment and the maximum average dollar weighted maturity allowed. In addition, it includes an "Investment Strategy Statement" that specifically describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the Investment Policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas, or its agencies and instrumentalities;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States, or its agencies and instrumentalities;
4. Certificates of deposit. Must be fully collateralized and guaranteed or insured by the FDIC;
5. Repurchase agreement. Must be fully collateralized, pledged to and held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, with a defined termination date, and placed through a primary government securities dealer;
6. Commercial paper. Must have a stated maturity of 270 days or fewer and a rating of not less than A-1/P-1 by two nationally recognized credit rating agencies; or a fully secured irrevocable letter of credit from a US bank and one A-1/P-1 credit rating;
7. Money Market funds. Must be approved by the Board and invest its funds only in investments approved by the Investment Policy; and
8. Public Funds Investment Pools. Must be approved by the Board and invest its funds only in investments approved by the Investment Policy.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

The District's investments at June 30, 2021, are shown below:

	Local Government Investment Pools	Certificates of Deposit	Repurchase Agreement	Total
General fund:				
Current investments	\$ 21,371,310	\$ 3,974,999	\$ -	\$ 25,346,309
Long-term investments	-	-	-	-
Debt service fund:				
Current investments	235,013	-	-	235,013
Restricted investments	-	-	5,348,559	5,348,559
Capital projects fund:				
Current investments	16,888,918	-	-	16,888,918
Non-major governmental funds:				
Current investments	250,789	-	-	250,789
Total governmental funds	38,746,030	3,974,999	5,348,559	48,069,588
Fiduciary funds:				
Current investments	-	233,686	-	233,686
<b>Totals</b>	<b>\$ 38,746,030</b>	<b>\$ 4,208,685</b>	<b>\$ 5,348,559</b>	<b>\$ 48,303,274</b>

The District did not purchase any derivative investment products during the current period nor participate in any securities lending agreements during the period.

The District is a voluntary participant in two local government investment pools: Texas Short Term Asset Reserve Program (TexSTAR) and Lone Star Investment Pool (Lone Star). The TexSTAR and Lone Star investment pools' investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

Lone Star was created pursuant to the Interlocal Cooperation Act of the State of Texas, Article 4413(32c), Vernon's Texas Civil Statutes, as amended, and is designed to provide participating local governments with investment vehicles for local funds that may be required for immediate expenditure. Lone Star is governed by an eleven-member Board of Directors all of whom are participants of the pool. The administrator and distributor of Lone Star is First Public, LLC, a Texas limited liability company. Investment advisory services are provided by American Beacon Advisors and Standish Mellon Investment Asset Management Company.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

TexSTAR was created in April 2003, also under the Interlocal Cooperation Act. The State Comptroller of Public Accounts exercises responsibility over TexSTAR. TexSTAR is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management. JPMorgan Investment Management, Inc. provides investment advisory services.

TexSTAR and Lone Star policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act of 1995, as amended. The investment pools do not have any limitations or restrictions on withdrawals, such as notice periods or maximum transaction amounts, and do not impose any liquidity fees or redemption gates. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

The District's investments are stated at fair value, with the exception of certain investment types which are not required to be measured at fair value. The District classifies its investments held at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, which provides a framework for measuring fair value and establishes a three-level hierarchy of inputs that are used in valuation techniques:

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District's investments which are not required to be measured at fair value include certain investment pools which are measured at amortized cost, and other investment pools which are measured at the net asset value determined by the pool, which approximates fair value, and investments in repurchase agreements and nonnegotiable certificates of deposit which are measured at cost. These instruments are exempt from categorization within the fair value hierarchy.

The value of the District's investments in local government investment pools, TexSTAR and Lone Star, are the same as the value of the pool shares. The District's carrying value of these investments is based on the net asset value of the underlying pool shares.

Lone Star and TexSTAR's investment portfolios are measured at amortized cost; therefore the District's investment is measured at amortized cost.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

The following table includes the portfolio valuation, weighted average maturity, credit rating and percentage of the portfolio balance by investment type of the District as of June 30, 2021:

	June 30, 2021	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost:				
Investment pools:				
Lone Star Government Overnight Fund	\$ 34,649,143	71.73%	47	AAA*
Lone Star Corporate Overnight Fund	4,095,512	8.48%	50	AAA*
TexSTAR	1,375	0.00%	37	AAAm*
Investments measured at cost:				
Repurchase agreement	5,348,559	11.07%	-	A-2**
Certificates of deposit - Woodforest	233,686	0.48%	194	Not Rated***
Certificates of deposit - GCFCU	3,974,999	8.23%	131	Not Rated***
<b>Total value</b>	<b>\$ 48,303,274</b>	<b>100.00%</b>		
<b>Portfolio weighted average maturity</b>			<b>50</b>	

\* Standard & Poor's rating

\*\* Moody's rating

\*\*\* Certificates of deposit are insured or collateralized

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and diversification. In addition, the District shall not directly invest in an individual security maturing more than five years from the date of purchase, with the exception of investments relating to the District's trust accounts for Qualified Zone Academy Bonds and Qualified School Construction Bonds. The Board may specifically authorize a longer maturity for a given investment, within legal limits.

#### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. During the fiscal year ended June 30, 2021, the District was not significantly exposed to credit risk. State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized credit rating organizations.

#### Concentration of Credit Risk

State law and the District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity, scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.



# Sheldon Independent School District

## Notes to the Basic Financial Statements

### Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure by the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that a third party bank trust department hold all securities owned by the District. The District's investments in government investment pools, and certificates of deposit are insured, registered or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk for these types of investments.

The District's investment in a repurchase agreement is subject to custodial credit risk because the underlying securities are held by the investments' counterparty, not in the name of the District. State statutes require repurchase agreements to be fully collateralized by bonds or securities issued by the federal government, or its agencies and instrumentalities. The District does not have an additional custodial credit risk policy. Eligible Securities, as identified in the repurchase agreement, require a security ratio of 103% per the terms of the agreement. The final repurchase date is February 15, 2027. At June 30, 2021, the fair market value of the pledged securities was \$5,403,630.

### Termination Risk

If the rating assigned to the senior unsecured long-term debt obligation of the counterparty to the District's repurchase agreement falls below "A3" by Moody's and "A-" by Fitch, the counterparty shall have the right to either (1) assign the agreement to a substitute provider rated at least "A-" Standard & Poor's, "A-" by Fitch, or "A3" by Moody's; (2) obtain a guaranty, letter of credit, or surety bond from an entity rated at least "A-" by Standard & Poor's, "A-" by Fitch, or "A3" by Moody's; (3) transfer to the custodian additional eligible securities having a market value not less than 110 percent of the invested monies; or (4) take any other action mutually agreed to by both parties. If the counterparty does not take on of the permitted actions above within 10 business days, the District may cause the repurchase of all purchased securities and terminate the agreement. The counterparty shall repurchase all purchased securities at a purchase price equal to all invested moneys then held by the counterparty to the date of the repurchase.

At June 30, 2021, the credit rating assigned to the counterparty is "A2" by Moody's and "A-" by Fitch.

### Note 3. Receivables

Net receivables, at June 30, 2021, consist of the following:

	General Fund	Debt Service	ESSER III	Capital Projects	Nonmajor Funds	Total
Property taxes	\$ 3,831,789	\$ 1,273,160	\$ -	\$ -	\$ -	\$ 5,104,949
Due from other governments:						
State	14,391,700	-	\$3,006,376	-	2,189,639	19,587,715
Federal	-	-	-	-	154,068	154,068
Other receivables	27,361	-	-	-	-	27,361
Gross receivables	18,250,850	1,273,160	3,006,376	-	2,343,707	24,874,093
Less allowance for uncollectibles - property taxes	(492,941)	(140,718)	-	-	-	(633,659)
<b>Total receivables, net</b>	<b>\$ 17,757,909</b>	<b>\$ 1,132,442</b>	<b>\$3,006,376</b>	<b>\$ -</b>	<b>\$ 2,343,707</b>	<b>\$ 24,240,434</b>

The District expects to collect all significant receivables within one year.

# Sheldon Independent School District

## Notes to the Basic Financial Statements

### Note 4. Interfund Activities

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Interfund balances at June 30, 2021 consisted of the following individual fund balances:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General fund	\$ 4,924,963	\$ 5,598,016
ESSER III	-	2,917,501
Debt service fund	5,596,956	-
Capital projects fund	818	-
Nonmajor governmental funds	71	1,916,774
	<u>10,522,808</u>	<u>10,432,291</u>
Total governmental funds		
Proprietary funds:		
Enterprise fund	-	31,871
	<u>-</u>	<u>31,871</u>
Total proprietary funds		
Fiduciary funds:		
Scholarship fund	-	-
Custodial fund	171	58,817
	<u>171</u>	<u>58,817</u>
Total fiduciary funds		
<b>Total - all funds</b>	<u><u>\$ 10,522,979</u></u>	<u><u>\$ 10,522,979</u></u>

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." During the fiscal year ended June 30, 2021, the District transferred \$110,000 from the general fund to the enterprise fund to cover operating revenue shortages in the enterprise fund.

**Sheldon Independent School District**  
Notes to the Basic Financial Statements

**Note 5. Capital Assets**

A summary of changes in capital assets for the fiscal year ended June 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 38,227,787	\$ -	\$ (190,000)	\$ 38,037,787
Total capital assets, not being depreciated	38,227,787	-	(190,000)	38,037,787
Capital assets, being depreciated:				
Buildings and improvements	461,223,897	9,073,386	-	470,297,283
Furniture and equipment	17,309,977	1,614,431	(573,880)	18,350,528
Total capital assets, being depreciated	478,533,874	10,687,817	(573,880)	488,647,811
Less accumulated depreciation for:				
Buildings and improvements	(93,073,134)	(9,507,513)	-	(102,580,647)
Furniture and equipment	(10,480,758)	(1,032,031)	546,877	(10,965,912)
Total accumulated depreciation	(103,553,892)	(10,539,544)	546,877	(113,546,559)
Total capital assets, being depreciated, net	374,979,982	148,273	(27,003)	375,101,252
<b>Governmental activities capital assets, net</b>	<b>\$ 413,207,769</b>	<b>\$ 148,273</b>	<b>\$ (217,003)</b>	<b>\$ 413,139,039</b>

Depreciation expense has been charged to the following functions in the government-wide statements:

Function	Amount
11 Instruction	\$ 6,604,637
12 Instructional resources and media services	292,286
21 Instructional leadership	103,006
23 School leadership	292,286
31 Guidance, counseling, and evaluation services	97,429
33 Health services	97,429
34 Student transportation	630,949
35 Food services	774,690
36 Cocurricular/extracurricular activities	888,974
41 General administration	103,563
51 Plant maintenance and operations	556,866
53 Data processing services	97,429
<b>Total depreciation expense - governmental activities</b>	<b>\$ 10,539,544</b>

## Sheldon Independent School District

### Notes to the Basic Financial Statements

The District has five active construction projects which were substantially complete as of June 30, 2021. The projects include the conversion of C.E. King High School campus to C.E. King Middle School, campus network improvements, construction for roofing and the physics lab for C.E. King Middle School, and façade work to Monahan Elementary School. These projects have a remaining commitment of \$12,221 at year end.

#### Note 6. Long-term Liabilities and Debt Service Requirements

Long-term liability activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 391,829,996	\$ 6,945,000	\$ (20,205,000)	\$ 378,569,996	\$ 11,725,000
Premiums/discounts	21,430,818	1,380,974	(1,239,571)	21,572,221	1,061,517
Accreted interest on capital appreciation bonds	95,847	13,066	-	108,913	13,536
Total bonds payable, net	413,356,661	8,339,040	(21,444,571)	400,251,130	12,800,053
Capital leases payable	-	596,718	(69,194)	527,524	147,424
Compensated absences	735,720	184,022	(2,200)	917,542	183,500
Net pension liability	29,746,825	7,586,100	(2,800,861)	34,532,064	-
Net OPEB liability	34,850,502	5,549,869	(9,332,163)	31,068,208	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 478,689,708</b>	<b>\$ 22,255,749</b>	<b>\$ (33,648,989)</b>	<b>\$ 467,296,468</b>	<b>\$ 13,130,977</b>

Bonds are payable solely from future revenues of the debt service fund, which consists principally of property taxes collected by the District. Other long-term liabilities are generally liquidated with resources of the general fund.

# Sheldon Independent School District

## Notes to the Basic Financial Statements

Bonded debt and maintenance tax note payable as of June 30, 2021 is as follows:

Series	Interest Rate	Maturity Date	Original Issue Amount	Beginning Balance	Additions	Reductions	Ending Balance
Maintenance Tax Notes, Series 2006	3.875% to 4.125%	2021	\$ 8,200,000	\$ 750,000	\$ -	\$ (750,000)	\$ -
Unlimited Qualified School Construction Bonds, Series 2010	5.632%	2027	8,200,000	8,200,000	-	-	8,200,000
Unlimited Tax Refunding Bonds, Series 2011	2.125% to 3.000%	2028	3,559,996	4,996	-	-	4,996
Unlimited Tax School Building and Refunding Bonds, Series 2012	1.000% to 3.000%	2032	9,465,000	8,240,000	-	(8,240,000)	-
Unlimited Tax School Building and Refunding Bonds, Series 2013	2.000% to 3.500%	2043	20,295,000	16,030,000	-	(2,100,000)	13,930,000
Unlimited Tax School Building and Refunding Bonds, Series 2014	2.000% to 4.000%	2039	9,750,000	7,765,000	-	(345,000)	7,420,000
Unlimited Tax School Building and Refunding Bonds, Series 2015	3.000% to 5.000%	2040	16,040,000	13,565,000	-	(535,000)	13,030,000
Unlimited Tax School Building and Refunding Bonds, Series 2016	3.000% to 5.000%	2040	40,960,000	32,745,000	-	(1,350,000)	31,395,000
Unlimited Tax School Building and Refunding Bonds, Series 2016A	3.000% to 5.000%	2041	50,310,000	45,765,000	-	(1,460,000)	44,305,000
Unlimited Tax School Building Bonds, Series 2017	3.000% to 5.000%	2042	96,835,000	90,020,000	-	(2,510,000)	87,510,000
Unlimited Tax School Building and Refunding Bonds, Series 2018	3.000% to 5.000%	2048	98,665,000	97,520,000	-	(250,000)	97,270,000
Unlimited Tax School Building and Refunding Bonds, Series 2019	2.750% to 5.000%	2049	59,255,000	57,415,000	-	(2,230,000)	55,185,000
Unlimited Tax School Building and Refunding Bonds, Series 2019A	2.250% to 5.000%	2041	14,155,000	13,810,000	-	(435,000)	13,375,000
Unlimited Tax Refunding Bonds, Series 2020	3.000% to 5.000%	2032	6,945,000	-	6,945,000	-	6,945,000
				<u>\$ 391,829,996</u>	<u>\$ 6,945,000</u>	<u>\$ (20,205,000)</u>	<u>\$ 378,569,996</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2022	\$ 11,725,000	\$ 14,231,619	\$ 25,956,619
2023	12,085,000	13,679,644	25,764,644
2024	12,565,000	13,105,706	25,670,706
2025	13,080,000	12,539,613	25,619,613
2026	13,505,000	11,957,063	25,462,063
2027-2031	83,094,996	48,944,076	132,039,072
2032-2036	86,290,000	33,441,338	119,731,338
2037-2041	81,065,000	19,188,572	100,253,572
2042-2046	45,090,000	7,798,341	52,888,341
2047-2049	20,070,000	1,044,800	21,114,800
<b>Totals</b>	<u>\$ 378,569,996</u>	<u>\$ 175,930,772</u>	<u>\$ 554,500,768</u>

At June 30, 2021, the District did not have authorized but unissued bonds.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Qualified School Construction Bonds

The District is scheduled to make annual deposits into a trust accounts for the Qualified School Construction Bonds (QSCB), Series 2010. These annual deposits plus the interest earned on the trust accounts will be used to pay off the debt upon maturity in 2027. The District accounts for this trust account as restricted cash and investments on both the statement of net position (Exhibit A-1) and in the debt service fund on the governmental funds balance sheet (Exhibit C-1). Funds held in trust for Qualified School Construction Bonds (QSCB) are comprised of the following balances at June 30, 2021:

Series	Restricted Cash and Temporary Investments	Maturity Date	Maturity Amount
Unlimited Qualified School Construction Bonds, Series 2010	\$ 5,348,559	2027	\$ 8,200,000
<b>Totals</b>	<u>\$ 5,348,559</u>		<u>\$ 8,200,000</u>

#### Advance Refunding

In November 2020, the District issued \$6,945,000 in Unlimited Tax Refunding bonds (Series 2020), with interest rates ranging from 3.00 percent to 5.00 percent, to be used to advance refund \$8,070,000 of outstanding 2012 series bonds with an average interest rate of 2.5 percent. The net proceeds of approximately \$8.33 million (including a premium on issuance of approximately \$1.38 million and payment of approximately \$160,000 in underwriting fees, insurance, and other issuance costs) were deposited into an escrow fund to provide for all future debt service payments on the 2012 series bonds. As a result, the refunded bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$50,683. This difference, reported in the accompanying government-wide statement of net position as a deferred inflow of resources, is being credited to operations through the year 2032 using the effective-interest method. The District completed the advance refunding to reduce its total debt service payments over the next 11 years by approximately \$394,000 and to obtain an economic gain (difference between present values of the old and new debt service payments) of approximately \$380,000.

#### Refunding of Long-Term Debt

The District defeased certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payment on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. There were no defeased bonds outstanding as of June 30, 2021.

#### Capital Leases

In 2021, the District entered into new capital lease agreements for the amount of approximately \$597,000. The leases meet criteria of a capital lease as defined by generally accepted accounting principles, which define a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by lease have been capitalized in an amount equal to the present value of the minimum lease payments at the time of acquisition. Principal and interest payments in the fiscal year ended June 30, 2021 totaled \$69,194 and \$8,810, respectively. Capital assets acquired by lease have a net book value of \$508,105.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021 were as follows:

	<u>June 30,</u>	
	2022	\$ 162,084
	2023	162,084
	2024	162,084
	2025	58,614
	2026	<u>13,500</u>
Total minimum lease payment		558,366
Amount representing interest		<u>30,842</u>
Present value of minimum lease payments		<u>\$ 527,524</u>

#### Note 7. Revenues from Local and Intermediate Sources

Revenues from local and intermediate sources in the governmental funds consisted of the following:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
Property taxes	\$ 59,195,820	\$ 26,370,396	\$ -	\$ -	\$ 85,566,216
Investment income	56,707	148,819	18,025	1,455	225,006
Charges for services	191,523	-	-	335,954	527,477
Gifts and bequests	77,338	-	-	-	77,338
Other	217,583	-	-	68	217,651
<b>Totals</b>	<u>\$ 59,738,971</u>	<u>\$ 26,519,215</u>	<u>\$ 18,025</u>	<u>\$ 337,477</u>	<u>\$ 86,613,688</u>

#### 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) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

# Sheldon Independent School District

## Notes to the Basic Financial Statements

### Pension Plan Fiduciary Net Position

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_archive\\_cafr.aspx](http://www.trs.texas.gov/Pages/about_archive_cafr.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

### 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% (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 where 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 postemployment benefit changes, including automatic cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan Description above.

### Contributions

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution requirements are established or amended pursuant to Article XVI, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2021	2020
Member	7.7%	7.7%
Non-employer contribution entity (State)	7.5%	7.5%
Employers (District)	7.5%	7.5%

The contribution amounts for the District's fiscal year 2021 are as follows:

District contributions	\$	2,940,402
Member contributions		6,135,719
NECE on-behalf contributions (State)		3,943,618



## Sheldon Independent School District

### Notes to the Basic Financial Statements

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act.

As the non-employer contributing entity, 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 the fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, local or non-educational and general funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment-after-retirement surcharge.
- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.5% of the member's salary beginning in September 1, 2019, gradually increasing to 2.0% on September 1, 2024.

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension**

At June 30, 2021, the District reported a liability of \$34,532,064 for its proportionate share of the TRS's net pension liability. 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 are as follows:

District's proportionate share of the collective net pension liability	\$ 34,532,064
State's proportionate share of the net pension liability associated with the District	<u>43,233,781</u>
<b>Total</b>	<u>\$ 77,765,845</u>

The net pension liability was measured as of August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2019 rolled forward to August 31, 2020. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 through August 31, 2020.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

At the measurement date of August 31, 2020, the District's proportion of the collective net pension liability was 0.06447% which was an increase of 0.00725% from its proportion measured as of August 31, 2019.

For the fiscal year ended June 30, 2021, the District recognized pension expense of \$11,249,225 and revenue of \$5,200,064 for support provided by the State.

At June 30, 2021, the District reported 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 experience	\$ 63,053	\$ 963,698
Changes in assumptions	8,012,668	3,406,930
Difference between projected and actual investment earnings on pension plan investments	699,072	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	5,735,239	1,583,094
Contributions paid to TRS subsequent to the measurement date	2,532,319	-
<b>Totals</b>	<b>\$ 17,042,351</b>	<b>\$ 5,953,722</b>

\$2,532,319 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2022	\$ 1,999,460
2023	2,363,221
2024	2,302,226
2025	1,394,667
2026	355,261
Thereafter	141,475
<b>Total</b>	<b>\$ 8,556,310</b>

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2019. Update procedures were used to roll forward the total pension liability to August 31, 2020 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected rate of return	7.25%
Municipal bond rate as of August 2020	2.33%. 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."
Last year ending August 31 in projection period (100 years)	2119
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None
Active mortality rates	Based on 90% of the RP 2014 Employee Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables with full generational projection using the ultimate improvement rates from the most recently published projection scale U-MP.

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Discount Rate and Long-Term Expected Rate of Return

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return on pension plan investments 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 TRS's target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global equity:			
U.S.	18.00%	3.90%	0.99%
Non-U.S. developed	13.00%	5.10%	0.92%
Emerging markets	9.00%	5.60%	0.83%
Private equity	14.00%	6.70%	1.41%
Stable value:			
Government bonds	16.00%	-0.70%	-0.05%
Stable value hedge funds	5.00%	1.90%	0.11%
Real return:			
Real estate	15.00%	4.60%	1.02%
Energy, natural resources and infrastructure	6.00%	6.00%	0.42%
Risk parity:			
Risk parity	8.00%	3.00%	0.30%
Asset allocation leverage:			
Cash	2.00%	-1.50%	-0.03%
Asset allocation leverage cash	-6.00%	-1.30%	0.08%
Inflation expectation			2.00%
Volatility drag***			-0.67%
<b>Total</b>	100.00%		7.33%

\* Target allocations are based on the FY 2020 policy model.

\*\* Capital market assumptions come from Aon Hewitt (as of 8/31/2020).

\*\*\* The volatility drag results from the conversion between arithmetic and geometric mean returns.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of the TRS net pension liability calculated using the discount rate of 7.25%, as well as what the District's proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 53,247,825	\$ 34,532,064	\$ 19,325,919

#### Change of Assumptions Since the Prior Measurement Date

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

#### Change of Benefit Terms Since the Prior Measurement Date

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

### Note 9. Defined Other Postemployment Benefit Plan

#### 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

Detailed 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 Internet at [http://www.trs.texas.gov/Pages/about\\_archive\\_cafr.aspx](http://www.trs.texas.gov/Pages/about_archive_cafr.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

#### Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts 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 of TRS 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.

# Sheldon Independent School District

## Notes to the Basic Financial Statements

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

TRS-Care Monthly Plan Premium Rates

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

### 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.

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 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% 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.

Rates for such plan fiscal years are as follows:

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2020</u>
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

\*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District's fiscal year ended June 30, 2021 are as follows:

District contributions	\$ 660,341
Member contributions	518,034
NECE on-behalf contributions (State)	939,492

## Sheldon Independent School District

### Notes to the Basic Financial Statements

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 hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of \$535 per retiree.

The State of Texas also contributed \$362,524, \$316,762 and \$183,575 in 2021, 2020, and 2019, respectively, for on-behalf payments for Medicare Part D.

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020.

#### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2021, the District reported a liability of \$31,068,208 for its proportionate share of the TRS's net OPEB liability. 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 are as follows:

District's proportionate share of the net OPEB liability	\$ 31,068,208
State's proportionate share of the net OPEB liability associated with the District	<u>41,748,225</u>
<b>Total</b>	<u><u>\$ 72,816,433</u></u>

The net OPEB liability was measured as of August 31, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2019 rolled forward to August 31, 2020. 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, 2019 through August 31, 2020.

At the measurement date of August 31, 2020, the employer's proportion of the collective net OPEB liability was 0.08173%, which was an increase of 0.00803% from its proportion measured as of August 31, 2019.

GASB 75 requires the District to record OPEB expense for the amount of the State's proportionate share of collective OPEB expense that is associated with the District, and record revenue in the same amount for the support provided by the State. For the measurement period ended August 31, 2020, the State's proportionate share of the collective OPEB expense was a negative expense of \$151,336,663 and the portion of that amount that is associated with the District is a negative expense of \$289,884. This amount is recorded as a negative revenue and negative expense for the year ended June 30, 2021.

For the year ended June 30, 2021, the District recognized total OPEB expense of \$213,673, which includes both the District's proportionate share of collective OPEB expense and the portion of the State's proportionate share of collective OPEB expense that is associated with the District, as described above.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

At June 30, 2021, the District reported 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 experience	\$ 1,626,719	\$ 14,218,401
Changes of assumptions	1,916,262	8,531,491
Difference between projected and actual earnings on OPEB plan investments	10,096	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	7,134,658	-
District contributions paid subsequent to the measurement date	559,252	-
<b>Totals</b>	<b>\$ 11,246,987</b>	<b>\$ 22,749,892</b>

\$559,252 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2022	\$ (2,259,135)
2023	(2,260,484)
2024	(2,261,256)
2025	(2,260,045)
2026	(1,431,198)
Thereafter	(1,589,039)
<b>Total</b>	<b>\$ (12,061,157)</b>

#### Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2019. Update procedures were used to roll forward the total OPEB liability to August 31, 2020.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2020 TRS annual pension actuarial valuation:

<u>Demographic Assumptions</u>	<u>Economic Assumptions</u>
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Salary increases
Rates of disability	

See Note 8 for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.



## Sheldon Independent School District

### Notes to the Basic Financial Statements

The initial medical trend rates were 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 % over a period of 13 years.

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method	Individual entry age normal
Single discount rate	2.33%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 40% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc postemployment benefit changes	None

#### Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability at August 31, 2020. This was a decrease of 0.3% in the discount rate since the August 31, 2019 measurement date. The plan is essentially a "pay-as-you-go" plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The 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".

#### Sensitivity Analysis of Rates

##### Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the net OPEB liability.

	1% Decrease (1.33%)	Current Discount Rate (2.33%)	1% Increase (3.33%)
District's proportionate share of the net OPEB liability	\$ 37,281,779	\$ 31,068,208	\$ 26,160,379

## Sheldon Independent School District

### Notes to the Basic Financial Statements

#### Healthcare Cost Trend Rates

The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 25,378,746	\$ 31,068,208	\$ 38,645,768

#### **Change of Assumptions Since the Prior Measurement Date**

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 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 50% to 40%. This change decreased the total OPEB liability.
- The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change 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.

#### **Note 10. Litigation and Other Contingencies**

The District is a party to various legal actions, none of which is believed by the administration or its legal counsel to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying basic financial statements for such contingencies.

The District participates in a number of federal and state financial assistance programs. These programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

#### **Note 11. Tax Abatements**

The District entered into property tax abatement agreements with local businesses under Texas Tax Code, Title 3, Subtitle B, Chapter 313, Texas Economic Development Act (the Act) beginning August 20, 2013 through April 15, 2014. Under the Act, Texas school districts may grant property tax abatements according to the category of taxable value of property in the District for the preceding tax year. The District is a Category II district, which limits the minimum amount per qualified investment to \$80 million. The qualified property is limited only from maintenance and operation (M&O) property tax. The tax abatement, which is approved by the Texas Comptroller's office and the District's board of trustees, is granted for the purpose of enhancing the local community; improving the public education system; creating high-paying jobs; and advancing economic development goals.

## Sheldon Independent School District

### Notes to the Basic Financial Statements

The agreement was for each local business to invest a minimum capital investment totaling \$80,000,000 within the District's boundaries during a qualifying period and to create jobs. Such investment would be limited to taxable value of the lesser of qualified appraised value or \$80,000,000. The District's tax abatements expire in increments through December 31, 2027.

For the fiscal year ended June 30, 2021, the District foregoes collecting property taxes totaling \$3,458,717 resulting from the M&O tax rate of \$1.0416 per \$100 of taxable value. The qualified properties per the agreements had a taxable value of \$492,058,056 and was limited to a taxable value of \$160,000,000. However, in foregoing the property tax revenue, the District receives state funding through the Foundation School Program funding formula to offset the loss of property tax revenues. In addition, the local business receiving such property tax abatement has committed to compensate the District for the loss of M&O revenue, reimburse the District for all non-reimbursed costs for extraordinary education related expenses not funded by state aid, and compensate the District with a supplemental payment amount of 40% of the net tax benefit not to exceed the aggregate limit in the agreements.

#### **Note 12. Shared Services Agreements**

A shared services arrangement (SSA) exists when two or more local education agencies enter into an agreement for the performance and administration of a program when such arrangement will strengthen the operation of the program. The District is a fiscal agent for a SSA for the Gulf Coast Pipeline Project. The purpose of this grant is to facilitate the goals of the 2020-2021 CTE Perkins Grant to help integrate academic education and Career Technology Education (CTE) through a sequence of courses that are coherent and rigorous in content aligned to the challenging academic standards and relevant technical knowledge and skills needed to prepare students for careers in current and emerging careers; to provide technical skill proficiency, an industry- recognized credential, a certificate, or technical degree; and to provide equitable participation in CTE programs for students who are members of special populations.

#### **Note 13. Nonmonetary Transaction**

During 2021, the District received technology equipment purchased by the State of Texas for the benefit of the District for a purchase price of \$88,875. The District received the technology equipment as part of federal funding for operation connectivity. The technology equipment has been recorded in the amount of \$88,875 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas, passed through Region 4 Education Service Center, and reported on the schedule of federal awards.

## **Required Supplementary Information**

**Sheldon Independent School District**  
 Schedule of Revenues, Expenditures and  
 Changes in Fund Balance – Budget and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2021

**Exhibit G-1**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 55,893,700	\$ 63,261,431	\$ 59,738,971	\$ (3,522,460)
5800	State program revenues	44,837,344	44,094,746	51,195,591	7,100,845
5900	Federal program revenues	4,715,000	3,360,000	1,865,350	(1,494,650)
5020	Total revenues	105,446,044	110,716,177	112,799,912	2,083,735
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	62,845,437	67,959,052	63,546,895	4,412,157
0012	Instructional resources and media services	894,294	895,591	821,455	74,136
0013	Curriculum and instructional staff development	257,667	289,758	156,716	133,042
0021	Instructional leadership	3,210,759	3,633,800	2,742,290	891,510
0023	School leadership	6,034,414	6,195,312	6,025,159	170,153
0031	Guidance, counseling, and evaluation services	2,247,218	2,359,017	2,133,368	225,649
0032	Social work services	40,349	44,349	40,965	3,384
0033	Health services	764,084	791,485	719,499	71,986
0034	Student transportation	6,679,116	6,394,147	5,280,120	1,114,027
0036	Cocurricular/extracurricular activities	2,197,016	2,445,901	2,051,995	393,906
0041	General administration	2,936,717	3,073,453	2,720,163	353,290
0051	Plant maintenance and operations	12,149,811	15,069,976	13,430,483	1,639,493
0052	Security and monitoring services	2,192,889	2,231,585	1,658,987	572,598
0053	Data processing services	1,629,411	1,977,446	1,424,432	553,014
0061	Community services	24,085	25,952	8,587	17,365
Debt service:					
0071	Principal on long-term debt	750,000	750,000	819,194	(69,194)
0072	Interest on long-term debt	31,000	31,000	39,748	(8,748)
Capital outlay:					
0081	Facilities acquisition and construction	861,640	2,709,640	2,369,264	340,376
Intergovernmental:					
0095	Payments to juvenile justice alternative education programs	15,000	15,000	-	15,000
0099	Other intergovernmental charges	600,000	612,000	611,466	534
6030	Total expenditures	106,360,907	117,504,464	106,600,786	10,903,678
1100	Excess (deficiency) of revenues over (under) expenditures	(914,863)	(6,788,287)	6,199,126	12,987,413
<b>OTHER FINANCING SOURCES (USES)</b>					
7912	Sale of real and personal property	20,000	2,051,210	2,035,411	(15,799)
7913	Proceeds from capital leases	-	-	596,718	596,718
7915	Transfers in	-	-	-	-
7949	Other resources	1,552,000	-	-	-
8911	Transfers out	-	(150,000)	(110,000)	40,000
8949	Other uses	(657,137)	(1,215,000)	-	1,215,000
7080	Total other financing sources (uses)	914,863	686,210	2,522,129	1,835,919
7989	Other non-operating revenues	-	97,976	-	(97,976)
1200	Net change in fund balance	-	(6,004,101)	8,721,255	14,725,356
0100	Fund balance - beginning	35,870,105	35,870,105	35,870,105	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 35,870,105</b>	<b>\$ 29,866,004</b>	<b>\$ 44,591,360</b>	<b>\$ 14,725,356</b>

The Notes to the Required Supplementary Information are an integral part of this schedule.

## Sheldon Independent School District

## Exhibit G-2

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan Teacher Retirement System of Texas For the Last Seven Fiscal Years\*

Year	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.06447%	\$ 34,532,064	\$ 43,233,781	\$ 77,765,845	\$ 73,654,473	46.88%	75.54%
2020	0.05722%	\$ 29,746,825	\$ 42,051,975	\$ 71,798,800	\$ 61,646,828	48.25%	75.24%
2019	0.04849%	\$ 26,688,171	\$ 48,041,019	\$ 74,729,190	\$ 57,390,948	46.50%	73.74%
2018	0.05384%	\$ 17,215,912	\$ 26,638,986	\$ 43,854,898	\$ 56,381,175	30.53%	82.17%
2017	0.05768%	\$ 21,795,467	\$ 32,398,523	\$ 54,193,990	\$ 56,838,001	38.35%	78.00%
2016	0.05930%	\$ 20,961,902	\$ 30,914,126	\$ 51,876,028	\$ 54,422,769	38.52%	78.43%
2015	0.03889%	\$ 10,381,059	\$ 25,647,821	\$ 36,028,880	\$ 49,819,013	20.84%	83.25%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available.

**Sheldon Independent School District****Exhibit G-3**

Schedule of the District's Contributions to the  
Teacher Retirement System of Texas Pension Plan  
For the Last Seven Fiscal Years\*

<u>Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 2,940,402	\$ (2,940,402)	\$ -	\$ 79,697,750	3.69%
2020	\$ 2,565,113	\$ (2,565,113)	\$ -	\$ 71,878,515	3.57%
2019	\$ 1,542,451	\$ (1,542,451)	\$ -	\$ 51,149,351	3.02%
2018	\$ 1,777,997	\$ (1,777,997)	\$ -	\$ 57,390,948	3.10%
2017	\$ 1,764,641	\$ (1,764,641)	\$ -	\$ 56,381,175	3.13%
2016	\$ 1,832,559	\$ (1,832,559)	\$ -	\$ 56,838,001	3.22%
2015	\$ 1,755,911	\$ (1,755,911)	\$ -	\$ 54,422,769	3.23%

\* The amounts presented for the fiscal years were determined as of the District's fiscal year end.  
Ten years of data is not available.

**Sheldon Independent School District**

**Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan Teacher Retirement System of Texas For the Last Four Fiscal Years\*

<u>Year</u>	<u>District's Proportion of Net OPEB Liability</u>	<u>District's Proportionate Share of the Net OPEB Liability</u>	<u>State's Proportionate Share of the Net OPEB Liability Associated with the District</u>	<u>Total</u>	<u>District's Covered Payroll</u>	<u>District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
2021	0.08173%	\$ 31,068,208	\$ 41,748,225	\$ 72,816,433	\$ 73,654,473	42.18%	4.99%
2020	0.07369%	\$ 34,850,502	\$ 46,308,521	\$ 81,159,023	\$ 61,646,828	56.53%	2.66%
2019	0.06914%	\$ 34,523,308	\$ 49,079,488	\$ 83,602,796	\$ 57,390,948	60.15%	1.57%
2018	0.00681%	\$ 29,603,039	\$ 43,880,484	\$ 73,483,523	\$ 56,381,175	52.51%	0.91%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available.



**Sheldon Independent School District****Exhibit G-5**

Schedule of the District's Contributions to the  
Teacher Retirement System of Texas OPEB Plan  
For the Last Four Fiscal Years\*

<u>Year</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>District's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2021	\$ 660,341	\$ (660,341)	\$ -	\$ 79,697,750	0.83%
2020	\$ 607,336	\$ (607,336)	\$ -	\$ 71,878,515	0.84%
2019	\$ 445,288	\$ (445,288)	\$ -	\$ 51,149,351	0.87%
2018	\$ 463,378	\$ (463,378)	\$ -	\$ 57,390,948	0.81%

\* The amounts presented for the fiscal years were determined as of the District's fiscal year end.  
Ten years of data is not available.

## Sheldon Independent School District

### Notes to the Required Supplementary Information

#### **Note 1. Budgets and Budgetary Accounting**

The District adopts annual appropriations type budgets for the General Fund, Food Service Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a managerial type budget approved at the fund level by the Board of Trustees upon acceptance of the grants. These grants are subject to Federal, State and locally imposed project length budgets and monitoring through submission of reimbursement reports.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. Supplemental appropriations were made to the General Fund during the fiscal year ended June 30, 2021. Expenditures in function 71 and 72 exceeded budgeted amounts by approximately \$69,194 and \$8,748, respectively. These amounts were for principal and interest payments of capital leases.

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by June 16, 2020. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

The most significant variance between the final budget and actual results are related to state revenues, plant maintenance and operations and instruction expenditures.

#### **Note 2. Net Pension Liability and Net OPEB Liability**

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and net OPEB liability:

**Sheldon Independent School District**  
Notes to the Required Supplementary Information

**Changes in actuarial assumptions and inputs**

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2020	7.250%	7.250%	2.330%
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

**Changes in demographic and economic assumptions**

For Measurement Date August 31, 2018 – Net Pension Liability and Net OPEB Liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

**Changes in benefit terms**

For Measurement Date August 31, 2018 – Net OPEB Liability:

- Changes of benefit terms were made effective September 1, 2017 by the 85<sup>th</sup> Texas Legislature.

**Other changes**

For Measurement Date August 31, 2019 – Net Pension Liability:

- With the enactment of SB3 by the 2019 Texas Legislature, an assumption was 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 based on the actuarial assumptions.

For Measurement Date August 31, 2019 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65.
- The trend rates were reset to better reflect the plan’s anticipated experience.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%.

For Measurement Date August 31, 2018 – Net OPEB Liability:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.

## Supplementary Information

**Sheldon Independent School District**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 Special Revenue Funds  
 June 30, 2021

<u>Data Control Codes</u>		211	224	225
		ESSA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula	IDEA - Part B, Preschool
	<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 22,456	\$ 24,172	\$ 12,000
1120	Current investments	-	-	-
1240	Due from other governments	237,137	170,779	100
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
		<hr/>	<hr/>	<hr/>
1000	<b>TOTAL ASSETS</b>	<u>\$ 259,593</u>	<u>\$ 194,951</u>	<u>\$ 12,100</u>
	<b>LIABILITIES</b>			
2110	Accounts payable	\$ 14,433	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	245,160	194,951	12,100
2300	Unearned revenue	-	-	-
		<hr/>	<hr/>	<hr/>
2000	Total liabilities	259,593	194,951	12,100
	<b>FUND BALANCES</b>			
	Restricted for:			
3450	Grants	-	-	-
	Committed to:			
3545	Other	-	-	-
		<hr/>	<hr/>	<hr/>
3000	Total fund balances	-	-	-
		<hr/>	<hr/>	<hr/>
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 259,593</u>	<u>\$ 194,951</u>	<u>\$ 12,100</u>

240	244	255	263	265	266
National School Breakfast & Lunch Program	Career and Technical - Basic Grant	ESSA, Title II, Part A - Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition & Enhancement	21st Century Grant	Elementary and Secondary School Emergency Relief Funds - CARES Act
\$ 611,722	\$ 15,603	\$ 711	\$ 8,722	\$ 179,791	\$ 1,350
250,789	-	-	-	-	-
501,586	48,007	131,706	36,488	145,922	1,603
-	-	-	-	-	-
96,567	-	-	-	-	-
<u>\$ 1,460,664</u>	<u>\$ 63,610</u>	<u>\$ 132,417</u>	<u>\$ 45,210</u>	<u>\$ 325,713</u>	<u>\$ 2,953</u>
\$ 15,855	\$ -	\$ 3,320	\$ -	\$ 5,744	\$ -
285,019	-	-	-	-	-
6,108	63,610	129,097	45,210	319,969	2,953
14,199	-	-	-	-	-
321,181	63,610	132,417	45,210	325,713	2,953
1,139,483	-	-	-	-	-
-	-	-	-	-	-
<u>1,139,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,460,664</u>	<u>\$ 63,610</u>	<u>\$ 132,417</u>	<u>\$ 45,210</u>	<u>\$ 325,713</u>	<u>\$ 2,953</u>

Sheldon Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Special Revenue Funds - Continued  
June 30, 2021

		274	276	277
<u>Data Control Codes</u>		<u>GEAR UP</u>	<u>Title I School Improvement Program Academy Grant</u>	<u>Governor's Emergency Education Relief Funds - CARES Act</u>
	<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 4,483	\$ -	\$ -
1120	Current investments	-	-	-
1240	Due from other governments	117,549	30,917	-
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	<b>TOTAL ASSETS</b>	<u>\$ 122,032</u>	<u>\$ 30,917</u>	<u>\$ -</u>
	<b>LIABILITIES</b>			
2110	Accounts payable	\$ 55	\$ -	\$ -
2160	Accrued wages payable	-	-	-
2170	Due to other funds	121,977	30,917	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	122,032	30,917	-
	<b>FUND BALANCES</b>			
	Restricted for:			
3450	Grants	-	-	-
	Committed to:			
3545	Other	-	-	-
3000	Total fund balances	-	-	-
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 122,032</u>	<u>\$ 30,917</u>	<u>\$ -</u>

281	283	287	288	289	338
Elementary and Secondary School Emergency Relief Fund II - CRRSA Act	Texas Homeless Youth	ESSA, Title IV, Part A, SSAE	Lone Star STEM Cycle	Federally Funded Special Revenue Funds	Shared Services Arrangements - Career and Technical Education - Quality Work Force
\$ -	\$ 4,499	\$ 9,247	\$ 2,188	\$ 24,115	\$ 1,386
-	-	-	-	-	-
324,965	-	76,663	28,294	8,146	483,845
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 324,965</u>	<u>\$ 4,499</u>	<u>\$ 85,910</u>	<u>\$ 30,482</u>	<u>\$ 32,261</u>	<u>\$ 485,231</u>
\$ -	\$ -	\$ 476	\$ -	\$ -	\$ 31,883
-	-	-	-	-	-
128,839	4,499	63,660	30,482	32,261	453,348
196,126	-	21,774	-	-	-
<u>324,965</u>	<u>4,499</u>	<u>85,910</u>	<u>30,482</u>	<u>32,261</u>	<u>485,231</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 324,965</u>	<u>\$ 4,499</u>	<u>\$ 85,910</u>	<u>\$ 30,482</u>	<u>\$ 32,261</u>	<u>\$ 485,231</u>



Sheldon Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
Special Revenue Funds - Continued  
June 30, 2021

		397	410	428
<u>Data Control Codes</u>		<u>Advanced Placement Incentives</u>	<u>State Textbook Fund</u>	<u>Pre-K Grant 2</u>
	<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 200	\$ 19,421	\$ 80,000
1120	Current investments	-	-	-
1240	Due from other governments	-	-	-
1260	Due from other funds	-	-	-
1300	Inventories	-	-	-
1000	<b>TOTAL ASSETS</b>	<u>\$ 200</u>	<u>\$ 19,421</u>	<u>\$ 80,000</u>
	<b>LIABILITIES</b>			
2110	Accounts payable	\$ -	\$ -	\$ 16,641
2160	Accrued wages payable	-	-	-
2170	Due to other funds	200	19,421	9,438
2300	Unearned revenue	-	-	53,921
2000	Total liabilities	200	19,421	80,000
	<b>FUND BALANCES</b>			
	Restricted for:			
3450	Grants	-	-	-
	Committed to:			
3545	Other	-	-	-
3000	Total fund balances	-	-	-
4000	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 200</u>	<u>\$ 19,421</u>	<u>\$ 80,000</u>

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State Funded Special Revenue Funds	Campus Activity Fund	Total Nonmajor Funds (See Exhibit C-1)
\$ 6,540	\$ 109,741	\$ 1,138,347
-	-	250,789
-	-	2,343,707
-	71	71
-	-	96,567
<u>\$ 6,540</u>	<u>\$ 109,812</u>	<u>\$ 3,829,481</u>
\$ -	\$ -	\$ 88,407
-	-	285,019
2,574	-	1,916,774
3,966	-	289,986
6,540	-	2,580,186
-	-	1,139,483
<u>-</u>	<u>109,812</u>	<u>109,812</u>
<u>-</u>	<u>109,812</u>	<u>1,249,295</u>
<u>\$ 6,540</u>	<u>\$ 109,812</u>	<u>\$ 3,829,481</u>

**Sheldon Independent School District**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds  
For the Fiscal Year Ended June 30, 2021

<u>Data Control Codes</u>		211	224	225
		<u>ESSA, Title I, Part A - Improving Basic Programs</u>	<u>IDEA - Part B, Formula</u>	<u>IDEA - Part B, Preschool</u>
<b>REVENUES</b>				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	2,185,239	1,841,761	18,900
		<hr/>	<hr/>	<hr/>
5020	Total revenues	2,185,239	1,841,761	18,900
<b>EXPENDITURES</b>				
Current:				
0011	Instruction	2,060,895	1,662,493	18,900
0012	Instructional resources and media services	-	-	-
0021	Instructional leadership	75,021	-	-
0031	Guidance, counseling, and evaluation services	-	179,268	-
0035	Food services	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	49,323	-	-
		<hr/>	<hr/>	<hr/>
6030	Total expenditures	2,185,239	1,841,761	18,900
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
		<hr/>	<hr/>	<hr/>
3000	<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240	244	255	263	265	266
National School Breakfast & Lunch Program	Career and Technical - Basic Grant	ESSA, Title II, Part A - Teacher & Principal Training & Recruiting	Title III, Part A, English Language Acquisition & Enhancement	21st Century Grant	Elementary and Secondary School Emergency Relief Funds - CARES Act
\$ 298,990	\$ -	\$ -	\$ -	\$ -	\$ -
149,999	-	-	-	-	-
3,832,124	143,799	301,776	250,577	507,859	1,175,453
<u>4,281,113</u>	<u>143,799</u>	<u>301,776</u>	<u>250,577</u>	<u>507,859</u>	<u>1,175,453</u>
-	143,799	156,783	249,347	507,859	1,172,100
-	-	-	-	-	-
-	-	144,993	-	-	-
-	-	-	-	-	-
5,312,756	-	-	-	-	-
-	-	-	-	-	3,353
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,230	-	-
<u>5,312,756</u>	<u>143,799</u>	<u>301,776</u>	<u>250,577</u>	<u>507,859</u>	<u>1,175,453</u>
(1,031,643)	-	-	-	-	-
<u>2,171,126</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 1,139,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Sheldon Independent School District

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds – Continued  
For the Fiscal Year Ended June 30, 2021

<u>Data Control Codes</u>	274	276	277
	<u>21st Century Grant</u>	<u>Title I School Improvement Program Academy Grant</u>	<u>Governor's Emergency Education Relief Funds - CARES Act</u>
<b>REVENUES</b>			
5700	\$ -	\$ -	\$ -
5800	-	-	-
5900	350,033	30,917	177,750
5020	<u>350,033</u>	<u>30,917</u>	<u>177,750</u>
<b>EXPENDITURES</b>			
Current:			
0011	350,033	30,917	-
0012	-	-	-
0021	-	-	-
0031	-	-	-
0035	-	-	-
0051	-	-	-
0052	-	-	-
0053	-	-	177,750
0061	-	-	-
6030	<u>350,033</u>	<u>30,917</u>	<u>177,750</u>
1200	-	-	-
0100	<u>-</u>	<u>-</u>	<u>-</u>
3000	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

281 Elementary and Secondary School Emergency Relief Fund II - CRRSA Act	283 Texas Homeless Youth	287 ESSA, Title IV, Part A, SSAE	288 Lone Star STEM Cycle	289 Federally Funded Special Revenue Funds	338 Shared Services Arrangements - Career and Technical Education - Quality Work Force
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
128,839	-	111,112	32,482	66,959	669,231
<u>128,839</u>	<u>-</u>	<u>111,112</u>	<u>32,482</u>	<u>66,959</u>	<u>669,231</u>
128,839	-	111,112	32,482	66,959	669,231
128,839	-	37,941	32,482	45,000	669,231
-	-	-	-	-	-
-	-	73,171	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	21,959	-
-	-	-	-	-	-
<u>128,839</u>	<u>-</u>	<u>111,112</u>	<u>32,482</u>	<u>66,959</u>	<u>669,231</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Sheldon Independent School District**

Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds – Continued  
For the Fiscal Year Ended June 30, 2021

		397	410	428
<u>Data Control Codes</u>		<u>Advanced Placement Incentives</u>	<u>State Textbook Fund</u>	<u>Pre-K Grant 2</u>
<b>REVENUES</b>				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	9,263	61,079
5900	Federal program revenues	-	-	-
		<hr/>	<hr/>	<hr/>
5020	Total revenues	-	9,263	61,079
<b>EXPENDITURES</b>				
Current:				
0011	Instruction	-	9,263	61,079
0012	Instructional resources and media services	-	-	-
0021	Instructional leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0035	Food services	-	-	-
0051	Plant maintenance and operations	-	-	-
0052	Security and monitoring services	-	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
		<hr/>	<hr/>	<hr/>
6030	Total expenditures	-	9,263	61,079
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
		<hr/>	<hr/>	<hr/>
3000	<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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State Funded Special Revenue Funds	Campus Activity Fund	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ 38,487	\$ 337,477
208,986	-	429,327
-	-	11,824,811
<hr/>	<hr/>	<hr/>
208,986	38,487	12,591,615
156,917	65,012	7,558,890
-	4,101	4,101
-	-	293,185
-	-	179,268
-	-	5,312,756
-	-	3,353
52,069	-	52,069
-	-	199,709
-	-	50,553
<hr/>	<hr/>	<hr/>
208,986	69,113	13,653,884
-	(30,626)	(1,062,269)
<hr/>	<hr/>	<hr/>
-	140,438	2,311,564
<hr/>	<hr/>	<hr/>
<u>\$ -</u>	<u>\$ 109,812</u>	<u>\$ 1,249,295</u>



**Sheldon Independent School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Fiscal Year Ended June 30, 2021

Year Ended June 30,	Tax Rates		Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	\$ Various	\$ Various	\$ Various
2013	1.0900	0.3400	3,638,719,292
2014	1.1700	0.2600	4,861,681,259
2015	1.1700	0.2600	4,931,143,966
2016	1.1700	0.2400	5,438,701,915
2017	1.1700	0.2400	5,318,091,348
2018	1.1700	0.3000	5,411,504,422
2019	1.1700	0.3000	5,463,206,327
2020	1.0684	0.3800	5,401,138,007
2021 (School year under audit)	1.0416	0.4600	5,178,775,839
<b>1000 TOTALS</b>			

9000 - Portion of row 1000 for taxes paid into Tax Increment Zone Under Chapter 311, Tax Code

Exhibit J-1

<u>Beginning Balance 7/1/2020</u>	<u>Current Year's Total Levy</u>	<u>Maintenance Collections</u>	<u>Debt Service Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 6/30/2021</u>
\$ 534,924	\$ -	\$ 10,535	\$ 3,880	\$ (105)	\$ 520,404
64,115	-	2,482	774	(211)	60,648
67,188	-	3,655	812	412	63,133
218,337	-	7,241	1,609	1,654	211,141
259,719	-	26,854	5,508	(9,887)	217,470
228,189	-	49,784	10,212	(8,510)	159,683
357,248	-	68,165	13,983	(17,170)	257,930
337,344	-	115,489	29,613	(23,100)	169,142
1,988,997	-	601,579	213,965	(852,321)	321,132
-	77,764,498	55,371,423	26,185,601	5,408,617	1,616,091
<u>\$ 4,056,061</u>	<u>\$ 77,764,498</u>	<u>\$ 56,257,207</u>	<u>\$ 26,465,957</u>	<u>\$ 4,499,379</u>	3,596,774
					<u>1,508,175</u>
					<u>\$ 5,104,949</u>
		\$ -	\$ -		

**Sheldon Independent School District**  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balances – Budget and Actual  
 National School Breakfast and Lunch Program  
 For the Fiscal Year Ended June 30, 2021

**Exhibit J-2**

<b>Data Control Codes</b>		<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
		<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 845,055	\$ 533,525	\$ 298,990	\$ (234,535)
5800	State program revenues	135,186	155,186	149,999	(5,187)
5900	Federal program revenues	6,713,353	4,256,968	3,832,124	(424,844)
5020	Total revenues	7,693,594	4,945,679	4,281,113	(664,566)
<b>EXPENDITURES</b>					
Current:					
0035	Food services	8,312,894	6,689,056	5,312,756	1,376,300
6030	Total expenditures	8,312,894	6,689,056	5,312,756	1,376,300
1100	Excess (deficiency) of revenues over (under) expenditures	(619,300)	(1,743,377)	(1,031,643)	711,734
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers in	872,689	1,743,375	-	(1,743,375)
8949	Other uses	(253,389)	-	-	-
7080	Total other financing sources (uses)	619,300	1,743,375	-	(1,743,375)
1200	Net change in fund balance	-	(2)	(1,031,643)	(1,031,641)
0100	Fund balance - beginning	2,171,126	2,171,126	2,171,126	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 2,171,126</b>	<b>\$ 2,171,124</b>	<b>\$ 1,139,483</b>	<b>\$ (1,031,641)</b>

**Sheldon Independent School District**  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balances – Budget and Actual  
 Debt Service Fund  
 For the Fiscal Year Ended June 30, 2021

**Exhibit J-3**

<b>Data Control Codes</b>		<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
		<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 26,600,000	\$ 26,645,000	\$ 26,519,215	\$ (125,785)
5800	State program revenues	130,000	130,000	124,585	(5,415)
5020	Total revenues	26,730,000	26,775,000	26,643,800	(131,200)
<b>EXPENDITURES</b>					
Debt service:					
0071	Principal on long-term debt	11,870,000	11,385,000	11,385,000	-
0072	Interest on long-term debt	14,718,532	14,725,532	14,705,395	20,137
0073	Issuance costs and fees	189,000	189,000	175,110	13,890
6030	Total expenditures	26,777,532	26,299,532	26,265,505	34,027
1100	Excess (deficiency) of revenues over (under) expenditures	(47,532)	475,468	378,295	(97,173)
<b>OTHER FINANCING SOURCES (USES)</b>					
7901	Refunding bonds issued	-	-	6,945,000	6,945,000
7911	Issuance of bonds	-	6,945,000	-	(6,945,000)
7915	Transfers in	47,532	-	-	-
7916	Premium or discount on issuance of bonds	-	1,390,000	1,380,974	(9,026)
8940	Payment to refunded bonds escrow agent	-	(8,810,468)	(8,160,006)	650,462
7080	Total other financing sources (uses)	47,532	(475,468)	165,968	641,436
1200	Net change in fund balance	-	-	544,263	544,263
0100	Fund balance - beginning	10,987,352	10,987,352	10,987,352	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 10,987,352</b>	<b>\$ 10,987,352</b>	<b>\$ 11,531,615</b>	<b>\$ 544,263</b>

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

To the Board of Trustees of  
Sheldon Independent School District  
Houston, Texas

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, the business-type activities, each major fund, and the aggregate remaining fund information of Sheldon Independent School District (the District) as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November XX, 2021.

**Internal Control over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questions costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-004 to be significant deficiencies.

The Board of Trustees of  
Sheldon Independent School District

### **Compliance and Other Matters**

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

### **The District's Response to Findings**

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
November 23, 2020

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance**

To the Board of Trustees of  
Sheldon Independent School District  
Houston, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Sheldon Independent School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended June 30, 2021. 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 the 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* (CFR) 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 the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the 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 fiscal year ended June 30, 2021.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-005. Our opinion on each major federal program is not modified with respect to these matters.



The Board of Trustees of  
Sheldon Independent School District

The District's response to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the 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 the 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 the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questions costs as item 2021-005, that we consider to be a material weakness.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Houston, Texas  
November 23, 2021

Weaver and Tidwell, L.L.P.  
24 Greenway Plaza, Suite 1800 / Houston, Texas 77046  
Main: 713.850.8787

**Sheldon Independent School District**  
 Schedule of Findings and Questioned Costs  
 For the For the Fiscal Year Ended June 30, 2021

**Section 1. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Are any material weaknesses identified?  Yes  No
- Are any significant deficiencies identified?  Yes  No
- Is any noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Are any material weaknesses identified?  Yes  No
- Are any significant deficiencies identified?  Yes  None reported

Type of auditor's report issued on compliance for major federal programs: unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs:

- 10.553, 10.555 and 10.559  
84.425U and 84.425D
  - 21.019
  - 84.048
- Child Nutrition Cluster  
 Elementary and Secondary  
 School Emergency  
 Relief Fund  
 Coronavirus Relief Fund  
 Career and Technical  
 Education (Perkins)

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

- Auditee qualified as a low-risk auditee?  Yes  No

## Sheldon Independent School District

Schedule of Findings and Questioned Costs – Continued  
For the Fiscal Year Ended June 30, 2021

### Section 2. Financial Statement Findings

#### 2021-001: Improper Recording of Grant Revenue and Receivables

##### Type of Finding: Material Weakness in Internal Control over Financial Reporting

###### Criteria:

Management is responsible for the accuracy and completeness of all financial records and related information, for recording entries in the proper period, and for establishing and maintaining effective internal control over financial reporting. The existence of a material misstatement of an entity's financial statements is an indication of a material weakness in internal control.

###### Condition and Context:

During the audit, it was determined certain grant revenue and receivables and federal expenditures were not properly recorded in the financial statements. The District did not record grant revenue and receivables totaling approximately \$378,000. The District also did not identify approximately \$89,000 of Operation Connectivity grant revenue and expenditures that should have been recorded through the recording of in-kind revenues and expenditures. The District also improperly reported revenues in the Elementary and Secondary School Emergency Relief Fund III – ARP of \$88,875, see additional information in 2021-005. These errors were identified through audit procedures and corrected by management.

###### Cause:

During the fiscal year ended June 30, 2021, reconciliations were not maintained for certain grant funds and the District failed to recognize revenue and in-kind revenue in the general fund and non-major governmental funds for allowable grant expenditures that were recorded in each respective fund.

###### Effect or Potential Effect:

Material misstatement of the District's financial statements was not prevented or detected and corrected by the District's system of internal control.

###### Recommendation:

We recommend the District maintain reconciliations of grant funds and review all grant agreements to ensure revenues agree with allowable grant expenditures incurred and recorded in each respective fund.

Repeat Finding: Repeat finding of 2020-001.

###### Views of Responsible Officials and Planned Corrective Action Plan

See corrective action plan.

#### 2021-002: Improper Recording of Accounts Payable

##### Type of Finding: Material Weakness in Internal Control over Financial Reporting

###### Criteria:

Management is responsible for the accuracy and completeness of all financial records and related information, for recording entries in the proper period, and for establishing and maintaining effective internal control over financial reporting. The existence of a material misstatement of an entity's financial statements is an indication of a material weakness in internal control.

###### Condition and Context:

During the audit it was determined that accounts payable in the District's capital projects fund were misstated by \$99,000, net, due to recording expenditures in the improper period.

## Sheldon Independent School District

Schedule of Findings and Questioned Costs – Continued

For the Fiscal Year Ended June 30, 2021

### Cause:

The District failed to record approximately \$257,000 in accounts payable for services rendered during fiscal year 2021. The District also improperly recorded approximately \$158,000 in accounts payable for expenditures related to fiscal year 2022.

### Effect or Potential Effect:

Material misstatement of the District's financial statements was not prevented or detected and corrected by the District's system of internal control.

### Recommendation:

We recommend the District review its internal control procedures over accounts payable to ensure controls are in place to identify and record all transactions in the proper period.

### Views of Responsible Officials and Planned Corrective Action Plan:

See corrective action plan

## **2021-003 Capital Leases not Recorded**

### **Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

### Criteria

Management is responsible for the accuracy and completeness of all financial records and related information, for recording entries in the proper period, and for establishing and maintaining effective internal control over financial reporting. The existence of a misstatement of an entity's financial statements is an indication of a deficiency in internal control.

### Condition and Context:

During the audit it was determined that the District's other financing sources and capital outlay expenditures were understated.

### Cause:

The District failed to record capital leases entered into during the year, resulting in adjustments to other financing sources (proceeds from leases) and capital outlay of approximately \$597,000.

### Effect or Potential Effect:

A misstatement of the District's general fund financial statements was not prevented or detected and corrected by the District's system of internal control.

### Recommendation:

We recommend the District review its internal control procedures over leases to ensure controls are in place to identify and record all capital lease transactions appropriately.

## **2021-004 General Controls – Information Technology**

### **Type of Finding: Significant Deficiency in Internal Control over Financial Reporting**

### Criteria

Management is responsible for the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial statements. This includes the design, implementation and maintenance of internal controls related to the District's information systems.

## Sheldon Independent School District

Schedule of Findings and Questioned Costs – Continued  
For the Fiscal Year Ended June 30, 2021

### Condition and Context:

During the fiscal year ended June 30, 2021, the District failed to maintain off site storage and media backups. Additionally, formal testing to restore Skyward data from the SKYFIN database was not performed.

### Cause:

The District's data backup and restoration testing procedures were not properly designed to prevent potential data loss.

### Effect or Potential Effect:

The District is at risk for data loss if its on-site data backups are compromised or fail. The District is also at risk for data loss due to its lack of periodic testing of its data restoration procedures.

### Recommendation:

We recommend the District utilize off site storage and media backups disconnected from the network to mitigate risks to having only backup data on-site and ensure availability. We also recommend that the District periodically (at least annually) perform a restoration test of Skyward backup data to ensure backup data can be restored in events when backup data is needed.

### Views of Responsible Officials and Planned Corrective Action Plan

See corrective action plan.

## Section 3. Federal Award Findings and Questioned Costs

### Finding 2021-005

#### Information on Federal Program:

Assistance Listing 84.425U – Elementary and Secondary School Emergency Relief Fund III (ESSER III)

United States Department of Education

Pass-Through Entity: Texas Department of Education

Award Number: 212528001101924

Compliance Requirements: Allowable Costs/Cost Principles

Type of Finding: Material Weakness in Internal Control Over Compliance and Noncompliance  
(Questioned Costs over \$25,000 for a Major Program)

### Criteria

As a condition of receiving Federal awards, non-Federal entities agree to comply with laws, regulations and the provisions of grant agreements and contracts, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

The Department of Education established "allowable costs/cost principles" compliance requirement applicable to ESSER III which stipulates that direct costs be specifically identified and that operating agencies not receive duplicate payments for said costs.

### Condition:

During the fiscal year ended June 30, 2021, the District did not have effective internal controls over compliance with the allowable costs/cost principles requirement described above. The District requested reimbursement from the ESSER III for \$88,875 in expenditures that had previously been reimbursed from the Coronavirus Relief Fund.

### Cause:

The District did not have adequately designed controls in place to ensure compliance with the allowable costs/cost principles requirement.

## Sheldon Independent School District

Schedule of Findings and Questioned Costs – Continued  
For the Fiscal Year Ended June 30, 2021

Effect or Potential Effect:

The District was not in compliance with the allowable costs/cost principles requirement.

Questioned Costs:

\$88,875

Context:

Of the approximately \$3.28 million reimbursed from the ESSER III, \$88,875 in expenditures claimed for reimbursement were previously claimed in another federal program. This was identified as a result of our audit procedures and the District adjusted the reported expenditures in Fund 282 to reduce expenditures by this amount, and record the balance as "unearned revenue" as of June 30, 2021.

Repeat Finding:

No

Recommendation:

We recommend that the District review its internal controls over compliance to ensure controls are suitably designed and are in place to prevent, or detect and correct, noncompliance with applicable compliance requirements.

Views of Responsible Officials and Planned Corrective Action Plan

See corrective action plan.

Sheldon Independent School District  
Schedule of Findings and Questioned Costs – Continued  
For the Fiscal Year Ended June 30, 2021

Section 4. Schedule of Prior Audit Findings and Questioned Cost

## SHELDON INDEPENDENT SCHOOL DISTRICT

### Summary of Prior Year Findings and Questioned Costs

#### 2020-001: Lack of Account Reconciliation of Grant Funds:

Partially corrected.

Based on Finding 2021-001, additional measures are implemented to capture and record all Grant Revenues and Expenses in the correct fiscal year, and to reconcile receivables for prior year as well as current year. In-Kind donations and sporadic state grants received during the current year caused this repeated occurrence. Please refer to Corrective Action Plans for Finding 2021-001.

#### 2020-002: PEIMS Reporting:

This deficiency occurred in conjunction with FY change in 2019, with 10 months data reported through PEIMS. The District is reporting 12 months data since 2020, in accordance with TEA guidance. No repeated findings in 2021.

#### 2020-003: Internal Control over Financial Reporting Information Technology:

The District has made improvements in cyber security and backup plans. Cyber security insurance has been increased to cover any financial loss. Please refer to corrective action plan 2021-003 in regard to off-site backup implementation process.

#### 2020-004: Information on Federal Program:

This deficiency is in concurrence with finding 2020-002 and related to FY changes. No repeated findings in 2021.

#### 2020-005: Information of Federal Program:

The District has made improvements in maintaining time and effort documents. No repeated similar findings noted in 2021.

#### Board of Trustees

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Erika Martinez, Secretary  
Latricia Archic, Member  
Ken Coleman, Member  
Devora Myles, Member  
Fred Rivas, Member

Dr. King Davis  
Superintendent of Schools

11411 C. E. King Parkway  
Houston, Texas 77044-2009  
281-727-2000 • Fax: 281-727-2085

# SHELDON INDEPENDENT SCHOOL DISTRICT

## Corrective Action Plans

### 2021-001: Improper Recording of Grant Revenue and Receivables

CFO shall implement a process to gather information on all grants applied for and received by the District.

1. Administrative directive to all administrators involved with budget responsibility to coordinate grant applications through the office of grant compliance.
2. Quarterly review and update on grant status with administrators involved with grant process.
3. Finance Assistant shall propose adjusting journal entries after identifying any grant revenue and related receivables to be recorded towards FY end.

Anticipated Completion Date: December 10, 2021  
Contact Person: Abraham George, CFO

### 2021-002: Improper Recording of Accounts Payable

The Business Office shall implement additional procedures to verify payments to make sure they are posted to the correct fiscal year.

1. Business Manager or CFO shall verify all checks processed to make sure that the payments are posted to the correct fiscal year.
2. Proposed journal entries based on the check verification shall be approved by the CFO.

Anticipated Completion Date: December 10, 2021  
Contact Person: Abraham George, CFO

### 2021-003: Capital Leases not Recorded

The Business Office shall implement procedures to account for capital leases based on GASB requirements.

1. CFO and Purchasing Agent shall review all the lease agreements of the District.
2. Purchasing Agent shall propose adjusting journal entries to account for capital leases as required.

Anticipated Completion Date: February 25, 2022  
Contact Person: Abraham George, CFO

#### Board of Trustees

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Superintendent of Schools

11411 C. E. King Parkway  
Houston, Texas 77044-2009  
281-727-2000 • Fax: 281-727-2085



**2021-004: General Controls – Information Technology**

Director of Technology shall implement off-site backups as recommended.

1. Review of the current backup process and identify options that will accommodate off-site backups.
2. Recommend new backup process for approval.
3. Implement the new backup process and test the system as needed.

Anticipated Completion Date: April 30, 2022

Contact Person: Brian Martinez, Director of Technology

**2021-005: Information of Federal Program**

Reclassification of payments between funds caused this compliance issue. The Business Office shall implement additional scrutiny of all reclassification journal entries made to other grant funds.

1. Finance Assistant shall prepare any reclassification journal entries for any grant funds.
2. Detailed description, including purchase order number / vendor name / employee name / period of service are to be provided on the reclassifying document.
3. The Business Office shall keep a folder with all reclassification journal entries for future reference.
4. Proposed journal entries shall be reviewed and approved by the CFO before posting into the finance system.

Anticipated Completion Date: December 10, 2021

Contact Person: Abraham George, CFO

**Sheldon Independent School District**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2021**

**Exhibit K-1**

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Child Nutrition Cluster:			
Passed Through State Department of Education:			
National School Breakfast Program	10.553	71402001	\$ 26,458
National School Breakfast Program	10.553	71402101	<u>756,615</u>
Total	10.553		783,073
National School Lunch Program	10.555	71302001	44,288
National School Lunch Program	10.555	71302101	1,601,836
Passed Through State Department of Agriculture:			
COVID-19 - School Programs Emergency Operational Cost Reimbursement Program	10.555	806780706	317,266
National School Lunch Program - Non-Cash Assistance	10.555	806780706	<u>373,137</u>
Total	10.555		2,336,527
COVID-19 - Summer Food Service Program	10.559	806780706	407,335
Summer Food Service Program	10.559	806780706	<u>142,606</u>
Total	10.559		<u>549,941</u>
Total Child Nutrition Cluster			3,669,541
COVID-19 - CACFP Emergency Operational Cost Reimbursement Program	10.558	806780706	34,710
Child and Adult Care Food Program	10.558	806780706	<u>127,873</u>
Total	10.558		<u>162,583</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>3,832,124</u>
<b>U.S. DEPARTMENT OF THE TREASURY</b>			
Passed Through Texas Division of Emergency Management:			
COVID-19 - Coronavirus Relief Fund	21.019	2020-CF-21019	69,031
Passed Through State Department of Education:			
COVID-19 - Remote Learning Operation Connectivity (Harris County)	21.019	39312101	44,437
COVID-19 - Remote Learning Operation Connectivity	21.019	52202002	44,438
Passed Through Education Service Center Region 4:			
COVID-19 - Remote Learning Operation Connectivity - Non-Cash Assistance	21.019	N/A	<u>88,875</u>
Total	21.019		<u>246,781</u>
<b>TOTAL U.S. DEPARTMENT OF THE TREASURY</b>			<u>246,781</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	20610101101924	246,681
ESEA Title I, Part A - Improving Basic Programs	84.010A	21610101101924	<u>1,977,998</u>
Total	84.010A		2,224,679
Special Education Cluster (IDEA):			
IDEA - Part B, Formula	84.027A	206600011019246600	291,534
IDEA - Part B, Formula	84.027A	216600011019246600	<u>1,584,048</u>
Total	84.027A		1,875,582
IDEA - Part B, Preschool	84.173A	216610011019246610	<u>18,900</u>
Total Special Education Cluster (IDEA)			1,894,482

**Sheldon Independent School District**  
 Schedule of Expenditures of Federal Awards - Continued  
 For the Fiscal Year Ended June 30, 2021

**Exhibit K-1**

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
Career and Technology - Carl D. Perkins Basic Grant	84.048	20420006101924	8,422
Career and Technology - Carl D. Perkins Basic Grant	84.048	21420006101924	76,320
Perkins Reserve	84.048	204200287110104	65,480
CTE Perkins Reserve Grant	84.048	214200287110010	<u>680,652</u>
Total	84.048		830,874
Texas Gear Up Grant	84.334S	195111017110005	105,599
Texas Gear Up Grant	84.334S	205111017110005	<u>250,269</u>
Total	84.334S		355,868
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	20671001101924	88,381
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	21671001101924	<u>166,075</u>
Total	84.365A		254,456
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	21694501101924	302,307
Instructional Continuity	84.377A	17610740101924	31,655
Lone Star STEM Cycle	84.411B	203929047110007	33,258
Title IV, Part A, Subpart 1	84.424A	20680101101924	21,774
Title IV, Part A, Subpart 1	84.424A	21680101101924	<u>91,987</u>
Total	84.424A		113,761
COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	20521001101924	1,285,522
COVID-19 - CRSSA ESSER II Prior Purchase Reimbursement Program	84.425D	52102135	<u>128,839</u>
Total	84.425D		1,414,361
COVID-19 - Elementary and Secondary School Emergency Relief Fund III - ARP	84.425U	212528001101924	<u>3,199,018</u>
Total Education Stabilization Fund			4,613,379
Restart Hurricane Recovery	84.938A	18511701101924	21,959
Passed Through Harris County Department of Education: Title IV, Part B 21st Century Community Learning Centers	84.287C	S287C190044	<u>507,859</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			11,184,537
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
477 Cluster: Passed Through Harris County Department of Education: Child Care and Development Fund	93.596	2820CCMC24	<u>45,000</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			45,000
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed Through Texas Department of Public Safety FEMA - Disaster Grants	97.036	4332-2801	(1,213,062)
FEMA - Disaster Grants	97.036	4332-2801	<u>348,316</u>
Total	97.036		<u>(864,746)</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<u>(864,746)</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 14,443,696</u>

## Sheldon Independent School District

### Notes to Schedule of Expenditures of Federal Awards

#### Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the fiscal year ended June 30, 2021. The information in this schedule is presented in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

The District accounts for all awards under federal programs in the General Fund and certain Special Revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. 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 these 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 liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

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. Generally, unused balances are returned to the grantor at the close of specified project periods. National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation. Coronavirus Relief Fund Operation Connectivity grant non-cash technology equipment donation is recorded as its estimated market value at the time of donation.

#### Note 2. De Minimis Cost Rate

The District has elected not to use the 10% de minimis indirect cost rate as allowed under Uniform Guidance.

#### Note 3. Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and Federal revenues reported on Exhibit C-2:

Total expenditures of federal awards per Exhibit K-1	\$	14,443,696
SHARS		621,979
E-Rate		111,175
FEMA reimbursement		1,213,062
Federal interest subsidy		217,750
		<hr/>
<b>Total federal revenues per Exhibit C-2</b>	<b>\$</b>	<b>16,607,662</b>

## **Sheldon Independent School District**

### Notes to Schedule of Expenditures of Federal Awards

#### **Note 4. Disaster Grants – Public Assistance (97.036)**

The accompanying schedule of expenditures of federal awards includes \$348,316 of grant expenditures approved by FEMA in the current period that were incurred in a prior fiscal year. Additionally, FEMA adjusted awards previously approved which required the District refund \$1,213,062 in grant funding received in a prior fiscal year.

**Sheldon Independent School District**  
 Schedule of Required Responses to  
 Selected School FIRST Indicators (Unaudited)  
 For the For the Fiscal Year Ended June 30, 2021

**Exhibit L-1**

<u>Data Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered <b>to not have made</b> timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	Yes
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 108,913